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



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Legal and Regulatory Services /  
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Ask for / Gofynnwch am: Ruth Ronan

Our ref / Ein cyf:  
Your ref / Eich cyf:

**Date / Dyddiad:** 15 Mehefin 2014

Dear Councillor,

**AUDIT COMMITTEE**

A meeting of the Audit Committee will be held in Committee Rooms 2/3 on **Dydd Mercher, 18 Mehefin 2014** at **2.00 pm**.

**AGENDA**

1. Election of Chairperson.
2. Election of Vice Chairperson.
3. To receive apologies for absence (to include reasons, where appropriate) from Members/Officers.
4. To receive declarations of personal and prejudicial interest (if any) from Members/Officers in accordance with the provisions of the Members' Code of Conduct adopted by Council from 1 September 2008.
5. To receive for approval the minutes of a meeting of the Audit Committee held on 10 April 2014. 3 - 10
6. Information and Action Requests by Committee 11 - 28
7. Completed Audits 29 - 40
8. Annual Opinion Report of the Head of Internal Audit for the Period April 2013 to March 2014 41 - 64
9. Annual Governance Statement 2013-14 65 - 104
10. Statement of Accounts 2013-14 105 - 226
11. Wales Audit Office - Annual Improvement Report (AIR) on Bridgend County Borough Council May 2014 227 - 256

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12. Anti-Money Laundering Policy 257 - 278
13. Forward Work Programme 2014-15 279 - 282
14. To consider any item(s) of business in respect of which notice has been given in accordance with Part 4 (paragraph 4) of the Council Procedure Rules and which the person presiding at the meeting is of the opinion should by reason of special circumstance be transacted at the meeting as a matter of urgency.

Yours faithfully

**P A Jolley**

Assistant Chief Executive Legal and Regulatory Services

**Distribution:**

Councillors:

E Dodd  
G Davies  
GW Davies MBE  
CA Green  
RC Jones  
JE Lewis

Councillors

JR McCarthy  
M Reeves  
C Westwood  
HM Williams  
RE Young  
Brackla Community Council

Councillors

Cefn Cribwr  
M Gregory  
Garw Valley  
Llangynwyd Middle  
DK Edwards

Officers

Adele Ahearne  
Brenda Stone  
Claire Howells  
James Ferris  
Emma Samways

Helen Smith  
Judith Brooks  
Kerry Price  
Corporate Director -  
Communities  
Karin Thomas

Chief Accountant  
Nigel Smith  
Corporate Director -  
Resources & Section 151  
Officer

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOM 2/3, CIVIC OFFICES, ANGEL STREET, BRIDGEND ON THURSDAY, 10 APRIL 2014 AT 2.00PM

Present:

Councillor E Dodd - Chairperson

Councillors

G Davies  
G W Davies MBE  
C A Green

Councillors

R C Jones  
J E Lewis  
J R McCarthy

Councillors

M Reeves  
C Westwood

Councillors

E Venables  
H M Williams

Lay Member: Mrs J Williams

Officers:

H Smith - Chief Internal Auditor  
M Williams - Chief Accountant  
D Gilbert - Audit Director - KPMG  
R Ronan - Democratic Services Officer - Committees

103 APOLOGIES FOR ABSENCE

None.

Councillor M Reeves advised that he would be leaving the meeting early to attend a medical appointment.

104 MINUTES OF PREVIOUS MEETINGS

RESOLVED: That the minutes of the meeting of the Audit Committee held on the 19 January 2014 were approved as a true and accurate record.

105 DECLARATIONS OF INTEREST

None.

106 AUDIT COMMITTEE - CERTIFICATION OF GRANTS AND RETURNS 2012-13

The Audit Director - KPMG presented a report to the Committee the purpose of which is to advise on the external auditors report on the grant work undertaken for 2012-13.

He explained that as the appointed auditors of the Council, KPMG are asked on behalf of the Auditor General for Wales to certify larger grant claims made by the Council. For 2012/13 they audited 31 grant claims and returns with a total value of £151m. A summary of all claims and returns subject to certification is provided within the report at Appendix 1 the results are summarised in paragraph 4.2 of the report.

The Audit Director - KPMG advised that overall they concluded that the Council has good arrangements in place for the production and submission of its 2012/13 grant claims. There is some scope for improvement and this is detailed in the "Recommendations" section of Appendix 1, these recommendations will be followed

up on during the 2013/14 audit. It should be noted however that these were not significant recommendations just a fine tuning of current procedures.

A Member of the Committee requested Internal Audit's comments on the external audit report.

The Chief Internal Auditor explained that Internal Audit do not as part of their remit look at the grants examined as part of this report as from an Internal Audit perspective this would be seen as duplication. Internal Audit would however look at the systems and controls that supported the grant administration.

The Committee questioned whose responsibility it would be to implement the suggested improvements.

The Audit Director - KPMG advised that as detailed on page 14, 15 and 16 of Appendix 1 a responsible officer is allocated for each comment.

The Chief Accountant explained that as part of the Annual Governance Statement each external audit recommendation would be looked at and incorporated within the review.

RESOLVED: That Members noted the content of the External Auditor's report on the grant work undertaken for 2012-13 and noted the authorised signatories list as set out in Appendix 2.

107 AUDIT COMMITTEE EXTERNAL AUDIT ANNUAL FINANCIAL AUDIT OUTLINE 2013-14

The Audit Director - KPMG presented a report to the Committee the purpose of which is to submit the External Auditor's Annual Financial Audit outline for 2013-14 for noting.

He explained that the outline has been prepared to meet the requirements of the auditing standards and proper audit practices and sets out KPMG's work to be undertaken for 2013-14. The document is attached at Appendix 1.

The Audit Director - KPMG advised that a summary of main audit risks and proposed responses are listed on page 8 of the appendix. He explained that the Local Government Pension Scheme for Rhondda Cynon Taf County Borough Council of which Bridgend County Borough Council is a member has undergone a triennial valuation. This will require a large volume of data being provided to one actuary and, KPMG will liaise with the Appointed Auditor for the Pension Fund and test the accuracy of the data relating to Bridgend. There were no other significant risks identified for the period.

In terms of other work undertaken the Audit Director - KPMG drew the Committee's attention to the risk area, in relation to Catalogue Supplies Service Joint Committee and Coychurch Crematorium Joint Committee detailed on page 10 paragraphs 19-22 of the appendix. He assured the Committee that these areas have only been identified as risks due to the nature of their business; Catalogue Supplies is a sales based concern and the Crematorium's income is anticipated to rise above the £1m threshold this year and will therefore require a full audit.

The Audit Director - KPMG explained that he was currently unable to provide the Committee with an estimate of the audit fee for 2013 - 14 as the fee scale has not yet been finalised. He advised that he would report back when fees have been set.

A Member of the Committee asked if in relation to the Crematorium's income any work had previously been carried out on the accounts.

The Audit Director - KPMG responded that a full set of accounts have been produced previously the difference this year is that they will be examined by the external auditor. The Chief Internal Auditor advised that as part of the annual plan internal audit would look at the control environment.

The Committee asked if KPMG were concerned about the risk of "Material Mistreatment due to Fraud" detailed in paragraph 20 of appendix.

The Audit Director - KPMG explained that they were not concerned but they were obliged to consider this a risk due to the fact that fraud around revenue could be perpetrated as Catalogue Supplies is a business that generates stock and income. The suggestion is not that fraud is being undertaken but that the Audit Plan recognises this as an inherent risk.

A Member commented that as the Authority's representative on the Catalogue Supplies Service Joint Committee he could assure Members that there was always a vigorous challenge by the partner Authorities on the financial statements and a definite audit trail.

The Committee asked if the Authority was putting itself at risk by entering into a contract with the external auditors when the fees were not finalised.

The Audit Director - KPMG explained that the Authority's external auditors were appointed by the Auditor General and that this was a statutory function not contractual. The Welsh Audit Office consulted widely across Wales on fee levels therefore local Authorities would have a general idea of the level of financial commitment.

The Chief Accountant asked the committee if they would like the financial summary for the Joint Committees to be included in the Statement of Accounts which are to be considered at its September meeting. The Committee agreed that it would be useful to incorporate this information.

RESOLVED: That the Committee reviewed and noted the content of the report.

108 ANTI-FRAUD AND BRIBARY POLICY

The Chief Accountant presented a report to the Committee the purpose of which is to present the draft Anti-Fraud and Bribery Policy before it is taken to Cabinet for approval. She explained that the Audit Committee were responsible for monitoring Council policies on anti-fraud and anti-corruption arrangements as part of its Terms of Reference. The Policy is also an integral part of the Council's overall governance framework.

The Chief Accountant advised that the existing policy is out of date and therefore needed revision to include the effects of the Bribery Act 2010. The draft policy recognises that the Council, as a large organisation is at risk of loss due to fraud and corruption both from within the Council and outside it. The Policy demonstrates that

the Council is firmly committed to dealing with fraud, corruption and bribery and encouraging a culture of openness and fairness.

The draft policy is shown at Appendix A and the Chief Accountant advised that the key points of the policy are designed to encourage prevention, promote direction, ensure effective investigation where fraud or corruption has occurred and prosecute offenders where appropriate. The role of the Audit Committee is outlined in paragraph 5.17 of the Policy and includes a periodic review.

A Member of the Committee noted that the Policy had been up-dated to reflect legislative changes and asked for clarification as to which parts of the Policy were new.

The Chief Accountant advised that the new Policy contained more detail about rules and procedures and the responsibilities the Monitoring Officer. The Audit Committee role and terms of reference have also been updated.

The Chief Internal Auditor explained that a significant insertion was paragraph 2.6 - Corruption/Bribery.

A Member commented that paragraph 2.8 which details money laundering states that the Authority's Anti-Money Laundering Policy is in the process of being updated, they questioned whether this would then be presented to the Audit Committee. The Chief Accountant answered that the Policy would be updated to reflect the new guidance and presented to the Audit Committee at its June meeting before receiving Cabinet approval. The Forward Work Programme will be updated to reflect this.

A Member noted that Gifts and Hospitality was not covered in the Policy. The Chief Accountant responded that this would be added before presentation to Cabinet. She advised that the approved document would then be placed on the intranet for staff to view and a learning module would also be produced.

RESOLVED: That the Committee:-

- (1) Noted the draft Anti-Fraud and Bribery Policy (Appendix A).
- (2) Noted that the Policy will be presented to Cabinet for approval.

109 INFORMATION AND ACTION REQUESTS BY COMMITTEE

The Chief Internal Auditor presented a report to the Committee which summarised for Members the actions and information requests made by the Audit Committee at its last meeting on the 16 January 2014.

She advised Members that a summary of actions and information provided is contained in the table at paragraph 4.1.

RESOLVED: That the Committee noted the report.

110 AUDIT COMMITTEE TERMS OF REFERENCE

The Chief Internal Auditor presented a report to the Committee which detailed for Members the amendments to the Audit Committee's Terms of Reference.

She explained that the proposed amendments are necessary to ensure that the Audit Committee's Terms of Reference are aligned to those outlined in the CIPFA publication "Audit Committees" - Practical Guidance for Local Authorities and Police 2013 Edition. This document represents CIPFA's view of best practice for Audit Committees and recognises that they are a key component of governance.

The Chief Internal Auditor informed Members that the amended terms of reference will be presented to Council at a future meeting for approval, following which the Constitution will be amended accordingly. She advised that the amendments are shown in Appendix 1 as track changes for ease of reference.

A Member of the Committee asked for clarification on the "Regulatory Programme". The Chief Internal Auditor advised that this was the old name for what is currently referred to as the "Improvement Programme" and she would arrange for the wording to be updated accordingly.

The Committee asked if our External Auditors had carried out an assessment of Internal Audit. The Audit Director - KPMG responded that they annually provide assurance that they can "rely on the work of internal audit", an assessment of all the work carried out by Internal Audit was not however one of their core responsibilities.

RESOLVED: That the Committee:-

- (1) Noted the amended Terms of Reference attached as Appendix.
- (2) Noted that the amended Terms of Reference will be presented to Council for approval.

111 COMPLETED AUDITS

The Chief Internal Auditor presented a report to the Committee to summarise for Members the findings of the audits recently completed by the Internal Audit Shared Service. These are shown at Appendix A.

A Member queried if Sundry Debtors is outsourced. The Chief Accountant advised that there is a central Sundry Debtors Team in the Resources Directorate with devolved functions throughout other departments i.e. highways.

The Committee commented that the 57% response rate to the school governance questionnaires was disappointing and suggested that rather than a sample the questionnaire could have been sent to all Chairs of Governors. The Chief Internal Auditor noted the Committees comments.

A Member asked for an update on the Parking Enforcement Shared Service Agreement between Bridgend and the Vale of Glamorgan. The Chief Internal Auditor explained that this has now been signed by the Vale of Glamorgan and is with Bridgend's Legal Department.

A Member noted that the Foundation Phase Grant Audit had been finalised in July 2013 and asked why this had not been considered by the Committee earlier. The Chief Internal Auditor explained that it was simply an oversight and apologised that this had not been reported to the Committee earlier.

A Member asked why Internal Audit had carried out a review of the Foundation Phase Grants when KPMG reported on the grant work undertaken by the Authority in 2012-13.

The Chief Internal Auditor explained that the threshold for the work carried out by the external auditors was over £100,000 and this was set by the Auditor General. Although the figure for the Foundation Phase Grants was 4.3m this was comprised of smaller grants across schools.

RESOLVED: That Members gave due consideration to the completed audits report to ensure that all aspects of their core functions are being adequately reported.

112 INTERNAL AUDIT SHARED SERVICE SELF-ASSESSMENT AGAINST THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

The Chief Internal Auditor presented a report to the Committee, the purpose of which is to inform Members of the results of the assessment of the Internal Audit Shared Service function against the Public Sector Internal Audit Standards (PSIAS), effective from 1 April 2013.

She explained that from 1 April 2013, Internal Audit has been working the Public Sector Internal Audit Standards which the Audit Committee endorsed at their meeting on the 23 January 2013. The PSIAS are applicable to all areas of the United Kingdom public sector and is based on the Chartered Institute of Internal Auditors (CIIA'S) international professional practices framework.

The Chief Internal Auditor advised that she had undertaken a self-assessment to demonstrate the extent to which the Internal Audit Shared Service complied with the PSIAS and to identify areas where further work was required to demonstrate compliance. A summary of the assessment findings is attached at Appendix A and highlights where the existing service complies and where action is required to address areas of current non-compliance.

The Chief Internal Auditor explained that the results of her assessment were that Internal Audit were fully compliant with 8 of the standards and partially compliant with the remaining three. She advised Members that part of our compliance to the Standards is to arrange for an external assessment to be carried out at least once every five years. Consideration is currently being given to how this assessment can be delivered and it will be reported to the Audit Committee for a decision at the appropriate time.

The Committee asked if there would be a financial cost to the Authority for this assessment and questioned when the five year period begins.

The Chief Internal Auditor answered that the assessment would have to be carried out by the financial year 2019/20 but the Audit Committee can decide that they want it at any time within the cycle. There would be an unavoidable cost and once the Audit Committee made the decision to go ahead costings would be sought.

RESOLVED: (1) That Members noted compliance with the PSIAS and commented on the areas where compliance has not yet been achieved.

(2) That Members noted the actions and suggested timeframe required to ensure compliance with the PSIAS.



113 INTERNAL AUDIT SHARED SERVICE CHARTER 2014-15

The Chief Internal Auditor presented a report to the Committee advising Members of the Council's Internal Audit Shared Service Charter for 2014/15 which is attached at Appendix A.

She explained that the Audit Committee approved the first Internal Audit shared Service Charter 2013/14 at their meeting held on 21 March 2013. The PSIAS requires the Head of Audit to review the Charter periodically but final approval resides with the Audit Committee.

The Chief Internal Auditor advised that she has only made minor amendments/updates and these include:-

- The change of designation for the Section 151 Officer from the Assistant Chief Executive - Performance to the Corporate Director - Resources;
- Changes to highlight the implementation of the Quality Assurance and Improvement Programme.

A Member noted that at paragraph 2.8 it states that Internal Audit staff will adopt an innovative approach to their work, she asked for clarification as to what this means on a day to day basis.

The Chief Internal Auditor explained that staff were expected to think broadly, not to be blinkered, not to make recommendations for the sake of making recommendations and always think about the impact of their recommendation on the Service.

RESOLVED: That the Committee considered and approved the Internal Audit Shared Service Charter for 2014/15 as attached to the report.

114 DRAFT INTERNAL AUDIT STRATEGY AND ANNUAL RISK BASED AUDIT PLAN APRIL 2014 TO MARCH 2015

The Chief Internal Auditor presented a report to the Committee the purpose of which is to advise them of the Council's draft Internal Audit Strategy and draft Annual Risk based Audit Plan for the year April 2014 - March 2015.

She explained that there were some corrections to be made to the appendix: At paragraph 7.1 it should read "the contingency is set at 70 days" and at paragraph 7.2 "the time allocated (50 days) is reserved to cover any such eventuality".

The Chief Internal Auditor advised that she had met with Directors and Heads of Service to discuss possible risk areas and assessed work carried out over previous years. The plan that has been proposed therefore is considered to be the most appropriate and covers the highest risks facing the Council at this time.

She explained that staff resources were reduced from the previous year, from 22 down to 18. As previously reported to the Committee in January, outturn was falling short by 90 days, staff have however worked very hard and reduced this to 14 days. The 1,310 productive days in the new plan is therefore considered achievable although sickness levels have increased recently and this may have an impact on workloads.

A Member of the Committee asked for a context in which the plan is generated.

The Chief Internal Auditor answered that the starting point for the plan is to look at the Corporate Priorities of the Council overall and the high profile risks (listed on page 8). Information is also fed in through an information management system which holds all the budget codes and details of work that has previously been undertaken. Risk scores are updated based on a review of this rolling database. A report is run and looks at the risk score and date of last audit, there is also always a link back to the corporate risks, for example the change management programme is currently a priority and may have an impact on internal controls. The risk register is also considered and any new risks are entered onto the information management system. The use of resources also links into how the audit brief, objectives and scope is put together.

A Member commented that the risk register is a live evolving document. The Chief Internal Auditor confirmed that it was and therefore the Audit plan is also flexible. She also advised that the service level risk registers are taken into consideration.

A Member questioned if there was any indication of priority within the plan.

The Chief Internal Auditor answered that this can be done after discussion with the Directors and Heads of Service. Audits were undertaken to ensure the minimum of disruption for the service area concerned. It was agreed that she would provide the Committee with an indication of schedules/times at its meeting on 18 June.

RESOLVED: That the Committee considered and approved the draft Internal Audit Strategy and draft Annual Risk Based Audit Plan for 2014/15.

115 FORWARD WORK PROGRAMME - 2013/14

The Chief Internal Auditor presented a report to the Committee to update them on the 2013 - 2014 Forward Work Programme for the Audit Committee, this is shown at Appendix A.

RESOLVED: That Members gave due consideration to the updated 2013-14 Forward Work Programme to ensure that all aspects of their core functions are being adequately reported.

116 PROPOSED FORWARD WORK PROGRAMME - 2014/15

The Chief Internal Auditor presented a report to the Committee to inform them of the proposed Forward Work Programme for 2014-15.

It was agreed to add the Treasury Management Strategy to the meeting on 15 January 2015. The Anti-Money Laundering Policy would be added to the 18 June meeting and the Anti-Bribery the November meeting.

RESOLVED: That Members gave due consideration to the proposed 2014-15 forward work programme and schedule of agenda items to ensure that all aspects of their core functions are being adequately reported.

The meeting closed at 3.50pm

## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO AUDIT COMMITTEE

**18<sup>th</sup> JUNE 2014**

#### REPORT OF THE CORPORATE DIRECTOR – RESOURCES

#### INFORMATION AND ACTION REQUESTS BY COMMITTEE

**1. Purpose of Report**

1.1 To summarise for Members the actions and information requests made by the Audit Committee at its last meeting on 10<sup>th</sup> April 2014.

**2. Connection to Corporate Improvement Objectives / Other Corporate Priorities**

2.1 Internal Audit’s work impacts on all of the Corporate Improvement Objectives and other Corporate Priorities.

**3. Background**

3.1 Internal Audit conducts reviews according to an annual audit plan and reports findings to Audit Committee.

**4. Current situation / proposal**

4.1 A summary of actions and information provided is contained in the following table:

| Audit Committee Date        | Action /Request   | Officer Responsible | Comment  | Current Status |
|-----------------------------|---|---------------------|--|----------------|
| 10 <sup>th</sup> April 2014 | When discussing the Anti-Fraud and Bribery Policy, a Member commented that paragraph 2.8 which details money laundering states that the Authority’s Anti-Money Laundering Policy is in the process of being updated, they questioned whether this would then be presented to the Audit Committee. | Chief Accountant    | On the agenda for the meeting of 18 <sup>th</sup> June. FWP update as agreed with Members. | Submitted      |

|                             |  |     |  |           |
|-----------------------------|--|-----|--|-----------|
|                             | The Chief Accountant answered that the Policy would be updated to reflect the new guidance and presented to the Audit Committee at its June meeting before receiving Cabinet approval.   |     |  |           |
| 10 <sup>th</sup> April 2014 | A Member questioned if there was any indication of priority within the plan.<br>The Chief Internal Auditor answered that this can be done after discussion with the Directors and Heads of Service. Audits were undertaken to ensure the minimum of disruption for the service area concerned. It was agreed that she would provide the Committee with an indication of schedules/times at its meeting on 18 June. | CIA | Updated Plan attached with this report for Members information providing proposed timings for audit reviews. | Submitted |

**5. Effect upon Policy Framework & Procedure Rules.**

5.1 None

**6. Equality Impact Assessment.**

6.1 There are no equality implications.

**7. Financial Implications.**

7.1 There are no financial implications regarding this report.

**8. Recommendation.**

8.1 That the Committee notes this report.

**Ness Young  
Corporate Director - Resources**

**18<sup>th</sup> June 2014**

**Contact Officer:** Helen Smith  
Chief Internal Auditor

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**Email:** [internalaudit@bridgend.gov.uk](mailto:internalaudit@bridgend.gov.uk)

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Partneriaeth Pen-y-Bont a'r Fro  
Bridgend & Vale Partnership  
working together - gweithio ar y cyd



**INTERNAL AUDIT SHARED SERVICE  
ANNUAL RISK BASED AUDIT PLAN**

**2014 – 2015**

**Bridgend CBC**

**Table 1 – Productive Resource Availability & Utilisation April 2014 to March 2015 – Draft Proposals.**

| <b>Resources Available</b>   | <b>Total Days</b> |
|--|-------------------|
| Total Productive days Available  | <b>1,310</b>      |
| <b>Time Allocated to Audit Work</b>  | 1,310             |
| Resources  | <b>365</b>        |
| <ul style="list-style-type: none"> <li>• Finance</li> <li>• Human Resources</li> <li>• Governance</li> <li>• ICT</li> <li>• Property</li> </ul>                                    |                   |
| Legal and Regulatory Services  | <b>85</b>         |
| <ul style="list-style-type: none"> <li>• Legal Services</li> <li>• Regulatory</li> </ul>   |                   |
| Children (Including Schools)   | <b>215</b>        |
| <ul style="list-style-type: none"> <li>• Learning</li> <li>• Strategy, Partnerships &amp; Commissioning</li> <li>• Safeguarding &amp; Family Support</li> <li>• Schools</li> </ul> |                   |
| Communities  | <b>125</b>        |
| <ul style="list-style-type: none"> <li>• Regeneration and Development</li> <li>• Streetscene</li> </ul>  |                   |
| Wellbeing  | <b>125</b>        |
| <ul style="list-style-type: none"> <li>• Adult Social Care</li> <li>• Healthy Living</li> </ul>  |                   |
| Cross Cutting  | <b>255</b>        |
| External   | <b>20</b>         |
| Contingency – unplanned  | <b>70</b>         |
| Contingency – Fraud and Error  | <b>50</b>         |
| <b>OVERALL TOTAL</b>   | <b>1,310</b>      |



**INTERNAL AUDIT SHARED SERVICE DRAFT ANNUAL PLAN 2014 -2015**

Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment which encompasses the systems of governance, risk management and internal control, by evaluating its effectiveness in achieving the organisation's objectives. It examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. The Annual Plan has been formulated to ensure compliance with the Public Sector Internal Audit Standards (PSIAS) which have been effective since 1<sup>st</sup> April 2013

**Performance / Resources**

| <b>Area</b>                   | <b>Corporate Risk</b> | <b>Audit Scope</b>  | <b>QTR (s)</b> | <b>Total Days</b> |
|-------------------------------|-----------------------|---|----------------|-------------------|
| <i>Core Financial Systems</i> | RA1;<br>RA2;<br>RA3.  | <p><b>Full system and compliance audits to provide assurance over the effectiveness of the Council's Core Financial Systems that are material to the production of the Council's accounts and are assessed as high priority including:</b></p> <ul style="list-style-type: none"> <li>• <b>Council Tax – Council Tax Reduction Scheme</b></li> <li>• <b>Benefit Administration,</b></li> <li>• <b>Income Management,</b></li> <li>• <b>Creditor Payments/Accounts Payable,</b></li> <li>• <b>Debtors/Accounts Receivable,</b></li> <li>• <b>Business Rates,</b></li> <li>• <b>Cash,</b></li> <li>• <b>Budget Monitoring &amp; Reporting,</b></li> <li>• <b>Budget Setting,</b></li> <li>• <b>Treasury Management,</b></li> <li>• <b>General Ledger.</b></li> </ul> <p>(this list is not exhaustive)</p> | <i>2 to 4</i>  | <i>120</i>        |
| <i>ICT</i>                    | RA2.                  | <p><b>To review the operation, efficiency and effectiveness of the Council's Information and Security governance arrangements.</b></p> <p><b>To review the operation, efficiency and effectiveness of the Council's ICT Asset Management;</b></p> <p><b>To provide assurance that adequate controls are in place in relation to Business Continuity;</b></p> <p><b>To provide assurance that adequate</b></p>   | <i>1 to 4</i>  | <i>110</i>        |

|                        |  |   |               |           |
|------------------------|--|---|---------------|-----------|
|                        |  | <p>controls are in place in relation to the “Halarose” system. In addition, to ensure that adequate arrangements are in place for the introduction of Individual Electoral Requirements (IER).</p> <p>To review the operation, efficiency and effectiveness of Mobile Device Management to ensure that adequate safeguards are in place and operating.</p> <p>To review the efficiency and effectiveness of the MS Enterprise Agreement (is the Council using its IT innovatively; is IT fully utilising its assets and working smarter).</p> <p>To provide assurances on the controls surrounding the efficient and effective use of Secure Email and file Transfer.</p> <p>To follow up on the Government Connect (PSN) submission to ensure any tasks / actions identified are being implemented in or to provide assurance on compliance.</p> |               |           |
| <i>Property</i>        | RA2                                    | To review the Non-Operatives Estates Strategy to provide assurance on its effective management.   | <i>1</i>      | <i>15</i> |
|                        |  | To review Building Maintenance to ensure that internal controls continue to operate effectively   | <i>1</i>      | <i>10</i> |
|                        |  | Review of the CRC Energy Efficiency Scheme footprint and annual reports and evidence pack.  | <i>1</i>      | <i>15</i> |
| <i>Human Resources</i> | RA1;<br>RA2;<br>RA3;<br>RA11;<br>RA14. | Payroll – To review the operation, efficiency and effectiveness of the Council’s payroll system. A systems based approach will be utilised considering key risk exposure and controls. The review will examine HR records to ensure the completeness and accuracy of the establishment, HR records and contractual evidence surrounding Starters and Leavers. The approach will include continuous  | <i>1 to 4</i> | <i>70</i> |

|                               |              |  |   |     |
|-------------------------------|--------------|--|---|-----|
|                               |              | <p>auditing of key controls throughout the year using techniques such as data mining.</p> <p>An audit of staff expenses will be undertaken to ensure the new system processes and controls are operating effectively focussing on risk areas across the Council.</p> <p>The Agency Contract will be reviewed to provide an assessment of compliance to the processes and procedures surrounding the contract.</p> <p>To assess the operational controls in place relating to DBS to ensure they are efficient and effective and in accordance with the policies and procedures set out, including whether arrangements provide documentary evidence that DBS disclosures have been obtained where appropriate and results appropriately evaluated.</p> |   |     |
| CCSU /CCTV                    | RA13         | To review the effectiveness of the CCTV operation throughout the Borough, the review will include the operation, efficiency and effectiveness of the Lone Worker Monitoring system.  | 2 | 10  |
| Financial Assessments Reviews | RA2;<br>RA4. | To review the effectiveness of the assessment process to support effective management of risks through appropriate controls.   | 3 | 15  |
|                               |              | <i>Overall Total – Resources</i>   |   | 365 |

Legal and Regulatory Services

| Area   | Corporate Risk | Audit Scope  | QTR (s) | Total Days |
|--|----------------|--|---------|------------|
| <i>Procurement</i>                                     | RA2;<br>RA3    | Review of the Council's corporate framework for procurement cards. To include compliance with the Council's policies and procedures including Contract Procedure Rules and relevant legislation.   | 3       | 15         |
|  |                | Examine procurement and commissioning activities, concentrating on the commissioning of services including spot purchase. In addition a sample of contractors will be selected to assess whether goods, services and works are procured at competitive prices in line with the Council's Financial and Contract Procedure Rules and to assess the effectiveness of arrangements for ensuring goods and services are appropriately delivered and charged. | 3       | 40         |
| Licencing  | RA2;<br>RA3.   | To review the effectiveness of controls in relation to taxi licencing, this will include providing assurance on the compliance with safeguarding.  | 2       | 10         |
| Money Laundering                                       | RA3.           | To review the statutory obligations under the Proceeds of Crime Act and Money Laundering Regulations and assess whether those arrangements are sufficiently imbedded in the Council's policies and procedures to mitigate the risk of failure to comply with this legislation.   | 1       | 10         |
| Legal Expenditure                                      | RA3            | To review the effectiveness of controls and a clear division of duties is evident in the procurement of supplies and services within Legal Services.   | 2       | 10         |
| <b>Overall Total – Legal &amp; Regulatory Services</b> |                |  |         | <b>85</b>  |

Children's Directorate

| Area                                    | Corporate Risk | Audit Scope   | QTR (s) | Total Days |
|---|----------------|---|---------|------------|
| Education Grants (WAG)                  | RA2;<br>RA7.   | To certify that education grants are fairly stated and in accordance with their grant conditions.   | 2       | 15         |
| Programme of School visits.             | RA2.           | Compliance with approved policies and procedures. The schools selected for review will be identified through a risk assessment so that resources are targeted towards the higher risk schools and aligned to the IASS four year rolling programme of visits. In addition, the programme will be aligned to any Estyn inspections due. | 1 to 4  | 80         |
|   |                | To provide the Corporate Director Children with an overall School summary report on the findings, conclusions and general themes at the conclusion of the IASS programme of school visits.  | 2       | 5          |
| Looked After Children                   | RA6            | To review the effectiveness of controls in particular the overall strategy and the arrangements in place for making placements and VFM arrangements for looked after children. The review will also include a review of how the recommendations from the workwise programme have been implemented.                                    | 3       | 15         |
| Early Years Intervention and Prevention | RA6;<br>RA7.   | To verify the effective targeting and delivery of preventative and early intervention services. Are measures being taken effective? Are identified risks being managed? Is there a joined up approach?  | 4       | 10         |
| School Places                           | RA6.           | A review to assess the adequacy of arrangements to plan for increased / decreased pupil numbers. To include a review of: the robustness of pupil number projections. Plans to decrease / create places. The review will be linked to the School   | 1       | 15         |

|                                   |            |   |                |            |
|-----------------------------------|------------|---|----------------|------------|
|                                   |            | <b>Modernisation and planning programme.</b>  |                |            |
| <b>Learner Transport Project</b>  |            | <b>To review the overall governance arrangements surrounding this programme.</b>  | <b>1</b>       | <b>15</b>  |
| <b>Inter Authority Placements</b> | <b>RA6</b> | <b>To review the controls in place for pupils placed into and out of county schools. Follow up on previous audit reports where concerns have been raised.</b>   | <b>3</b>       | <b>10</b>  |
| <b>Basic Skills</b>               | <b>RA7</b> | <b>The review the policies, procedures and processes developed to support the Basic Skills initiative to ensure outcomes are achieved.</b>  | <b>3</b>       | <b>20</b>  |
| <b>Deficit and Balances</b>       | <b>RA2</b> | <b>To review the Schools deficit and surplus balances to ensure compliance with the Council's policies and procedures.</b>  | <b>3</b>       | <b>10</b>  |
| <b>Directorate Savings Plan</b>   | <b>RA2</b> | <b>A review of financial models and budget monitoring to ensure that plans to achieve the savings targets are robust and achievable and that progress towards achievement of these targets is monitored. The review will also include the impact in the reduction of services on the Council's overall control environment.</b> | <b>2 and 4</b> | <b>20</b>  |
|                                   |            | <b>Overall Total - Children's</b>   |                | <b>215</b> |

### Communities Directorate

| <b>Area</b>                   | <b>Corporate Risk</b> | <b>Audit Scope</b>  | <b>QTR (s)</b> | <b>Total Days</b> |
|-------------------------------|-----------------------|---|----------------|-------------------|
| <b>Homelessness</b>           | <b>RA1.</b>           | <b>Arrangements support reduction in the use of temporary accommodation. In addition, to evaluate the procedures and processes in place to address any impact as a result of Welfare Reform.</b>                      | <b>3</b>       | <b>15</b>         |
| <b>Section 106 Agreements</b> | <b>RA2</b>            | <b>The review will assess and verify that all requirements are met in relation to Section 106 Agreements. Review process for arriving at commuted sums and the control environment surrounding S106 negotiations.</b> | <b>3</b>       | <b>15</b>         |

|   |                     |   |   |    |
|---|---------------------|---|---|----|
| Home to School Transport                  | RA2                 | To follow up on the 2013/14 audit, to review the effectiveness of the controls for the provision of Home to school transport and ensure that previous recommendations have been fully implemented.  | 1 | 5  |
| Waste Contract Management                 |                     | To review the contract arrangements for Waste Management; this review will include an examination of the robustness of Contract Management.   | 1 | 15 |
| Special Regeneration Projects             |                     | To review the effectiveness of the control environment relating to budget management.   | 2 | 10 |
| Sign Shop                                 | RA2                 | To review the effectiveness of the control environment and to ensure that the provision of the Council's Sign Shop is providing Value for Money.  | 1 | 10 |
| Highways Maintenance / Winter Maintenance | RA10                | A contract management review of the highways contract(s) to ensure targets are being met, there is adequate control over programme / schedule of inspections and that payments are made in accordance with the contract and only for approved and completed works.  | 1 | 15 |
| Supporting People                         | RA4<br>RA6;<br>RA12 | To review the overall policies and responsibilities for the "Supporting People" programme and monitoring of providers. Examine and test arrangements for evaluating applications for support, authorisation of service provision, processing of payments / income and review budget management processes. | 2 | 20 |
|   |                     | To provide the necessary assurance under the certification process for Welsh Government.  | 3 | 10 |
| Parks and Grounds Maintenance             | RA2                 | To review the effectiveness of the control environment on the handling of cash within Parks and Grounds Maintenance.  | 1 | 5  |
| Houses to Homes Grant                     | RA2;<br>RA12        | To review the procedures and processes in place and to ensure the   | 2 | 5  |

|  |  |   |  |            |
|--|--|---|--|------------|
|  |  | effectiveness of the control environment. |  |            |
|  |  | <b>Overall Total - Communities</b>        |  | <b>125</b> |

**Wellbeing Directorate**

| <b>Area</b>                   | <b>Corporate Risk</b>        | <b>Audit Scope</b>  | <b>QTR (s)</b> | <b>Total Days</b> |
|-------------------------------|------------------------------|---|----------------|-------------------|
| <b>Section 117 Process</b>    | <b>RA4;<br/>RA6</b>          | <b>To review the impact to the Council in relation to Section 117. The audit will examine the procedures and processes in place for the after care of those people who fall under Section 117. To identify any weaknesses in the current procedures and ensure that the costs of provision are equally apportioned in accordance with any agreements with ABMU.</b> | <b>1</b>       | <b>20</b>         |
| <b>Mental Capacity Act</b>    | <b>RA4;<br/>RA6</b>          | <b>To review the procedures and processes in place to ensure the Council is compliant with the requirements of the Act and to ensure the Deprivation of Liberty Safeguards have been incorporated.</b>  | <b>4</b>       | <b>25</b>         |
| <b>Occupational Therapist</b> | <b>RA2;<br/>RA4;<br/>RA6</b> | <b>To review the procedures and processes for referrals to Occupational Therapists. To review the overall waiting times, examine processes to ensure an efficient and effective service delivery.</b>   | <b>4</b>       | <b>15</b>         |
| <b>Access to records</b>      | <b>RA2;</b>                  | <b>To review the procedures and processes in place for the sharing of data with health and 3<sup>rd</sup> party organisations. This will be combined with an overall cross cutting review of the Council's protocols for sharing data and ensuring compliance with DP.</b>  | <b>3</b>       | <b>15</b>         |
| <b>Continuing Health Care</b> |                              | <b>To review the arrangements in place for the provision of Continuing Health Care to ensure that robust processes and procedures are in place and sound governance is evident.</b>   | <b>2</b>       | <b>15</b>         |



|                                     |                               |   |                |            |
|-------------------------------------|-------------------------------|---|----------------|------------|
| <b>Home Care / Domiciliary Care</b> | <b>RA2;<br/>RA4;<br/>RA6.</b> | <b>Review the processes and procedures for paying Home / Domiciliary Care to external providers and verify that providers are only paid for the hours delivered, non-delivery is reported. How do we know care plans are realistic? That the rate is correct? And that the supplier is completing the work which is billed for. Verify what spot checks on service delivery are undertaken.</b> | <b>2</b>       | <b>20</b>  |
| <b>Assessment Framework</b>         | <b>RA2;<br/>RA4;<br/>RA6.</b> | <b>Changes to working practices which is linked to the overall savings proposals will result in budgets being devolved to team managers to make them more accountable. Internal Audit will provide a critical friend role / Health check during the development of these changes.</b>   | <b>4</b>       | <b>10</b>  |
| <b>Regional Transport Grant</b>     | <b>RA2</b>                    | <b>To validate the return relating to the Regional Transport Grant.</b>   | <b>1 and 4</b> | <b>5</b>   |
|                                     |                               | <b>Overall Total – Wellbeing</b>  |                | <b>125</b> |

#### Cross Cutting, External & Contingencies

| <b>Area</b>                                | <b>Corporate Risk</b> | <b>Audit Scope</b>   | <b>QTR (s)</b> | <b>Total Days</b> |
|--|-----------------------|--|----------------|-------------------|
| <b>Follow Up</b>                           | <b>RA2</b>            | <b>To undertake follow up work on the recommendations made during 2013/14 audit year to ensure that management have implemented those of high risk.</b>  | <b>2 to 4</b>  | <b>15</b>         |
| <b>Assurance from External Inspections</b> | <b>RA2</b>            | <b>Undertake a review of the External Inspection reports issued during the year to ensure recommended actions are being addressed and to inform the overall annual opinion on assurance, risk management</b> | <b>3</b>       | <b>10</b>         |

|                                       |   |   |                        |           |
|---------------------------------------|---|---|------------------------|-----------|
|                                       |   | and governance arrangements throughout the Council.   |                        |           |
| <b>Capital Projects</b>               | <b>RA2;<br/>RA3;<br/>RA5;<br/>RA8;<br/>RA10</b> | <b>To select a sample of ongoing Capital Projects to ensure expenditure is spent in line with the Capital Programme that clearly identifiable governance arrangements are in place and compliance with Contract Procedure Rules. This review will be ongoing throughout the year.</b>   | <b>1<br/>and<br/>3</b> | <b>40</b> |
| <b>Audit Committee</b>                | <b>RA2;<br/>RA3.</b>                            | <b>To ensure that the Audit Committee is serviced in accordance with its Terms of Reference including the production and presentation of relevant reports on the work undertaken by Internal Audit Shared Service.</b>  | <b>1 to<br/>4</b>      | <b>50</b> |
| <b>Corporate Governance Framework</b> | <b>All Risks</b>                                | <b>Annual review of overall governance to assess the adequacy across the Council including an assessment of the Council's Code of Corporate Governance.</b>   | <b>3<br/>and<br/>4</b> | <b>20</b> |
| <b>Business Continuity Management</b> | <b>All Risks</b>                                | <b>To review the effectiveness of arrangements in place for how the Council prepares for recovery from a major incidence to ensure continuity of service.</b>   | <b>1</b>               | <b>10</b> |
| <b>Breaches of Standards.</b>         | <b>All Risks</b>                                | <b>Given the Information Commissioner's increased powers to fine organisations up to £500K, the Council needs to ensure that data is being treated in accordance with the standards. The review will examine the efficiency and effectiveness of the arrangements in place for data quality / security. This review will also be linked to Access to Records, Secure Email and transfer of files.</b> | <b>2</b>               | <b>15</b> |

|  |                      |   |                   |            |
|--|----------------------|---|-------------------|------------|
| <b>Bridgend Change Programme, MTFs and Risk Management</b> | <b>All Risks</b>     | <b>Whilst recognising the need to generate savings, there is also a need to ensure that gaps in controls in key risk areas do not emerge as a result of transformation. We will review the overall governance and risk management arrangements for the Council's transformation programme and undertake an assessment of whether there is effective central co-ordination of key projects across the Council and whether the objectives of these individual projects are aligned with each other.<br/>A review of financial models and budget monitoring to ensure that plans to achieve the savings targets are robust and achievable and that progress towards achievement of these targets is monitored.</b> | <b>2 to 4</b>     | <b>25</b>  |
| <b>CRSA</b>  | <b>RA2;<br/>RA3.</b> | <b>To continue to utilise the use of Control Risk Self-Assessments across the Council and review and evaluate responses received (including Schools).</b>   | <b>1 to 4</b>     | <b>20</b>  |
| <b>NFI</b>   | <b>RA2;<br/>RA3.</b> | <b>To oversee the National Fraud Initiative and to ensure that all relevant matches are dealt with accordingly.</b>   | <b>1, 2 and 4</b> | <b>15</b>  |
| <b>13/14 Audit close down</b>                              |                      | <i>Finalising 13/14 audits which remain outstanding as at the financial Year end.</i>   | <b>1</b>          | <b>15</b>  |
| <b>Advice &amp; Guidance</b>                               |                      | <i>To provide ongoing advice and guidance during the year on any specific, relevant matter across all Directorates.</i>   | <b>1 to 4</b>     | <b>20</b>  |
|  |                      | <b>Overall Total – Cross Cutting</b>  |                   | <b>255</b> |
| <b>External</b>  | <b>RA2</b>           | <b>County Borough Supplies and Crematorium</b>  | <b>2 and 3</b>    | <b>20</b>  |
| <b>Contingency for Unplanned Work</b>                      | <b>All Risks</b>     | <b>The pace of change across the Council continues to be rapid</b>  | <b>1 to 4</b>     | <b>70</b>  |

|  |                  |  |               |           |
|--|------------------|--|---------------|-----------|
|  |                  | due to the need to react quickly and positively to the changes in government funding and how the Council applies that funding to its services. This continued pace of change requires Internal Audit to ensure that changes continue to be prioritised and necessary controls in respect of the changes in service delivery are implemented on a timely basis. Therefore, the provision of this contingency allows for time to be allocated as necessary to react in a timely manner to these rapid changes and requests from management for assistance. |               |           |
| <b>Contingency for Fraud and Error</b> | <b>All Risks</b> | The provision of this contingency allows Internal Audit to be reactive to allegations of suspected fraud and corruption.   | <b>1 to 4</b> | <b>50</b> |

|                           |                     |
|---------------------------|---------------------|
| <b><u>GRAND TOTAL</u></b> | <b><u>1,310</u></b> |
|---------------------------|---------------------|

## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO AUDIT COMMITTEE

18<sup>th</sup> JUNE 2014

### REPORT OF THE CORPORATE DIRECTOR - RESOURCES

#### COMPLETED AUDITS

#### **1. Purpose of Report.**

1.1. To summarise for members the findings of the audits recently completed by Internal Audit Shared Service.

#### **2. Connection to Corporate Improvement Objectives / Other Corporate Priority.**

2.1. Internal Audit's work impacts on all the Corporate Improvement Objectives/other Corporate Priorities.

#### **3. Background**

3.1. Internal Audit conducts reviews according to an annual audit plan and reports findings to Audit Committee.

#### **4. Current situation / proposal.**

4.1. Recently completed audits are summarised in Appendix A attached to this report.

4.2 Members are invited to raise any issues on these audits or to request the production of a fuller report at the next meeting.

#### **5. Effect upon Policy Framework & Procedure Rules.**

5.1. None

#### **6. Equality Impact Assessment.**

6.1 There are no equality implications.

#### **7. Financial Implications.**

7.1. None

#### **8. Recommendation.**

8.1. That Members give due consideration to the completed audits report to ensure that all aspects of their core functions are being adequately reported.

**Ness Young**  
**Corporate Director - Resources**  
**18<sup>th</sup> June 2014**

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**Background documents**

Internal Audit reports relating to the above audits held within the Internal Audit Division

Completed Audits

| Report                 | System Overview   | Work Finalised | Audit Days | Key Messages  | Audit Opinion | Key Action Plan Dates |
|------------------------|---|----------------|------------|---|---------------|-----------------------|
| Purchasing Cards       | <p>The Welsh Purchasing Card (WPC) is a procurement initiative designed to create efficiencies and savings across the Authority. Purchasing Cards are held by a number of departments and schools across the Authority to facilitate purchasing especially on-line.</p> <p>The current framework arrangement for the WPC with the RBS Group expired on the 31st March 2014. A new agreement with Barclaycard commenced in April and will be subject to an audit review this year.</p> | March 2014     | 20 days    | <p>Tight controls were found to be in existence regarding the issuing of cards and PIN numbers, with supporting training provided to all new card holders. System controls prevent cardholders authorising their own transactions. Overall, it was felt that the purchase card programme is well managed by the Senior Procurement Officers, whose knowledge and expertise was demonstrated throughout the audit review.</p> <p>The majority of recommendations made as a result of this review relate to areas outside of their control. Namely, cardholder and supervisor reviews not taking place in a timely manner, increasing the risk of any fraudulent transactions going undetected. Furthermore on a number of occasions VAT had been incorrectly calculated / claimed and VAT receipts were not always retained.</p> | Reasonable    | April 2014            |
| Shared Lives Follow Up | The Shared Lives Scheme supports adult placements for service   | April 2014     | 10 days    | The auditor found that there was an overall improvement in the monitoring of the carers and service   | Limited       | June 2014             |

|                            |  |            |         |   |            |            |
|----------------------------|--|------------|---------|---|------------|------------|
|                            | <p>users with a learning disability who need support to live independent lives. The placements are provided by individual carers or families in the community, who share their homes and family life with the service users. The carers receive a regular payment for providing this care and in return are expected to comply with the Authority's requirements for standards of care and the terms and conditions of service provision, including Financial Regulations.</p> <p>This review was a follow up to a previous Limited Assurance report in this area.</p> |            |         | <p>users documentation, although there are still outstanding requirements for key documentation from the previous audit which include vetting checks, agreements and key Health and Safety documentation.</p> <p>It was noted that on numerous occasions the Manager of the Shared Lives Service had unsuccessfully tried to obtain documentation from a small number of service users. The most critical being a DBS check. The Manager of the service had raised these issues in November 2013 with Senior Management.</p> <p>Since the completion of the audit, the Manager has confirmed that the family involved has now complied and a DBS check is in place.</p> |            |            |
| Supported Living Follow Up | The Supported Living Service supports people with learning disabilities in staffed houses within the community. The manager of the service is supported by team leaders who are responsible for the day to day management of the settings and the  | April 2014 | 10 days | Four of the five significant recommendations made in the original audit report had been implemented. These related to compliance with regulations to carry out monitoring visits, monitoring of CRB / DBS checks of staff and taking action prompt enough prior to expiry, a review of finance schedules and the reconciliation of  | Reasonable | April 2014 |



|                                       |  |            |         |  |             |            |
|---------------------------------------|--|------------|---------|--|-------------|------------|
|                                       | <p>supervision of the social care workers in the service.</p> <p>This review was a follow up to a previous Limited Assurance report in this area.</p>  |            |         | <p>payments to third party providers.</p> <p>One recommendation remains outstanding, namely, obtaining confirmation as to the ownership and treatment of funds in the Utilities Account. If monies held in this account are to be considered as Service User's savings, then they should be included in any benefit calculation.</p>   |             |            |
| Members Payments, Gifts & Hospitality | <p>Remuneration for the 54 Members is paid by means of twelve equal monthly payments via the Trent payroll system, expenses for mileage; travelling and subsistence are also paid via the payroll system following submission of validated manual claim forms. In 13/14 £920,000 was paid in remuneration and £3352 in mileage and subsistence claims.</p> | April 2014 | 15 days | <p>During the Audit a number of strengths were identified:</p> <ul style="list-style-type: none"> <li>• Claim forms sampled were fully completed and had been signed by both a verifier and an independent authoriser.</li> <li>• Claim forms contained sufficient detail and were supported by valid VAT receipts to justify Member's expense claims.</li> <li>• Staff administering expenses and Members claiming expenses receive sufficient guidance on how to submit and process expense claims.</li> <li>• Up to date declarations of interest were on file for all Members and had been retained in an organised manner.</li> </ul> <p>Only minor recommendations were made including declaring hospitality prior to acceptance / attendance to ensure advice on potential conflicts of interest is sought.</p> | Substantial | April 2014 |

|                                      |  |                   |                |   |                    |            |
|--------------------------------------|--|-------------------|----------------|---|--------------------|------------|
| <p>Job Evaluation Implementation</p> | <p>An audit of the Job Evaluation process was undertaken in 2011 at which time it was concluded that the effectiveness of the internal control environment was reasonable.</p> <p>The current audit centred on the implementation stage with specific reference to</p> <ul style="list-style-type: none"> <li>• Correct assimilation of posts onto the new structures.</li> <li>• Back pay and Pay Protection calculations</li> <li>• Correct set up of the various elements within Trent.</li> <li>• Payments in relation to Essential car users allowance, shift allowance, bonus payments, etc. have ceased.</li> <li>• Compromise agreements (COT3's) and Written Statements of Particulars are in place where appropriate.</li> </ul> | <p>April 2014</p> | <p>19 days</p> | <p>During the current audit it was confirmed that on-going issues in relation to appeals and the review of honorarium payments were nearing completion.</p> <p>It was also confirmed that there were in the region of 370 Written Statements of Particulars (WSOPs) which had not been signed and returned by the employees. In an effort to bring this issue to a conclusion, responsibility for pursuing these outstanding WSOPs has been assigned to relevant Group Managers.</p> <p>No recommendations were made.</p> | <p>Substantial</p> | <p>N/A</p> |
|--------------------------------------|--|-------------------|----------------|---|--------------------|------------|

|                            |  |            |         |  |         |                |
|----------------------------|--|------------|---------|--|---------|----------------|
| Telecare                   | <p>The Telecare Services was developed by BCBC in 2006 using capital grant funds. The grant funding was used to buy the large amount of required stock needed to initialise the service.</p> <p>BCBC Telecare Services work in partnership with Carmarthenshire Council who operate the contact hub for all calls received from the lifeline equipment based in client's property. Calls are fielded back through to the BCBC response teams where appropriate action is taken.</p> <p>Since the service began it has become very successful with a client base of nearly 1500 and is increasing rapidly due to its continued success.</p> | April 2014 | 20 days | <p>Strengths were found in relation to communication between the Telecare Team and the Finance Officers. This was proven to be clear and open.</p> <p>However a number of significant recommendations were made in respect of:</p> <ul style="list-style-type: none"> <li>• Only one member of staff being fully trained on a specific IT system that is crucial to client management.</li> <li>• Gaining assurance from 3<sup>rd</sup> party operators as to employees DBS status.</li> </ul> | Limited | June 2014      |
| Inter Authority Placements | Each year the Authority places a number of pupils into SEN schools that are outside of the county. Likewise as an Authority we receive pupils from other Authorities into our special schools.   | May 2014   | 19 days | It was noted that the main issue identified in the previous audit regarding a lack of appointed responsibility within the service has been partially resolved. However a knock on effect of the period where responsibility was not defined and  | Limited | September 2014 |

|              |   |            |         |   |            |                  |
|--------------|---|------------|---------|---|------------|------------------|
|              | This review was a follow up to a previous Limited Assurance report in this area.  |            |         | staff were absent has meant that the filing systems in place became fragmented with certain key documents unobtainable. Where documents were on file (e.g. contracts, reviews), they were often found to be out of date.  |            |                  |
| Social Media | <p>The use of Social Media has increased considerably in recent years and organisations are taking advantage by also utilising social media platforms such as Twitter and Facebook.</p> <p>The audit review is the first to be conducted on social media and focused on:</p> <ul style="list-style-type: none"> <li>• The Governance and Management of Social Media,</li> <li>• Operational Controls</li> <li>• Integration of Social Media into normal working practices.</li> </ul> <p>The Corporate social media accounts were the main focus but another department (Tourism) was also included to obtain a wider view.</p> | April 2014 | 25 days | <p>Social Media has been recognised as an important method of communicating with residents and the wider public which can be seen by its inclusion in a number of strategies and business plans.</p> <p>A protocol for the use of social media has recently been implemented and there are reasonable ICT controls in place internally to prevent unauthorised access using the corporate network.</p> <p>A business case is required to activate a new social media account.</p> <p>There were several recommendations made including:</p> <ul style="list-style-type: none"> <li>• Maintaining a central register of corporate accounts,</li> <li>• Introducing controls to ensure corporate ownership of accounts,</li> <li>• Improving controls around access to accounts (including the use of personal devices).</li> </ul> | Reasonable | March – Nov 2014 |

|  |  |            |         |  |            |             |
|--|--|------------|---------|--|------------|-------------|
| Display Screen Equipment (DSE) & Eye Tests | <p>The Health and Safety (DSE) Regulations 1992 were introduced to enable employers and employees to minimise any risks arising from the use of DSE.</p> <p>Where an employee is classified as a 'User' the Authority is responsible for ensuring that an appropriate eyesight test is provided. Where the results of an eyesight test show that glasses are needed specifically to work with DSE, the Authority must meet the cost of supplying the basic frame and lenses.</p> | May 2014   | 15 days | <p>During the Audit strengths and areas of good practice were identified:</p> <ul style="list-style-type: none"> <li>• DSE user request forms were located for the sample of individuals reviewed and all had been appropriately authorised prior to vouchers being issued.</li> <li>• The move to the issuing of vouchers electronically should allow better monitoring of the scheme, as opposed to the previous paper system.</li> </ul> <p>The following issues were identified during the Audit:</p> <ul style="list-style-type: none"> <li>• The policies and guidelines available for employees and managers are split across various documents and require updating.</li> <li>• There are no controls to ensure that the employee requesting the voucher is actually the individual receiving the eye test.</li> </ul> | Reasonable | August 2014 |
| Communities First                          | <p>The Authority is the Lead Delivery Body for three Communities First Clusters operating for 2012-15. The Welsh Government approved three successful bids from the Authority for grant funding to supply a programme with the</p>   | March 2014 | 13 days | <p>From the areas that were examined it was identified that dedicated and enthusiastic staff members are responsible for budgetary control and have developed sound mechanisms for financial governance.</p> <p>A recommendation was made with regard to the need to Effectively monitor third party relationships to</p>  | Reasonable | March 2014  |

|                 |  |            |         |  |             |                |
|-----------------|--|------------|---------|--|-------------|----------------|
|                 | <p>stated aims of helping to build Prosperous Communities, Healthier Communities and Learning Communities.</p> <p>During the course of this Internal Audit review the Authority was notified of an imminent Welsh Government audit into Communities First activities with similar terms of reference. This review was therefore curtailed in order to prevent cross over and duplication.</p>                |            |         | ensure delivery in the delegated areas.  |             |                |
| School Balances | <p>In September 2010 the School Funding (Wales) Regulations 2010 came into force. The new regulations provide Local Authorities with new powers to direct spending or claw back monies where surplus balances held by schools exceed £50k for primary and £100k for secondary and special schools.</p> <p>The end of year 2012/13 balances identified there were 53 schools with a surplus balance and 9</p> | March 2014 | 10 days | <p>During the audit a number of strengths and areas of good practice were identified as follows:</p> <ul style="list-style-type: none"> <li>• Where the surplus balance exceeds £50,000 for a Primary School or £100,000 for a Comprehensive or Special School more detail is required on the use of the surplus with evidence required which is in line with current Legislation.</li> <li>• Regular monitoring of the schools budgets is undertaken.</li> <li>• Advice and guidance is provided where required.</li> <li>• School balances are reported to Cabinet.</li> </ul> | Substantial | September 2014 |

|          |  |          |  |  |            |           |
|----------|--|----------|--|--|------------|-----------|
|          | with a deficit balance.  |          |  | No significant recommendations were made during the audit.   |            |           |
| Taxation | The Taxation function is classified as one of the Authority's fundamental financial systems and is therefore subject to an annual review. The Authority is currently responsible for the billing and collection of income for approximately 62,006 Council Tax properties and 4,111 NNDR properties. | May 2014 |  | <p>Strengths identified during the audit included:</p> <ul style="list-style-type: none"> <li>• A robust inspection regime of empty and exempt properties.</li> <li>• The last NFI Council Tax matching exercise was undertaken, with all matches investigated and closed and £97,220 worth of "savings" identified as a result of these matches. The next extract will be undertaken during March 2014.</li> </ul> <p>Recommendations were made in respect of:</p> <ul style="list-style-type: none"> <li>• Not all discounts and Disregards are periodically reviewed to ensure that they are still applicable.</li> <li>• The practice of determining the start date of a discount/exemption does not always appear to be consistent and is sometimes based on staff interpretation.</li> </ul> | Reasonable | July 2014 |

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## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO AUDIT COMMITTEE 18<sup>th</sup> June 2014

#### REPORT OF THE CHIEF INTERNAL AUDITOR AS THE HEAD OF AUDIT

#### ANNUAL OPINION REPORT OF THE HEAD OF INTERNAL AUDIT FOR THE PERIOD APRIL 2013 TO MARCH 2014

##### 1. Purpose of Report.

1. To present to members of the Committee the Chief Internal Auditor as the Head of Internal Audit's annual opinion on the overall adequacy of the Council's internal control environment.

##### 2. Connection to Corporate Improvement Objectives / Other Corporate Priorities.

- 2.1. Internal Audit's work impacts on all of the Corporate Improvement Objectives /other corporate priorities and without an audit assurance any assessment is incomplete.

##### 3. Background

- 3.1 This report gives a brief description of the role of Internal Audit, the control environment within which Internal Audit operates and also provides a summary of work carried out during the period April 2013 to March 2014. A statement of our overall opinion on the internal control environment is also given in support of the Annual Governance Statement which the Council is required to include with the Statement of Accounts.
- 3.2 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, internal control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic and effective use of resources.
- 3.3 The control environment comprises the organisation's policies, procedures and operations in place to:
  - Establish and monitor the achievement of the organisation's objectives;
  - Identify, assess and manage the risks to achieving the organisation's objectives;
  - Facilitate policy and decision making;
  - Ensure the economical, effective and efficient use of resources;
  - Ensure compliance with established policies, procedures, laws and regulations;
  - Safeguard the organisation's assets and interests from losses of all kind, including those arising from fraud, irregularity or corruption.
- 3.4 One of the main aims of the Section is to provide assurance on the Council's overall system of internal control. This is achieved in part through delivery of the Annual Audit Plan which is designed to address:

- Requirements of the Audit Committee;
- Delivery of a scheduled programme of audits on a risk based needs assessment, identified through consultation with service managers;
- Support the Section 151 Officer in discharging their statutory duties.

#### **4. Current situation / proposal**

4.1 Attached at Appendix A and B is a detailed report (including the outturn for April 2013 to March 2014) on the work undertaken by Internal Audit during this period. The purpose of this report is to satisfy the requirements of the Accounts and Audit (Wales) Regulations 2005 as amended and the Head of Internal Audit's annual reporting requirements set out in the Public Sector Internal Audit Standards. The Standards specifies that the following information should be forthcoming:

- Include an opinion on the overall adequacy and effectiveness of the organisation's control environment;
- Disclose any qualifications to that opinion, together with the reasons for the qualification;
- Present a summary of the audit work from which the opinion was derived, including reliance placed on work by other assurance bodies;
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement;
- Compare the actual work undertaken with the planned work and summarise the performance of the internal audit function against its performance measures and targets;
- Comment on compliance with the Standards;
- Communicate the results of the internal audit quality assurance programme.

4.2 The opinion contained within the report relates to the system of internal control at the Council and the overall control environment in place. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate the risk of failure to achieve corporate / service policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

4.3 On the basis of internal audit work undertaken during the period April 2013 to March 2014 and taking into account all available evidence, it is the opinion of the Head of Internal Audit that a reasonable assurance level can be applied to standards of internal control at Bridgend CBC for the period stated.

#### **5. Effect upon Policy Framework & Procedure Rules.**

5.1. None

#### **6. Equality Impact Assessment.**

6.1. There are no equality issues.

#### **7. Financial Implications.**

7.1. None

#### **8. Recommendation.**

8.1. That Members note the Head of Internal Audit's Annual Opinion covering the period April 2013 to March 2014.

**Helen Smith**  
**Chief Internal Auditor**  
**18<sup>th</sup> June 2014**

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Innovation Centre  
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**Background Documents**

None

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## APPENDIX A

### BRIDGEND COUNTY BOROUGH COUNCIL

#### THE HEAD OF INTERNAL AUDIT – FINAL OUTTURN REPORT AND ANNUAL OPINION FOR THE PERIOD APRIL 2013 TO MARCH 2014

##### 2013 -14 ANNUAL INTERNAL AUDIT OPINION

##### 1. Introduction

- 1.1 This Annual Report gives the opinion of the Chief Internal Auditor, as Head of Internal Audit for Bridgend CBC on the adequacy and effectiveness of internal control within the Council. It also summarises the work performed by Internal Audit for the period April 2013 to March 2014.
- 1.2 It is the duty of the Head of Internal Audit to give an opinion, at least annually, on the adequacy and effectiveness of the system of internal control. This is based on the findings from audit reviews as documented in the Audit Plan and other advice work completed on control systems. The results of investigation work and the work of other internal reviews within Bridgend CBC also informs the opinion.
- 1.3 The Head of Audit's opinion on the adequacy and effectiveness of internal control is used to inform and should be read alongside the wider Annual Governance Statement incorporated in the Council's Statement of Accounts for 2013/14.
- 1.4 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, internal control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic and effective use of resources.
- 1.5 The control environment comprises the organisation's policies, procedures and arrangements in place to:
  - Safeguard the organisation's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.
  - Establish and monitor the achievement of the organisation's objectives.
  - Identify, assess and manage the risks to achieving the organisation's objectives,
  - Facilitate policy and decision making;
  - Ensure the economical, effective and efficient use of resources;
  - Ensure compliance with established policies, procedures, laws and regulations;

1.6 One of the main aims of Internal Audit is to provide assurance on the Council's overall system of internal control. This is achieved in part through the delivery of the Annual Audit Plan which is designed to address:

- Requirements of the Audit Committee;
- Delivery of a scheduled programme of audits on a risk based needs assessment;
- Support the Section 151 Officer in discharging their statutory duties.

## 2. Assurance on Internal Control – Executive Summary

### Opinion 2013/14

2.1 No system of control can provide absolute assurance against material misstatement or loss, nor can internal audit give that assurance. This statement is intended to provide reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which have come to attention during internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

2.2 In arriving at the overall opinion, the Head of Audit has taken into account:

- The results of all audits undertaken as part of the audit programme - April 2013 to March 2014.
- The results of follow-up action of audits from current and previous years;
- Whether or not "high risk" recommendations have been accepted by management and the consequent risks;
- The effects of any material changes in the Council's objectives or activities or risk profile;
- Whether any limitations have been placed on the scope of audit;
- Findings of work performed by other assurance providers (e.g. Wales Audit Office, Council's External Auditors and Regulatory bodies – KPMG, CSSIW and ESTYN).

2.3 **Therefore, in the Head of Audit's opinion, taking into account all available evidence, the adequacy and effectiveness of internal control at Bridgend CBC is reasonable. Appendix B attached provides a summary of the internal control environment for the service areas where work has been undertaken in the period under review.**

- 2.4 The objective of the assurance identified by Internal Audit is to provide an overall indication that summarises the results, in control terms, of the findings of Internal Audit. Although reasonable assurance demonstrates good control across the board, it is important that control weaknesses in systems where the assurance level has been rated as Limited or No Assurance are dealt with and given priority by management.
- 2.5 During the period 6 reviews have identified weaknesses in control at a level where only limited assurance could be given and management have given written assurance that the recommendations made will be implemented to address the weaknesses identified (these specific reports have been reported to the Audit Committee and Internal Audit has already revisited two of the six to follow up on progress, and have deemed the overall internal control environment to be reasonable). Internal Audit are in the process of scheduling revisits for the remaining four reviews to ensure that management are addressing the weaknesses identified in the control environment and recommendations are being implemented. These will be reported to the Audit Committee in due course.
- 2.7 As set out in Appendix B, the significant control issues identified during the year have tended to relate to specific service areas rather than an across the board breakdown in controls. The relevant managers have agreed with and are working toward implementing the recommendations made to address the weaknesses identified. Internal Audit will follow up on these issues during 2014-15 to ensure that significant progress is being made.
- 2.8 In addition to these areas the challenge from an audit perspective remains the financial context in which the Council is required to operate. The challenge of delivering the further programme of savings will be substantial and impact on all areas of the business and is predicated on a range of reasonable but ambitious assumptions. Therefore, the scale and pace of required change remains a fundamental risk.
- 2.9 In a Council of this complexity, with its significant saving requirements, there is an inherent risk of breakdown in the systems of control particularly where roles, responsibilities and systems are changing. As the Council continues to experience reduced resources, increased demands on services and new and innovative forms of service delivery, there is a need to ensure that the Council's control environment remains robust, proportionate and is as efficient and effective as possible.
- 2.10 As part of each review, Internal Audit works closely with management to assess what actions can be put in place to address any weaknesses identified. Accordingly, the Head of Audit's overall opinion, as detailed above, is based on audit findings, implementation/action plans from

management and other sources of assurance, including External Audit, Risk Management, the Council's Section 151 Officer and Monitoring Officer.

- 2.11 The volume of Internal Audit recommendations accepted by management was (96%) and further information is given in section 4. The level of detailed implementation/ action plans received from management identifies how control deficiencies will be rectified and increases the level of assurance the Head of Audit has in the overall internal control environment.

### 3. Audit Planning / Monitoring

- 3.1 The Audit Plan covering the period April 2013 to March 2014 was submitted and approved by the Audit Committee on 21<sup>st</sup> March 2013. The Audit Plan outlined the assignments to be carried out, their respective priorities, an estimate of resources needed and differentiated between assurance and other work. The plan was based on an establishment of 8.5 full time equivalents (FTE) equating to 1,374 productive days.
- 3.2 The plan is monitored on an on-going basis and all changes to work included in the plan are based on an assessment of risk at the time. A summary of the plan together with the actual outturn is shown in Table 1 below:

**Table 1 – Internal Audit Plan April 2013 to March 2014.**

| Resources Available                  | Total Plan Days | Actual Days Achieved |
|--------------------------------------|-----------------|----------------------|
| Total Productive days Available      | 1,374           | 1,360                |
|                                      |                 |                      |
| <b>Time Allocated to Audit Work</b>  |                 |                      |
|                                      |                 |                      |
| Resources (Including ICT & Property) | 350             | 431                  |
| Legal and Regulatory Services        | 80              | 44                   |
| Children (Including Schools)         | 204             | 177                  |
| Communities                          | 174             | 145                  |
| Wellbeing                            | 130             | 52                   |
| Cross Cutting                        | 156             | 229                  |
| External                             | 20              | 18                   |



|  |              |              |
|--|--------------|--------------|
| Contingency - Unplanned Work                           | 160          | 228          |
| Contingency – Fraud & Error / Internal Investigations. | 100          | 36           |
| <b>OVERALL TOTAL</b>                                   | <b>1,374</b> | <b>1,360</b> |

- 3.3 As can be seen from the table above the actual outturn for the Section shows that a total of 1,360 productive days has been achieved. This is only 14 days less than originally planned.
- 3.4 The reviews provide an assurance of the adequacy of the systems and enable the Council's external auditors to rely on the work carried out. The outturn for the period April 2013 to March 2014 together with the overall audit opinion are listed in Appendix B as extracted from the Audit Planning and Control Environment (APACE) management system.
- 3.5 Table 2 below provides a breakdown of the total number of reviews completed for the year analysed across the functions covered.

| Function                | Total Reviews | Total No. Opinion Significant / Reasonable | Total No. Opinion Limited / No Assurance | Total No No Opinion Given. |
|-------------------------|---------------|--|--|----------------------------|
| Assurance               | 86            | 71   | 3  | 12                         |
| Anti-Fraud & Corruption | 3             | 1  | 1  | 1                          |
| Governance              | 10            | 8  | 0  | 2                          |
| Risk and Performance    | 6             | 5  | 0  | 1                          |
| Contingency - Unplanned | 28            | 12   | 2  | 14                         |
| <b>Totals</b>           | <b>133</b>    | <b>97</b>                                  | <b>6</b>                                 | <b>30</b>                  |

Table 2

- 3.6 A total of 133 reviews have been undertaken during the year and of this, 73% (97) have been closed with either a substantial or reasonable assurance opinion level. 4% of the reviews undertaken have identified weaknesses in the internal control environment to such an extent that the overall audit opinion was limited. Of the remaining 30 reviews, although necessary, they did not culminate in an overall audit opinion (9 were carried forward to 2014/15 as work was ongoing).
- 3.7 The objective of the average opinion score identified by Internal Audit is to provide an overall indication that summarises the results, in control terms, of the findings of Internal Audit. For the year and based

on the scores identified on the reviews where an overall opinion has been given; the adequacy and effectiveness of the internal control environment is deemed to be reasonable.

#### 4. Implementation of Recommendations

4.1 Recommendations arising from internal audit work are graded according to the risk levels of the weaknesses identified, with recommended actions as follows:

**Fundamental** – action required immediately to ensure that the organisation is not exposed to high risks. These relate to issues that are fundamental and material to the system of internal control at a service level.

**Significant** – action required within six months to avoid exposure to significant risks. These relate to issues that have an important effect on the controls but do not need immediate action.

**Merits Attention** – action required within 12 months or by the next audit review which should result in enhanced control or better value for money. These are issues arising that would, if corrected, improve the internal control environment in general but are not vital to the overall system of internal control.

4.2 At the completion of each audit review an overall opinion as to the level of assurance that can be provided will be given. Following each audit, report recipients are asked to complete an action / implementation plan showing whether they agree with the recommendations made and how they plan to implement them.

4.3 The classification of each recommendation made assists management in focusing attention on priority actions. During the period April 2013 to March 2014, Internal Audit made a total of 337 recommendations, of which management gave written assurance that 324 of these will be implemented. The results are summarised in Table 3 below:

**Table 3**

| <b>Recommendation Priority</b> | <b>Number Made</b> | <b>Number Agreed or Implemented</b> | <b>% Agreed or Implemented</b> |
|--------------------------------|--------------------|-------------------------------------|--------------------------------|
| Fundamental                    | 3                  | 3                                   | 100%                           |
| Significant                    | 119                | 119                                 | 100%                           |
| Merits Attention               | 215                | 202                                 | 94%                            |
| <b>Total</b>                   | <b>337</b>         | <b>324</b>                          | <b>96%</b>                     |

4.4 The recommendations made are graded according to their importance (Fundamental, Significant and Merits Attention). In addition, each

recommendation will be grouped by risk. The risk categories are as follows:

- A – Accomplishment of Objectives;
- C – Compliance;
- E – Value for Money;
- R – Reliability and Integrity of Information;
- S – Safeguarding Assets;
- X – Governance.

4.5 Table 4 below details the number of recommendations made grouped by risk.

**Table 4**

| Description                                  | Number of Fundamental Recommendations | Number of Significant Recommendations | Number of Merits Attention Recommendations |
|--|---------------------------------------|---------------------------------------|--|
| A – Accomplishment of Objectives             |                                       | 8                                     | 19   |
| C - Compliance                               | 1                                     | 33                                    | 75   |
| E – Value for Money                          |                                       | 1                                     | 8  |
| R – Reliability and Integrity of Information | 1                                     | 23                                    | 57   |
| S – Safeguarding Assets                      | 1                                     | 35                                    | 21   |
| X – Governance                               |                                       | 17                                    | 26   |
| Y – Corporate Impact                         |                                       | 1                                     | 9  |
| Z – Self Audit                               |                                       | 1                                     | 0  |
| <b>Total</b>                                 | <b>3</b>                              | <b>119</b>                            | <b>215</b>                                 |

## 5. Audit Client Satisfaction Questionnaires

5.1 At the completion of each audit, all recipients of reports are asked to comment on their satisfaction with the audit process, by way of a survey questionnaire ranging from a score of 1 for very satisfied to a score of 5 very unsatisfied. The results are summarised in Table 5 below and compared with last year’s overall results:

**Table 5.**

| No | Question   | Average Score of Responses March 2014 | Average Score of Responses March 2013 |
|----|--|---------------------------------------|---------------------------------------|
| 1  | Where appropriate, briefing of client and usefulness of initial discussion.        | 1.420                                 | 1.158                                 |
| 2  | Appropriateness of scope and objectives of the audit.                              | 1.450                                 | 1.250                                 |
| 3  | Timelines of audit.  | 1.490                                 | 1.256                                 |
| 4  | Response of Officer to any requests for advice and assistance.                     | 1.300                                 | 1.184                                 |
| 5  | General helpfulness and conduct of Auditor (s)                                     | 1.150                                 | 1.025                                 |
| 6  | Discussion of findings / recommendations during or at the conclusion of the audit. | 1.000                                 | 1.180                                 |
| 7  | Fairness and accuracy of report.   | 1.600                                 | 1.317                                 |
| 8  | Practicality and usefulness of recommendations                                     | 1.570                                 | 1.415                                 |
| 9  | Standard of report.  | 1.380                                 | 1.195                                 |
| 10 | Client agreement with overall audit opinion.                                       | 1.560                                 | 1.293                                 |

5.2 The survey results are excellent but do show an overall slight decline in the satisfaction level on last year's scores. Whilst we will continue to aim to sustain this high level of customer satisfaction throughout the forthcoming year, we will also try and improve on the disappointing response rate of 54% for this year. In addition to the above, a number of clients have commented separately on the professionalism and helpfulness of the Auditors they have dealt with.

## **6. Resources, Qualifications and Experience**

6.1 The Head of Internal Audit requires appropriate resources at their disposal to undertake sufficient work to offer an independent opinion on the Council's internal control environment. This is a fundamental part of Bridgend County Borough Council's governance arrangements. The Internal Audit Annual Plan was presented to the Audit Committee in March 2013; based on a provision of 1,374 productive days.

6.2 The combined Internal Audit Shared Service commenced the year with a total of 16.5 Full Time Equivalent (FTE) posts on the establishment. The service saw an increase during the year to 18.5 FTE's this was due to the appointment of two trainees. Even though staffing levels have increased, the Section has been affected by maternity leave and has seen an increase in long term sickness absence. Even taking this into consideration, there has been no impact on the Bridgend County Borough Council's Audit Plan.

6.3 In accordance with the Public Sector Internal Audit Standards; the Head of Audit must ensure that Internal Auditors possess the knowledge, skills and competencies needed to perform their individual responsibilities. Internal Auditors are therefore encouraged to study for

and obtain professional qualifications. In addition, it is a requirement of the standard that the Head of Audit must hold a professional qualification and be suitably experienced. The following information outlined in table 6 and 7 below demonstrates the experience and qualification mix for the Internal Audit Shared Service.

**Table 6**

| <b>Auditing Experience</b> | <b>All Auditing</b> | <b>%</b>     | <b>In Local Government Auditing</b> | <b>%</b>     |
|----------------------------|---------------------|--------------|-------------------------------------|--------------|
| <b>Up to 1 year</b>        | <b>1</b>            | <b>5.5%</b>  | <b>1</b>                            | <b>5.5%</b>  |
| <b>1 to 2 years</b>        | <b>2.5</b>          | <b>13.5%</b> | <b>0</b>                            | <b>0%</b>    |
| <b>2 to 5 years</b>        | <b>5</b>            | <b>27%</b>   | <b>5</b>                            | <b>27%</b>   |
| <b>5 to 10 years</b>       | <b>5</b>            | <b>27%</b>   | <b>6.5</b>                          | <b>35%</b>   |
| <b>Over 10 years</b>       | <b>5</b>            | <b>27%</b>   | <b>6</b>                            | <b>32.5%</b> |
| <b>Total Staff</b>         | <b>18.5</b>         |              | <b>18.5</b>                         |              |

**Table 2**

**Qualifications**

**Table 7**

| <b>Professional Qualification</b>  | <b>No of Staff.</b> |
|--|---------------------|
| Accountants (CIPFA; FCCA; ICAEW)   | <b>3</b>            |
| Certified Information Systems Auditor (CISA)   | <b>1</b>            |
| Institute of Internal Auditors – full membership   | <b>0</b>            |
| Institute of Internal Auditors – practitioner level; part qualified or audit certificate | <b>3</b>            |
| Association of Accounting Technicians (AAT)  | <b>4</b>            |
| Studying (AAT, IIA, CIPFA etc.)  | <b>4</b>            |
| <b>Total</b>   | <b>15</b>           |

6.4 All staff are encouraged to attend relevant courses and seminars to support their continual professional development. All staff have the opportunity to attend courses run by the Welsh Chief Auditors Group on a diverse range of topics. Individuals keep records of their continuing professional development based on their professional body requirements.

**7. Conformance with the Public Sector Internal Audit Standards (PSIAS)**

7.1 The Chief Internal Auditor carried out a self-assessment against the key elements of the PSIAS. Overall the results showed that the Section was fully compliant with 8 of the Standards and partially compliant with the remaining 3. An action plan has been formulated to address the areas where further work is required; these include:-

- Aligning competencies, skills, experience and personal attributes to “CIPFA’s Publication – The Excellent Auditor”;
- Further develop Internal Audit’s performance management framework and consider how and when an external assessment should be undertaken;
- Update the Internal Audit Shared Service Manual to ensure it is fully compliant with the Standards.

7.2 All staff were introduced to the ethics requirements (as described in the PSIAS) in relation to the professional role of an auditor. While the basis of this remains the same as in previous years, staff were additionally required to read and sign a document confirming they had read and understood what was required of them. All staff provided an annual declaration of interests for consideration to enable management to ensure that there was sufficient information to address any potential conflicts of interest which may arise during audit activities. Staff remained obliged to raise any conflicts or issues with their line managers during the year.

## **8. Anti-Fraud & Corruption Arrangements**

8.1 Internal Audit has responsibility for raising awareness of the Council’s Anti-Fraud & Bribery and Whistle-blowing Procedures. Anti-Fraud & Bribery and Whistle-blowing information is on the Council’s Intranet and the Website, where information is available so that the public and staff can raise concerns easily.

8.2 A total of 36 productive days has been spent on Anti-Fraud & Corruption work against a planned allocation of 100. No organisation can guarantee that it will be free from fraud or financial irregularity, the extent of which can be a measure of the effectiveness of internal controls. Apart from the work undertaken on the National Fraud Initiative; Internal Audit were also requested to carry out an investigation relating to a loss of income. The Benefits and Financial Assessments Manager continues to have responsibility for the Team who investigate potential Housing Benefit and Council Tax Benefit fraud. Regular updates have been provided to the Audit Committee during the year and will continue in 2014/15.

8.3 Internal Audit has continued to act as the key contact for the National Fraud Initiative. This is a mandatory exercise and it is important that data is supplied promptly, and work to ensure that the potential irregularities that the output identifies are dealt with quickly and in a way that is proportional to the value and likelihood of the risks identified.

## 9. Governance Arrangements

- 9.1 The governance framework comprises the systems and processes, and cultures and values, by which the Council is directed and controls its activities through which it accounts to, engages with and leads the 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.
- 9.2 The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 9.3 Good Governance is about doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable way.
- 9.4 The Council approved and adopted on the 28<sup>th</sup> June 2011 a Code of Corporate Governance (COCG) which comprehensively describes the Council's commitment to and understanding of Corporate Governance and outlines the arrangements that it has put in place to ensure ongoing effective implementation and monitoring.
- 9.5 The COCG describes how the Council will meet and demonstrate its commitment to good corporate governance by following the six principles as defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).
- 9.6 The COCG also makes provision for a joint commitment by Members and Officers to the principles it contains, as well as a statement of assurance jointly signed by the Leader of the Council and the Chief Executive. This helps to ensure that the principles of good governance are not only fully embedded but also cascade through the Council and have the full backing of the Leader of the Council and elected Members, as well as the Chief Executive and the Corporate Management Board.
- 9.7 As part of the 2013/14 annual Internal Audit Plan, a review of corporate governance, in particular the Council's Code of Corporate Governance, was undertaken. The Auditors were able to evidence good governance arrangements across the Council; as a result, an overall opinion of substantial assurance could be provided.
- 9.8 There was one significant governance issue, initially identified in 2011/12 but also included in the 2012/13 Annual Governance



Statement (AGS) relating to Building Maintenance. At the time the final AGS was presented to Audit Committee in September 2013; Internal Audit were nearing completion of their second follow up review, to ensure that sufficient progress had been made in implementing the recommendations to improve the internal control environment. The outcome of this second review highlighted that; significant progress had been made and the overall opinion in relation to the internal control environment was therefore deemed reasonable. No further work was undertaken by Internal Audit in 2013/14 but it has been included in the 2014/15 annual risk based audit plan.

- 9.9 One of the significant governance issues in 2012-13 related to the Estyn Report on the quality of local authority education services for children and young people. A Cabinet led monitoring group has been set up; which meets monthly to oversee progress as set out in the action plan. The role of this group monitoring the action plan will be crucial to improve education services within the Council.
- 9.10 The Annual Governance Statement 2012-13 highlighted the significant financial challenge facing the Council in terms of delivering a savings target of £24m as identified in the Medium Term Financial Plan 2013-14 to 2015-16. In February 2014, the Medium Term Financial Strategy (MTFS) 2014-15 to 2017-18 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 £36m over the period 2014-15 to 2017-18. As the Council continues to experience reduced resources, increased demands on services and new and innovative forms of delivery there is a need to ensure that the Council's control environment remains robust, proportionate and is as efficient and effective as possible.
- 9.11 Fundamental to the Council's success in delivering the Medium Term Financial Strategy through to 2016-17 is wholly dependent on strong financial leadership and effective management. In the Head of Audit's Annual Opinion for 2012/13 concerns were raised as a number of strategic Directors had left the Council and only temporary arrangements were in place including that of the Section 151 Officer role. This has been addressed by the permanent appointment of key Corporate Officers. This year, two long serving and extremely experienced Heads of Service have or will be leaving the Council imminently; these being the Head of Technology, Property and Customer Services and the Head of Finance and Performance.
- 9.12 The Council is in the process of undertaking a second recruitment exercise for a combined Head of Finance and ICT, indicating that there has already been issues in finding a suitable candidate with the appropriate qualifications, experience, skills and knowledge of the



Council to cover such a critical post with such a wide ranging service remit. The current Head of Finance and Performance is also the Deputy Section 151 Officer and at present the Council's Section 151 Officer is currently unavailable to undertake her role.

- 9.13 The fact that the Head of Finance and Performance will be leaving the Council at the end of July and the date of the Section 151 Officer's return to work is unknown is of serious concern. The Council must ensure that it has the appropriate fully qualified statutory officer in place to fulfil its legal obligation and to help manage the Council during a very crucial period of financial uncertainty. This is a significant governance issue and should be reflected in the Council's Annual Governance Statement.
- 9.14 The Chief Executive is in the process of addressing this issue and has given his assurances that interim arrangements will be put in place to ensure the statutory functions of the Section 151 Officer are covered.

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| <u>Cod</u>       | <u>Job</u>                                   | <u>Job Name</u>                        | <u>Days</u>   | <u>Budget</u> | <u>Date Commenced</u> | <u>Date Closed</u> | <u>Opinion</u> |
|------------------|--|--|---------------|---------------|-----------------------|--------------------|----------------|
| <b>ASSURANCE</b> |  |  |               |               |                       |                    |                |
|                  | <b>Directorate</b>                           | <b>RESOURCES</b>                       |               |               |                       |                    |                |
|                  | 260 BCBC - E tendering Project               |  | 3.68          | 5.00          | 01/04/2013            | 13/11/2013         | Reasonable     |
|                  | 264 BCBC - Grants to the 3rd Sector          |  | 54.40         | 70.00         | 01/04/2013            | 31/03/2014         | Reasonable     |
|                  | 278 BCBC - Performance Close Down 12-13      |  | 7.87          | 10.00         | 01/04/2013            | 30/08/2013         | Reasonable     |
|                  | 292 BCBC - Agency Staff                      |  | 0.78          | 15.00         | 20/05/2013            | 30/01/2014         | Not Applicable |
|                  | 301 BCBC - Staff Expenses                    |  | 29.57         | 30.00         | 17/06/2013            | 05/11/2013         | Reasonable     |
|                  | 305 BCBC - Cash Control                      |  | 11.62         | 12.00         | 10/06/2013            | 19/02/2014         | Substantial    |
|                  | 308 BCBC - Efficiency Savings - Qtr1 to Qtr2 |  | 19.12         | 20.00         | 24/06/2013            | 13/02/2014         | Reasonable     |
|                  | 311 BCBC - Financial Assessments Reviews     |  | 13.89         | 15.00         | 17/07/2013            | 08/10/2013         | Reasonable     |
|                  | 313 BCBC - Debtors                           |  | 20.80         | 25.00         | 08/07/2013            | 30/01/2014         | Reasonable     |
|                  | 319 BCBC - Capital Accounting                |  | 15.54         | 20.00         | 08/07/2013            | 31/03/2014         | Substantial    |
|                  | 320 BCBC - Creditors                         |  | 12.80         | 15.00         | 08/07/2013            | 13/03/2014         | Substantial    |
|                  | 321 BCBC - Purchasing Cards                  |  | 21.18         | 20.00         | 01/07/2013            | 25/03/2014         | Reasonable     |
|                  | 338 BCBC - VAT                               |  | 11.66         | 15.00         | 30/09/2013            | 19/02/2014         | Substantial    |
|                  | 339 BCBC - Taxation                          |  | 15.82         | 20.00         | 03/10/2013            | 31/03/2014         | Reasonable     |
|                  | 340 BCBC - Job Evaluation Implementation     |  | 19.90         | 20.00         | 02/10/2013            | 31/03/2014         | Substantial    |
|                  | 345 BCBC - Treasury Mgt                      |  | 10.41         | 12.00         | 07/10/2013            | 19/02/2014         | Substantial    |
|                  | 347 BCBC - Main Accounting                   |  | 10.84         | 15.00         | 01/10/2013            | 19/02/2014         | Substantial    |
|                  | 351 BCBC - Housing Benefits                  |  | 9.80          | 15.00         | 04/11/2013            | 19/12/2013         | Reasonable     |
|                  | 354 BCBC - DSE Eye tests                     |  | 14.80         | 15.00         | 04/11/2013            | 31/03/2014         | Reasonable     |
|                  | 377 BCBC - COA Feeder Systems                |  | 19.70         | 20.00         | 06/01/2014            | 31/03/2014         | Reasonable     |
|                  | 386 BCBC - COA Business Continuity           |  | 4.73          | 10.00         | 03/02/2014            | 31/03/2014         | Carry Forward  |
| <b>Total</b>     | <b>Directorate</b>                           | <b>RESOURCES</b>                       | <b>328.90</b> | <b>399.00</b> |                       |                    |                |
|                  | <b>Directorate</b>                           | <b>RESOURCES - ICT &amp; PROPERTY</b>  |               |               |                       |                    |                |
| <b>B</b>         | 285 Information Governance - Security Forum  |  | 6.18          | 8.00          | 01/04/2013            | 31/03/2014         | Substantial    |
|                  | 300 Data - CRM                               |  | 10.07         | 15.00         | 25/06/2013            | 31/03/2014         | Carry Forward  |
|                  | 318 BCBC - Building Maintenance              |  | 10.84         | 20.00         | 01/07/2013            | 31/03/2014         | Carry Forward  |
|                  | 326 BCBC - Social Media                      |  | 28.72         | 30.00         | 05/08/2013            | 31/03/2014         | Reasonable     |
|                  | 334 Disposal of Information                  |  | 23.24         | 25.00         | 02/09/2013            | 31/03/2014         | Reasonable     |
|                  | 370 BCBC - Application - EDRM                |  | 13.01         | 20.00         | 06/01/2014            | 31/03/2014         | Reasonable     |
|                  | 382 Application - SIMS                       |  | 10.24         | 15.00         | 06/01/2014            | 31/03/2014         | Reasonable     |
| <b>Total</b>     | <b>Directorate</b>                           | <b>RESOURCES - ICT &amp; PROPERTY</b>  | <b>102.30</b> | <b>133.00</b> |                       |                    |                |
|                  | <b>Directorate</b>                           | <b>LEGAL &amp; REGULATORY SERVICES</b> |               |               |                       |                    |                |

|              |  |              |              |            |            |                |
|--------------|--|--------------|--------------|------------|------------|----------------|
| <b>B</b>     | 252 BCBC - Whistleblowing                          | 9.93         | 10.00        | 01/04/2013 | 12/09/2013 | Reasonable     |
|              | 261 BCBC - Registrars                              | 8.89         | 10.00        | 01/04/2013 | 03/07/2013 | Substantial    |
|              | 307 VOID   | 0.81         |              | 10/06/2013 | 07/08/2013 | Not Applicable |
|              | 309 BCBC - Corporate Complaints Management         | 14.43        | 20.00        | 01/07/2013 | 12/09/2013 | Substantial    |
|              | 387 BCBC - Data Protection                         | 9.90         | 15.00        | 10/02/2014 | 31/03/2014 | Carry Forward  |
| <b>Total</b> | <b>Directorate LEGAL &amp; REGULATORY SERVICES</b> | <b>43.95</b> | <b>55.00</b> |            |            |                |
|              | <b>Directorate CHILDREN</b>                        |              |              |            |            |                |
| <b>B</b>     | 251 BCBC - Adoption Service                        | 11.72        | 12.00        | 01/04/2013 | 07/08/2013 | Limited        |
|              | 259 BCBC - School Based Counselling Grant          | 3.41         | 2.50         | 01/04/2013 | 03/06/2013 | Substantial    |
|              | 268 BCBC Cynffig Comp                              | 8.55         | 10.00        | 25/11/2013 | 14/02/2014 | Substantial    |
|              | 269 BCBC Afon y Felin                              | 3.51         | 4.00         | 01/04/2013 | 02/07/2013 | Substantial    |
|              | 270 BCBC Bryntirion Infants                        | 3.58         | 4.00         | 01/04/2013 | 02/07/2013 | Substantial    |
|              | 271 BCBC Corneli Primary                           | 4.80         | 5.00         | 01/04/2013 | 02/07/2013 | Substantial    |
|              | 272 BCBC Caerau Primary                            | 3.07         | 4.00         | 01/04/2013 | 08/07/2013 | Substantial    |
|              | 273 BCBC Betws Primary                             | 3.31         | 4.00         | 01/04/2013 | 30/09/2013 | Substantial    |
|              | 274 BCBC Tynyrheol Primary                         | 3.11         | 4.00         | 01/04/2013 | 24/09/2013 | Substantial    |
|              | 275 Void   | 0.24         |              | 23/09/2013 | 16/10/2013 | Not Applicable |
|              | 282 BCBC - Childrens Closedown 12-13               | 0.91         | 4.00         | 01/04/2013 | 26/09/2013 | Reasonable     |
|              | 288 BCBC Porthcawl Comp                            | 11.05        | 12.00        | 09/05/2013 | 12/09/2013 | Substantial    |
|              | 291 BCBC Breakfast Club Grant                      | 4.80         | 5.00         | 06/05/2013 | 19/06/2013 | Not Applicable |
|              | 315 BCBC - Foundation Phase Grants                 | 3.15         | 4.00         | 15/07/2013 | 07/08/2013 | Substantial    |
|              | 317 BCBC School Summary Report                     | 7.64         | 8.00         | 29/07/2013 | 03/09/2013 | Substantial    |
|              | 327 BCBC - Brynteg Comp                            | 10.17        | 10.00        | 12/08/2013 | 05/11/2013 | Substantial    |
|              | 329 BCBC - Litchard                                | 3.99         | 4.00         | 23/08/2013 | 18/10/2013 | Substantial    |
|              | 330 BCBC - Cefn Glas                               | 3.58         | 4.00         | 23/08/2013 | 13/11/2013 | Substantial    |
|              | 331 BCBC Cwmfelin                                  | 2.53         | 4.00         | 23/08/2013 | 16/10/2013 | Substantial    |
|              | 332 BCBC YGG Bro Ogwr                              | 4.27         | 4.00         | 03/09/2013 | 18/11/2013 | Substantial    |
|              | 335 BCBC - Appetite for Life Grant                 | 3.14         | 5.00         | 12/09/2013 | 09/10/2013 | Substantial    |
|              | 336 BCBC Nantymoel                                 | 4.02         | 4.00         | 27/09/2013 | 03/12/2013 | Reasonable     |
|              | 342 BCBC - Nottage PS                              | 4.32         | 4.50         | 02/10/2013 | 04/12/2013 | Substantial    |
|              | 344 BCBC - YGG Llangynwyd                          | 6.69         | 8.00         | 14/10/2013 | 03/12/2013 | Substantial    |
|              | 349 BCBC - Ogmere Vale PS                          | 3.75         | 4.00         | 01/11/2013 | 27/12/2013 | Substantial    |
|              | 350 BCBC Nantfyllon                                | 3.68         | 4.00         | 05/11/2013 | 11/12/2013 | Substantial    |
|              | 352 BCBC - 6th form Cont Ed Allocation             | 0.81         | 1.00         | 11/11/2013 | 23/01/2014 | Not Applicable |
| <b>B</b>     | 358 Void   | 0.20         |              | 27/11/2013 | 23/01/2014 | Not Applicable |
|              | 368 BCBC Pencoed Primary                           | 3.68         | 4.00         | 06/01/2014 | 12/03/2014 | Reasonable     |
|              | 371 BCBC Coleg Cymunedol Y Dderwen                 | 2.43         | 3.00         | 15/01/2014 | 31/03/2014 | Reasonable     |
|              | 372 BCBC Plasnewydd Primary                        | 3.38         | 4.00         | 06/01/2014 | 20/02/2014 | Reasonable     |
|              | 373 BCBC Tondu Primary                             | 3.68         | 4.00         | 15/01/2014 | 31/03/2014 | Reasonable     |

|              |  |                           |               |                 |            |            |                |
|--------------|--|---------------------------|---------------|-----------------|------------|------------|----------------|
|              | 374 BCBC Trelales Primary                  |                           | 3.04          | 4.00            | 06/01/2014 | 06/03/2014 | Reasonable     |
| <b>Total</b> | <b>Directorate</b>                         | <b>CHILDREN</b>           | <b>140.23</b> | <b>158.00</b>   |            |            |                |
|              | <b>Directorate</b>                         | <b>COMMUNITIES</b>        |               |                 |            |            |                |
| <b>B</b>     | 255 BCBC - Fleet Services - Corporate      |                           | 9.49          | 15.00           | 01/04/2013 | 06/11/2013 | Reasonable     |
|              | 257 BCBC - DFG                             |                           | 23.31         | 25.00           | 01/04/2013 | 31/03/2014 | Substantial    |
|              | 262 BCBC - Rights of Way                   |                           | 14.26         | 15.00           | 01/04/2013 | 13/09/2013 | Substantial    |
|              | 263 BCBC - Waste Management                |                           | 22.18         | 25.00           | 01/04/2013 | 18/11/2013 | Reasonable     |
|              | 279 BCBC - Communities Close Down 12-13    |                           | 4.49          | 7.00            | 01/04/2013 | 30/08/2013 | Reasonable     |
|              | 306 BCBC - Regeneration Funding            |                           | 1.49          | 30.00           | 27/05/2013 | 30/01/2014 | Not Applicable |
|              | 316 BCBC - Parking Enforcement             |                           | 13.04         | 10.00           | 29/07/2013 | 17/01/2014 | Reasonable     |
|              | 333 Supporting People Grant Verification   |                           | 22.70         | 25.00           | 05/09/2013 | 29/11/2013 | Reasonable     |
| <b>Total</b> | <b>Directorate</b>                         | <b>COMMUNITIES</b>        | <b>110.97</b> | <b>152.00</b>   |            |            |                |
|              | <b>Directorate</b>                         | <b>WELLBEING</b>          |               |                 |            |            |                |
| <b>B</b>     | 249 BCBC - Home Care verification exercise |                           | 13.45         | 20.00           | 01/04/2013 | 03/07/2013 | Reasonable     |
|              | 250 BCBC - Residential/Homecare APL        |                           | 16.99         | 20.00           | 01/04/2013 | 23/10/2013 | Reasonable     |
|              | 254 BCBC - Bus Operator Grants             |                           | 11.25         | 10.00           | 01/04/2013 | 02/09/2013 | Reasonable     |
|              | 290 BCBC - Wellbeing Close Down 12-13      |                           | 0.54          | 5.00            | 08/04/2013 | 30/08/2013 | Reasonable     |
| <b>Total</b> | <b>Directorate</b>                         | <b>WELLBEING</b>          | <b>42.23</b>  | <b>55.00</b>    |            |            |                |
|              | <b>Directorate</b>                         | <b>BCBC CROSS CUTTING</b> |               |                 |            |            |                |
| <b>B</b>     | 256 BCBC - Audit Committee                 |                           | 65.07         | 70.00           | 01/04/2013 | 31/03/2014 | Substantial    |
|              | 280 BCBC - Volunteer Drivers Follow up     |                           | 8.92          | 10.00           | 01/04/2013 | 10/10/2013 | Limited        |
|              | 323 BCBC- Inter Authority Placements F/UP  |                           | 18.95         | 20.00           | 01/08/2013 | 31/03/2014 | Limited        |
|              | 343 BCBC - General Follow ups              |                           | 13.65         | 15.00           | 07/10/2013 | 31/03/2014 | Reasonable     |
|              | 375 BCBC - Assurance External Inspections  |                           | 12.23         | 15.00           | 09/01/2014 | 31/03/2014 | Substantial    |
| <b>Total</b> | <b>Directorate</b>                         | <b>BCBC CROSS CUTTING</b> | <b>118.82</b> | <b>130.00</b>   |            |            |                |
|              | <b>Directorate</b>                         | <b>EXTERNAL</b>           |               |                 |            |            |                |
| <b>B</b>     | 258 BCBC - Crematorium                     |                           | 1.25          | 1.50            | 01/04/2013 | 23/07/2013 | Not Applicable |
| <b>B</b>     | 266 BCBC - County Borough Supplies         |                           | 15.84         | 15.00           | 01/04/2013 | 07/08/2013 | Substantial    |
|              | 376 BCBC - Crematorium CRSA                |                           | 1.45          | 5.00            | 06/01/2014 | 11/02/2014 | Substantial    |
| <b>Total</b> | <b>Directorate</b>                         | <b>EXTERNAL</b>           | <b>18.55</b>  | <b>21.50</b>    |            |            |                |
| <b>Total</b> | <b>Function</b>                            | <b>ASSURANCE</b>          | <b>905.94</b> | <b>1,103.50</b> |            |            |                |

**ANTI-FRAUD & CORRUPTION**

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|              |   |                                    |              |              |            |            |               |
|--------------|---|------------------------------------|--------------|--------------|------------|------------|---------------|
|              | <b>Directorate</b>                        | <b>WELLBEING</b>                   |              |              |            |            |               |
| <b>B</b>     | 363 BCBC - Pencoed Library Loss of Income |                                    | 16.76        | 15.00        | 06/12/2013 | 22/01/2014 | Limited       |
| <b>Total</b> | <b>Directorate</b>                        | <b>WELLBEING</b>                   | <b>16.76</b> | <b>15.00</b> |            |            |               |
|              | <b>Directorate</b>                        | <b>BCBC CROSS CUTTING</b>          |              |              |            |            |               |
| <b>B</b>     | 284 National Fraud Initiative NFI         |                                    | 9.66         | 20.00        | 01/04/2013 | 31/03/2014 | Carry Forward |
|              | 324 BCBC - NFI Validation                 |                                    | 9.66         | 10.00        | 29/07/2013 | 03/12/2013 | Reasonable    |
| <b>Total</b> | <b>Directorate</b>                        | <b>BCBC CROSS CUTTING</b>          | <b>19.32</b> | <b>30.00</b> |            |            |               |
| <b>Total</b> | <b>Function</b>                           | <b>ANTI-FRAUD &amp; CORRUPTION</b> | <b>36.08</b> | <b>45.00</b> |            |            |               |

**GOVERNANCE**

|              |  |                           |               |               |            |            |                |
|--------------|--|---------------------------|---------------|---------------|------------|------------|----------------|
|              | <b>Directorate</b>                       | <b>CHILDREN</b>           |               |               |            |            |                |
| <b>B</b>     | 253 BCBC - Children with Disabilities    |                           | 17.87         | 18.00         | 01/04/2013 | 11/10/2013 | Reasonable     |
|              | 297 BCBC School Governance               |                           | 3.72          | 5.00          | 18/06/2013 | 23/01/2014 | Substantial    |
|              | 312 BCBC - Leaving Care Commissioning    |                           | 0.27          | 15.00         | 17/07/2013 | 03/03/2014 | Not Applicable |
| <b>Total</b> | <b>Directorate</b>                       | <b>CHILDREN</b>           | <b>21.86</b>  | <b>38.00</b>  |            |            |                |
|              | <b>Directorate</b>                       | <b>COMMUNITIES</b>        |               |               |            |            |                |
| <b>B</b>     | 299 BCBC - Fuel Issues                   |                           | 11.72         | 15.00         | 17/06/2013 | 16/10/2013 | Reasonable     |
|              | 369 BCBC - Communities First             |                           | 13.01         | 20.00         | 09/01/2014 | 31/03/2014 | Reasonable     |
| <b>Total</b> | <b>Directorate</b>                       | <b>COMMUNITIES</b>        | <b>24.73</b>  | <b>35.00</b>  |            |            |                |
|              | <b>Directorate</b>                       | <b>WELLBEING</b>          |               |               |            |            |                |
| <b>B</b>     | 310 BCBC - Leisure Service Contract      |                           | 9.39          | 10.00         | 01/07/2013 | 14/03/2014 | Substantial    |
| <b>Total</b> | <b>Directorate</b>                       | <b>WELLBEING</b>          | <b>9.39</b>   | <b>10.00</b>  |            |            |                |
|              | <b>Directorate</b>                       | <b>BCBC CROSS CUTTING</b> |               |               |            |            |                |
| <b>B</b>     | 298 BCBC Gifts & Hospitality             |                           | 10.08         | 12.00         | 18/06/2013 | 31/03/2014 | Reasonable     |
|              | 314 BCBC CRSA                            |                           | 12.40         | 15.00         | 01/04/2013 | 31/03/2014 | Not Applicable |
|              | 353 BCBC Governance Review               |                           | 15.84         | 16.00         | 15/11/2013 | 31/03/2014 | Substantial    |
|              | 360 BCBC - Finance & Contract Compliance |                           | 13.95         | 15.00         | 04/11/2013 | 31/03/2014 | Substantial    |
| <b>Total</b> | <b>Directorate</b>                       | <b>BCBC CROSS CUTTING</b> | <b>52.27</b>  | <b>58.00</b>  |            |            |                |
| <b>Total</b> | <b>Function</b>                          | <b>GOVERNANCE</b>         | <b>108.25</b> | <b>141.00</b> |            |            |                |

**RISK & PERFORMANCE MANAGEMENT**

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|              |                    |   |              |               |            |            |                |
|--------------|--------------------|---|--------------|---------------|------------|------------|----------------|
| <b>B</b>     | <b>Directorate</b> | <b>CHILDREN</b>                         |              |               |            |            |                |
|              |                    | 328 BCBC - Youth Services               | 15.03        | 15.00         | 12/08/2013 | 16/01/2014 | Reasonable     |
| <b>Total</b> | <b>Directorate</b> | <b>CHILDREN</b>                         | <b>15.03</b> | <b>15.00</b>  |            |            |                |
| <b>B</b>     | <b>Directorate</b> | <b>COMMUNITIES</b>                      |              |               |            |            |                |
|              |                    | 303 BCBC - Fleet - Joint Garage Project | 9.16         | 15.00         | 13/05/2013 | 12/11/2013 | Reasonable     |
| <b>Total</b> | <b>Directorate</b> | <b>COMMUNITIES</b>                      | <b>9.16</b>  | <b>15.00</b>  |            |            |                |
| <b>B</b>     | <b>Directorate</b> | <b>BCBC CROSS CUTTING</b>               |              |               |            |            |                |
|              |                    | 265 BCBC - Business Continuity          | 24.73        | 25.00         | 01/04/2013 | 31/03/2014 | Reasonable     |
|              |                    | 322 BCBC - Capital Programme            | 14.16        | 20.00         | 15/07/2013 | 31/03/2014 | Substantial    |
|              |                    | 337 BCBC - Risk Management              | 16.42        | 20.00         | 02/10/2013 | 31/03/2014 | Reasonable     |
|              |                    | 384 Systems Link                        | 2.80         | 5.00          | 06/01/2014 | 20/02/2014 | Not Applicable |
| <b>Total</b> | <b>Directorate</b> | <b>BCBC CROSS CUTTING</b>               | <b>58.11</b> | <b>70.00</b>  |            |            |                |
| <b>Total</b> | <b>Function</b>    | <b>RISK &amp; PERFORMANCE MAN</b>       | <b>82.30</b> | <b>100.00</b> |            |            |                |

**CONTINGENCY**

|              |                    |   |              |              |            |            |                |
|--------------|--------------------|---|--------------|--------------|------------|------------|----------------|
| <b>B</b>     | <b>Directorate</b> | <b>RESOURCES</b>                          |              |              |            |            |                |
|              |                    | 287 BCBC - Advice & Guidance Performance  | 16.51        | 5.00         | 01/04/2013 | 31/03/2014 | Not Applicable |
|              |                    | 293 BCBC - IA PI's/Benchmarking           | 1.99         | 2.00         | 20/05/2013 | 30/08/2013 | Not Applicable |
|              |                    | 304 BCBC - 11/12 & 12/13 Limited reports  | 2.58         | 3.00         | 24/06/2013 | 30/08/2013 | Not Applicable |
|              |                    | 325 BCBC - Health & Safety                | 15.74        | 15.00        | 12/08/2013 | 13/01/2014 | Substantial    |
|              |                    | 357 BCBC - Appointeeships                 | 26.99        | 30.00        | 21/11/2013 | 31/03/2014 | Reasonable     |
|              |                    | 379 BCBC - ETCI Timesheet Validation      | 4.32         | 5.00         | 13/01/2014 | 31/03/2014 | Carry Forward  |
|              |                    | 388 BCBC - Porthcawl Harbour & Capital PM | 21.89        | 25.00        | 13/02/2014 | 31/03/2014 | Carry Forward  |
| <b>Total</b> | <b>Directorate</b> | <b>RESOURCES</b>                          | <b>90.03</b> | <b>85.00</b> |            |            |                |
| <b>B</b>     | <b>Directorate</b> | <b>RESOURCES - ICT &amp; PROPERTY</b>     |              |              |            |            |                |
|              |                    | 383 IT Health check                       | 1.15         | 10.00        | 13/01/2014 | 31/03/2014 | Carry Forward  |
| <b>Total</b> | <b>Directorate</b> | <b>RESOURCES - ICT &amp; PROPERTY</b>     | <b>1.15</b>  | <b>10.00</b> |            |            |                |
| <b>B</b>     | <b>Directorate</b> | <b>LEGAL &amp; REGULATORY SERVICES</b>    |              |              |            |            |                |
|              |                    | 281 BCBC - Legal & Reg 12/13 close down   | 1.01         | 3.00         | 01/04/2013 | 30/08/2013 | Reasonable     |
|              |                    | 295 BCBC - Advice & Guidance Legal & Reg  | 2.20         | 5.00         | 20/05/2013 | 31/03/2014 | Not Applicable |
|              |                    | 380 BCBC - Members Allowances & Expenses  | 14.91        | 15.00        | 06/01/2014 | 31/03/2014 | Substantial    |
| <b>Total</b> | <b>Directorate</b> | <b>LEGAL &amp; REGULATORY SERVICES</b>    | <b>18.12</b> | <b>23.00</b> |            |            |                |

|              |  |                           |                 |               |            |            |                |
|--------------|--|---------------------------|-----------------|---------------|------------|------------|----------------|
|              | <b>Directorate</b>                         | <b>CHILDREN</b>           |                 |               |            |            |                |
| <b>B</b>     | 267 BCBC - Advice & Guidance Childrens     |                           | 5.98            | 5.00          | 01/04/2013 | 31/03/2014 | Not Applicable |
|              | 296 BCBC - Student Support                 |                           | 9.70            | 10.00         | 03/06/2013 | 07/08/2013 | Substantial    |
|              | 302 BCBC Bryntirion Jnr closure            |                           | 4.49            | 5.00          | 03/06/2013 | 31/07/2013 | Not Applicable |
|              | 355 BCBC - Volunteer Drivers 2nd Follow up |                           | 4.90            | 5.00          | 18/11/2013 | 24/12/2013 | Reasonable     |
|              | 364 BCBC - School Balances                 |                           | 10.00           | 10.00         | 12/12/2013 | 31/03/2014 | Substantial    |
|              | 367 BCBC - Adoption Follow Up              |                           | 1.72            | 2.00          | 06/01/2014 | 03/03/2014 | Reasonable     |
| <b>Total</b> | <b>Directorate</b>                         | <b>CHILDREN</b>           | <b>36.79</b>    | <b>37.00</b>  |            |            |                |
|              | <b>Directorate</b>                         | <b>COMMUNITIES</b>        |                 |               |            |            |                |
| <b>B</b>     | 346 BCBC - Advice & Guidance Communities   |                           | 1.05            | 3.00          | 14/10/2013 | 31/03/2014 | Not Applicable |
|              | 348 BCBC - Rural Development Certification |                           | 9.43            | 10.00         | 21/10/2013 | 26/11/2013 | Reasonable     |
| <b>Total</b> | <b>Directorate</b>                         | <b>COMMUNITIES</b>        | <b>10.47</b>    | <b>13.00</b>  |            |            |                |
|              | <b>Directorate</b>                         | <b>WELLBEING</b>          |                 |               |            |            |                |
| <b>B</b>     | 294 BCBC - Communities 2.0 Grant           |                           | 4.49            | 5.00          | 20/05/2013 | 19/07/2013 | Substantial    |
|              | 356 BCBC - Bus Operators Grant Qtr 3       |                           | 5.98            | 8.00          | 04/11/2013 | 31/03/2014 | Carry Forward  |
|              | 361 BCBC - Shared Lives F/Up               |                           | 10.41           | 15.00         | 02/12/2013 | 31/03/2014 | Limited        |
|              | 362 BCBC - Supported Living F/Up           |                           | 10.61           | 15.00         | 02/12/2013 | 31/03/2014 | Reasonable     |
|              | 366 BCBC - Libraries Systems Control       |                           | 15.61           | 18.00         | 19/12/2013 | 12/02/2014 | Reasonable     |
|              | 378 BCBC - Telecare                        |                           | 19.09           | 20.00         | 06/01/2014 | 31/03/2014 | Limited        |
|              | 385 BCBC - Advice & Guidance Wellbeing     |                           | 1.28            | 5.00          | 06/01/2014 | 31/03/2014 | Not Applicable |
| <b>Total</b> | <b>Directorate</b>                         | <b>WELLBEING</b>          | <b>67.47</b>    | <b>86.00</b>  |            |            |                |
|              | <b>Directorate</b>                         | <b>BCBC CROSS CUTTING</b> |                 |               |            |            |                |
| <b>B</b>     | 359 BCBC - Corporate Issues Escalated      |                           | 2.03            | 3.00          | 25/11/2013 | 31/01/2014 | Not Applicable |
|              | 381 BCBC - Procurement of Consultants      |                           | 1.66            | 20.00         | 06/01/2014 | 31/03/2014 | Not Applicable |
| <b>Total</b> | <b>Directorate</b>                         | <b>BCBC CROSS CUTTING</b> | <b>3.68</b>     | <b>23.00</b>  |            |            |                |
| <b>Total</b> | <b>Function</b>                            | <b>CONTINGENCY</b>        | <b>227.71</b>   | <b>277.00</b> |            |            |                |
|              |  | <b>Grand Total</b>        | <b>1,360.29</b> |               |            |            |                |



## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO AUDIT COMMITTEE

18 JUNE 2014

### REPORT OF THE CORPORATE DIRECTOR - RESOURCES

### ANNUAL GOVERNANCE STATEMENT 2013-14

#### 1. Purpose of the Report

- 1.1 The purpose of this report is for the Audit Committee to approve the Annual Governance Statement (AGS) for inclusion in the Council's Statement of Accounts for 2013-14 and the associated Code of Corporate Governance which has been updated.

#### 2. Connection to Corporate Improvement Objectives and Other Corporate Priorities

- 2.1 Achievement of the aims and objectives in the Corporate Plan is underpinned by ensuring that effective governance arrangements are in place.

#### 3. Background

- 3.1 Regulation 4 of the Accounts and Audit (Wales) Regulation 2005 introduced a requirement for the Authority to be explicitly responsible, as part of its arrangements for corporate governance, for annually reviewing and reporting on internal control.
- 3.2 The CIPFA Code of Recommended Practice (the Code) states that the preparation and publication of an Annual Governance Statement (AGS) in accordance with 'Delivering Good Governance in Local Government' fulfils the statutory requirement regarding the production of a statement of internal control in England, Wales and Northern Ireland. The Regulations also state that the AGS must be included in the Council's Statement of Accounts.

#### 4. Current Situation / Proposal

##### **CIPFA/SOLACE Governance Framework Core Principles**

- 4.1 There are six core principles of good governance in the CIPFA/SOLACE framework contained within 'Delivering Good Governance in Local Government' which have been adapted for local government purposes. These can be aligned with the principles and values set out by the Welsh Government (WG) as shown via the wording in italics.

1. 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*).
  2. Members and officers working together to achieve a common purpose with clearly defined functions and roles; (*Knowing Who Does What and Why*);
  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*);
  4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk; (*Fostering Innovation Delivery*);
  5. Developing the capacity and capability of Members and officers to be effective; (*Being a Learning Organisation*);
  6. Engaging with local people and other stakeholders to ensure robust public accountability; (*Engaging with Others*);
- 4.2 Each core principle has a number of supporting principles outlining what they mean. The supporting principles in turn translate into a range of specific requirements that should be in place within the Council. The Council's Code of Corporate Governance has been based on these principles. It demonstrates how the Council will meet its commitment to these six Principles and also describes how the Council's corporate governance arrangements will be monitored and reviewed. It also explains the role of the AGS in the governance arrangements of the Council. The Council's Code of Corporate Governance is attached as Appendix A. It has been updated to include reference to the revised Anti-Fraud and Bribery Policy.
- 4.3 Good corporate governance requires the active participation of Members and officers across the Council. These arrangements are reviewed on an annual basis and the findings used to update the AGS. This helps to ensure the continuous improvement of the Council's corporate governance culture.
- 4.4 The inclusion of the AGS within the Statement of Accounts provides an overall assessment of the Council's corporate governance arrangements and an appraisal of the controls in place to manage the Council's key risks and identifies where improvements need to be made. The AGS is reviewed by Corporate Management Board and needs to be approved by the Audit Committee, prior to being signed by the Leader of the Council and the Chief Executive. The AGS for 2013-14 is attached as Appendix B.

## **5. Effect upon Policy Framework & Procedural Rules**

- 5.1 There are no implications upon policy framework and procedural rules.

## **6. Equality Impact Assessment**

6.1 There are no equality implications.

## **7. Financial Implications**

7.1 There are no financial implications.

## **8. Recommendations**

8.1 It is recommended that Audit Committee:

- Approve the revised Code of Corporate Governance (Appendix A)
- Review the Annual Governance Statement (Appendix B) and approve its inclusion in the Statement of Accounts 2013-14.

### **Ness Young CPFA Corporate Director - Resources**

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CF31 4AP

**Background Papers:** Accounts and Audit (Wales) Regulations 2005  
CIPFA/SOLACE: Delivering Good Governance in Local Government - Framework  
CIPFA/SOLACE: Application Note to Delivering Good Governance in Local Government: A Framework

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# BRIDGEND COUNTY BOROUGH COUNCIL

## CODE OF CORPORATE GOVERNANCE

**BRIDGEND COUNTY BOROUGH COUNCIL  
CODE OF CORPORATE GOVERNANCE**

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## **1. Introduction**

- 1.1 The Council is committed to the principles of good corporate governance. It has a duty to make proper arrangements for the governance of its affairs, secure continuous improvement in the way its functions are discharged and have robust arrangements in place for the management of risk. The development, adoption and continued implementation and monitoring of a Code of Corporate Governance confirms this commitment.
- 1.2 Good governance is about doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable way.
- 1.3 This Code describes the Council's understanding of corporate governance, and outlines the framework it has put in place to ensure that these arrangements are effective. The Code reflects a joint commitment by Members and senior managers to the principles it contains. This helps to ensure that the principles of corporate governance are not only fully embedded and cascaded throughout the Authority, but that they have the support of the Council, the Chief Executive and the Corporate Management Board.

## **2. Why adopt a Code of Corporate Governance?**

- 2.1 Adopting a Code of Corporate Governance is another way in which the Council shows its recognition of the fact that effective local government relies upon establishing and maintaining the confidence of local people in both elected Members and Council officials. Good corporate governance underpins credibility and confidence in the leadership and forms the foundation from which all Council services are provided.
- 2.2 Adopting, monitoring and complying with a Code of Corporate Governance helps enhance the Council's legitimacy and acknowledges the trust placed in the Council by local people.
- 2.3 Strong, transparent and responsive governance enables the Council to put citizens first by pursuing its aims and priorities effectively, and by underpinning them with appropriate mechanisms for managing performance and risk. In order to maintain citizens' confidence, these mechanisms must not only be sound, but also be seen to be sound.
- 2.4 Corporate governance comprises the framework within which the Council manages its business; this includes the Council's constitution, and the various procedure rules, codes and protocols contained therein. It also includes the systems and processes, and the culture and values by which the activities of the Council are directed and controlled, and how it accounts to and engages with its citizens. 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.

- 2.5 Adopting this Code of Corporate Governance provides a basis for a Council wide commitment to the way in which it intends fulfilling its role in leading and representing the community and ensuring that there is a strong customer focus underpinning everything that the Council does.

### **3. What is Corporate Governance?**

- 3.1 The Council has a key role in governing and leading our community. Effective local government relies on public confidence in elected Members and Council officers.
- 3.2 Effective systems of Corporate Governance provide confidence in public services.
- 3.3 Corporate Governance is a phrase used to describe how organisations direct and control what they do.
- 3.4 For local authorities this also includes how a Council relates to the communities that it serves.
- 3.5 Good Corporate Governance requires local authorities to carry out their services in a way that demonstrates accountability, openness and honesty.

### **4. Why do we need a Code of Corporate Governance?**

- 4.1 Corporate Governance is important because it supports:

- Provision of high quality public services

Within the UK, governance weaknesses have sometimes led to significant failures in public services. High performing organisations, on the other hand, generally have effective governance arrangements.

- Raising public trust

The public's trust is increased when they perceive the quality of services that they and their families experience to be sound and when organisations are seen to be open and honest in communicating their performance and learning from their mistakes.

- 4.2 The Code of Governance is based upon the following six core principles which are taken from "The Good Governance Standard for Public Services", which have been adapted for local government



purposes. These can be aligned with the principles and values set out by the Welsh Government (WG) as shown via the wording in italics.

1. 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*).
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles; (*Knowing Who Does What and Why*);
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*);
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk; (*Fostering Innovation Delivery*);
5. Developing the capacity and capability of Members and officers to be effective; (*Being a Learning Organisation*);
6. Engaging with local people and other stakeholders to ensure robust public accountability; (*Engaging with Others*);

This Code describes how the Council will meet and demonstrate its commitment to these six Principles. It also describes how the Council's corporate governance arrangements will be monitored and reviewed.

## **5. The Corporate Governance Principles.**

### **5.1 Principle 1.**

**Focusing on the Council's purpose, on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.**

***WG – Putting the Citizen First – Achieving Value for Money***  
***“Good governance means focusing on people’s needs and experiences, making the organisation’s purpose the delivery of a high quality service” – “Good Governance means looking after taxpayers’ resources properly, and using them carefully to deliver high quality, efficient services”.***

It is important that the Council fulfils its purpose and achieves its intended outcomes for citizens and service users. This requires a clear vision for the area and effective leadership to harness available resources in pursuit of this. The Council works closely with its partner agencies via the Local Service Board to ensure that best use is made of available resources and that tax payers and service users receive value for money. Citizens generally and users of specific services should receive a good quality service, whether this is delivered by the Council directly or through partnership arrangements or by being commissioned from other providers.

In pursuance of this the Council will:-

5.1.1 Provide timely and understandable information about the Council's activities, achievements, performance and financial position. This will be achieved by publishing:

- A Single Integrated Partnership Plan (SIPP)
- A Corporate Plan
- Its Improvement Priorities
- Externally audited accounts (including the Annual Governance Statement);
- Performance information.

5.1.2 The Council aims to deliver high quality services that provide value for money and will achieve this by:

- Regularly reviewing its plans for the local community
- Delivering services that are responsive to local needs, and put in place processes to ensure that they operate efficiently and effectively
- Directing resources to those that need services most and encouraging volunteering, when appropriate to do so
- Promoting collaborative arrangements with other public and voluntary sector agencies and positive relationships with the private sector
- Responding appropriately to the findings and recommendations of External Auditors and other regulatory bodies; putting in place arrangements for the implementation of agreed actions
- Developing an understanding about the services provided by similar organisations and assessing why differences arise.

## 5.2 Principle 2

**Members and officers working together to achieve a common purpose, with clearly defined functions and roles.**

### ***WG – Knowing Who Does What and Why***

***“Good governance means that everyone involved in delivering a service understands each other's roles and responsibilities and how together they will deliver the best possible outcomes”.***

The Council needs to ensure that residents understand its role and the levels of service they can expect. It will ensure that roles and responsibilities of senior management, Cabinet, Scrutiny and relevant others are defined in the Constitution and that this is reviewed on a regular basis. The scheme of delegation is a particularly important part of the Constitution as this identifies how decisions can be made and who is accountable for these.

5.2.1 Effective leadership requires clarity regarding roles of executive (Cabinet) and non-executive members and respect and recognition for the scrutiny function. In addition to this, constructive working relationship between members and staff, mutual respect for each of these respective roles is vital.

5.2.2 The Council will achieve this by:

- Appointing a Leader of the Council with powers to appoint Cabinet Members with specific responsibilities
- Appointing Committees to carry out the Council's Regulatory responsibilities
- Appointing Committees to carry out the Council's Scrutiny responsibilities
- Ensuring roles and responsibilities are defined in the Constitution and that this is regularly reviewed
- Having a scheme of delegated responsibilities
- Ensuring that decisions taken by individuals under powers delegated to them are properly recorded
- Having in place effective arrangements for the scrutiny of services and for holding the Cabinet to account.
- Ensuring that appropriate advice is given on all financial matters, that proper financial records and accounts are maintained and that an effective system of internal control is in place
- Ensuring that agreed procedures are followed and that applicable statutes and regulations are complied with
- Having arrangements in place to ensuring that Members and Officers are not influenced by prejudice, bias or conflicts of interest in decision making processes and when dealing with different stakeholders
- Ensuring Council partnerships have clear governance arrangements in place i.e. clarity about the legal status of the partnership and the roles and responsibilities of the partners.

### 5.3 Principle 3

**Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**

***WG – Living Public Service Values***

***“Good governance means creating a team that can do the job well, whose behaviours are rooted in public service values”.***

High standards of conduct and effective governance can only be achieved if those who hold public office have the highest standards of behaviour and encourage others to do so. The council’s core values are captured in the acronym FACE:-

- **Fair** – *considering everyone's needs and circumstances*
- **Ambitious** – *always trying to improve what we do and aiming for excellence*
- **Citizen Focussed** – *remembering that we are here to serve our local communities*
- **Efficient** - *delivering effective services that are value for money*

5.3.1 The Council will adopt a culture of behaviour based on shared values, ethical principles and good conduct. The Council will achieve this through:

- A member Code of Conduct
- An officer Code of Conduct
- Contract and Financial Procedural Rules
- A Whistleblowing Policy
- An Anti-Fraud and Bribery Policy
- A Corporate Complaints Policy
- A protocol for Member/Officer relations

5.3.2 The Constitution outlines the mechanisms for promoting and monitoring the application of these arrangements. The Performance Management Framework has been developed to help reinforce the Council’s values with particular emphasis on providing value for money.

## 5.4 Principle 4

**Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**

***WG – Fostering Innovative Delivery***

***“Good governance means being creative and innovative in the delivery of public services – working from evidence, and taking managed risks to achieve better outcomes”.***

Informed decision making is a fundamental part of good corporate governance. It requires councils to be rigorous and transparent in their examination of options but also open to listening and acting on the outcome of constructive scrutiny and views from all sectors of the community.

5.4.1 The Council will be open and honest about how decisions are taken and recorded and will ensure that risks are considered within the decision making process.

5.4.2 The Council will achieve this by:

- Observing specific legislative requirements placed on all Councils and the requirements of general law
- Having rules and procedures which show how decisions are made
- Ensuring that decision making reports explain the background in an open and transparent way
- Recording all decisions that are made by Committees and officers and making the details publicly available, excepting decisions of a confidential or exempt nature
- Ensuring reports contain financial implications
- Ensuring equality impact assessments are undertaken when appropriate
- Ensuring risks and mitigating actions are considered within decision making processes
- Developing and maintaining an effective scrutiny function which encourages constructive challenge
- Maintaining an effective Audit Committee which is independent of the Executive and Scrutiny Functions
- Having arrangements in place for whistle-blowing to which staff and those contracting with the authority have access

5.4.4 The Council will maintain a risk management system that assists the achievement of corporate priorities, protects the Council’s reputation and other assets and is compliant with statutory and regulatory obligations.

5.4.5 The Council will ensure that the risk management system:-

- Operates effectively and identifies and manages risks
- Is embedded into the culture of the authority with Members and all managers recognising that risk management is part of their role
- Involves elected members in the risk management process
- Links risks to financial and other key internal controls
- Incorporates service and business continuity planning
- Enables a corporate risk assessment to be maintained and that this is reviewed at least annually

## 5.5 Principle 5

**Developing the capacity and capability of Members and officers to be effective.**

### ***WG – Being a Learning Organisation***

***“Good governance means always learning and always improving service delivery”.***

Effective local government relies upon public confidence in authority members and officers. All Councils need people with the right skills and experience to direct and control them effectively. Governance is strengthened by the participation of people with many different types of knowledge and experience.

5.5.1 The Council is committed to developing the capability of those with governance responsibilities and evaluating their performance.

5.5.2 The Wales Charter for Member Support and Development offers a framework within which all councils can assess and further develop support for elected Members, enabling them to meet the increased challenges and heightened expectations placed on them. Bridgend County Borough Council was awarded the Charter in 2010 and currently in the process of renewing its Charter status.

5.5.3 Learning opportunities will be available for staff at all levels and this includes Leadership and Management development for senior staff. This will help ensure that those responsible for the governance of the Council have the skills, knowledge and experience they need to perform well.

5.5.2 The Council will achieve this by:

- Maintaining an Elected Member Learning and Development Strategy
- Developing leadership skills and capacity across the Council

- Maintaining effective arrangements for staff appraisals to be undertaken to assess their performance and development needs
- Having arrangements in place to review the performance of all service areas to help ensure that the Council's priorities are being achieved
- Providing information to Members and officers on a regular basis about the discharge of the Council's responsibilities

## 5.6 Principle 6

**Engaging with local people and other stakeholders to ensure robust public accountability.**

### ***WG – Engaging with Others***

***“Good governance means ensuring that the views and contributions of staff, the public and partner agencies are sought and harnessed to achieve the best possible outcomes”.***

Local authorities not only have to do things in the right way, but have to face the additional challenge of being seen to do things in the right way. This requires full engagement with local people where appropriate through a process which is planned and resourced in a way that is fair.

### 5.6.1 The Council will achieve this by:

- Holding meetings in public unless there are good reasons for confidentiality
- Producing a Corporate plan outlining the Council's vision and its plans for services delivered within the community
- Producing an Annual Report on the work of the Overview and Scrutiny Function
- Publishing information on the Council's financial statements along with information about its achievements and outcomes
- Developing and maintaining a citizen engagement strategy
- Engaging in consultation in a meaningful way and through mechanisms which seek to capture the views of all residents where appropriate.
- Working with other public sector partners to help residents understand our respective responsibilities and what we aim to achieve by working in partnership.
- Maintaining and reviewing an effective complaints procedure.

## **6. Monitoring and Review**

- 6.1 Good corporate governance requires the active participation of Members and officers across the Council. These arrangements will be reviewed on an annual basis and the findings of this work will be reported in the Annual Governance Statement. This will help ensure the continuous improvement of the Council's Corporate Governance culture.
- 6.3 The adoption and maintenance of an up to date Code of Corporate Governance, including arrangements for ensuring its implementation and ongoing application is an important part of the process.
- 6.4 The Audit Committee is responsible for monitoring and reviewing the Governance arrangements as described in this Code.
- 6.5 Through that Committee the Council will ensure that these arrangements are kept under continual review. This will include consideration of :
- The work undertaken by internal audit;
  - Reports prepared by managers with responsibility for aspects of this Code;
  - Reports and opinions expressed by external auditors;
  - Reports of other regulatory bodies and Inspectorates.

## **7. The Annual Governance Statement**

- 7.1 Each Year the Council will publish an Annual Governance Statement (AGS).
- 7.2 This will provide an overall assessment of the Council's Corporate Governance arrangements and an appraisal of the controls in place to manage the Council's key risks.
- 7.3 The AGS will also provide details of where improvements need to be made.
- 7.4 The AGS will be reviewed by Corporate Management Board and approved by the Audit Committee, prior to being signed by the Leader of the Council and the Chief Executive.
- 7.5 The AGS will be published as part of the Council's Annual Statement of Accounts and will be reviewed by our External Auditors.





## **Annual Governance Statement 2013-14**

### **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).

### **2. The Purpose of the Governance Framework**

- 2.1 The governance framework comprises the systems, processes, and values by which the Council 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 2014. 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 Council 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 2013-2017 included Improvement Priorities which are aligned with the key outcomes of the

Local Service Board's 'Bridgend County Together' Single Integrated Partnership Plan. This ensures that the Council is able to deliver on the commitments made with partner organisations. The Plan also takes 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.

4.2 The Plan includes the following six improvement priorities:

- Working together to develop 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.

4.3 These improvement priorities 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 priorities to be reviewed on a quarterly basis. The Corporate Plan has identified a number of outcome-focused 'success indicators', some of which are benchmarking measures. All of the indicators included in the Plan are aimed at measuring the success of our joined up working with citizens and partners.

4.4 The Council approved a Medium Term Financial Strategy (MTFS) for the period 2014-15 to 2017-18. This provides an integrated planning and financial framework for the next four years and includes the detailed budget strategy for the next financial year. The annual revenue budget and 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.

4.5 There are a range of projects, linked to programmes, in progress to ensure that the improvement priorities are achieved. The corporate Programme Management Board (PMB) is overseeing a number of major initiatives under its Change Management Programme 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.
- 4.6 The Auditor General's Annual Improvement Report 2013-14 on the Council has been received in draft pending further discussion. The draft report recognises that the Council has made good progress in delivering improvement in most of its priority areas and recognises the need to accelerate improvements in education and complaints handling. Also, the Council has established a culture of self-evaluation which has resulted in a fair and balanced account of its performance although there were some areas for improvement. Finally, despite significant financial challenges, the letter recognises that the Council has sound plans for improvement. The Auditor General arrived at his views by:-
- reviewing the Annual Performance Report 2012-13 and the Council's own self-assessment; and
  - assessing contributions from Welsh inspectorates, Estyn (for education), the Care and Social Services Inspectorate for Wales (the CSSIW) and the Welsh Language Commissioner.
- 4.7 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, and linked with Local Service Board priorities;
  - Delivery of the Local Service Board's Citizen Engagement Strategy;
  - Customer contact centre as focal point for customer engagement;
  - Consultation activity with customers – e.g. consultation on corporate improvement priorities, development of "Ask Bridgend"
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 and maintain high standards of conduct by Town and Community Councillors and County Borough Councillors, co-opted members and Church and Parent Governor Representatives.
- 5.3 The Constitution is at the heart of the Council's business and assigns responsibility within the Council. 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.
- 5.5 All Committees have clear terms of reference that set out their roles and responsibilities and work programmes. 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 the Human Resources department.

- 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 As the social care functions for children and adults are located within different directorates of Bridgend County Borough Council, a protocol is in place which clarifies the statutory roles of the Director of Social Services and the Lead Director for Children and Young People within the Council. This protocol also sets out the expectations between the Statutory Director of Social Services and the Head of Safeguarding and Family Support.
- 5.11 The revised Performance Management Framework was published in December 2013. This documents Council processes and procedures and the roles and responsibilities of managers within the process. It includes expectations around the style and behaviour of managers to support the further evolution of a strong culture of self-assessment.
- 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. It stands for **F**air (taking into account everyone's needs and situation), **A**mbitious (always trying to improve what we do and aiming for excellence), **C**itizen focused (remembering that we are here to serve our local communities) and **E**fficient (delivering services that are value for money).
- 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. There is also a gifts and hospitality register.
- 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 Bribery Policy
  - Whistleblowing Policy
  - HR policies regarding the disciplining of staff involved in such incidents
  - Corporate Complaints Policy

Both the Anti-Fraud and Bribery Policy (May 2014) and the Whistleblowing Policy (April 2014) have been reviewed, updated and approved by Cabinet.

- 6.4 Conduct of Members is monitored by the Public Services Ombudsman for Wales. The Council's Standards Committee also considers any reports submitted by the Ombudsman and the Monitoring Officer and any representations received relating to alleged breaches of the Code of Conduct.
- 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.
- 6.7 During 2013-14, the Council has developed a 'Bridgend County Borough Council, social media and you' protocol which is available on the website. The aim of this is to be clear about how the Council will engage with users and manage expectations.
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, legal 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 appointed based on the political balance of the elected members that form the Council. 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 describes the 'Golden Thread' for planning which links the Council's vision of "Working together to improve lives" through services delivered at the frontline of the Council and how external factors influence the vision. The external factors include national priorities from both Welsh and UK Government and local priorities from Citizens, Partners, Elected Members and the Local Service Board via the Single Integrated Partnership Plan (SIPP) entitled 'Bridgend County Together'. The Council's Corporate Plan is aligned to the key outcomes of the SIPP. The vision and priorities that are set out in the Corporate Plan have a direct relationship with directorate business plans, service delivery plans, group delivery plans and the individuals' objectives within staff appraisals.
- 7.7 Corporate Performance Assessment (CPA) is undertaken on a quarterly basis and is attended by Cabinet Members, Corporate Management Board and Heads of Service and is supported by the Corporate Improvement and Finance teams. The purpose of the CPA is as follows:
- Obtain a holistic view of the Council's performance;
  - Identify and explore cross-cutting issues;
  - Critically challenge areas of poor performance; and
  - Identify service improvement opportunities, risks to delivery and resource implications.
- 7.8 Specifically, the CPA monitors:
- The overall financial position;
  - The Council's improvement priorities 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 priorities; 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 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.

- 7.10 Risks are viewed from both a Service and Council-wide perspective which allows the key risks to be distilled in the 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 Corporate Risk Register is also presented to Audit Committee for review.

The main risks facing the Council that were identified during 2013-14 included:

| <b>Risk Description</b>                                 | <b>Potential Impact</b>  |
|---|--|
| Welfare Reform Bill                                     | Changes being made by the UK Government to benefit entitlements mean that demands on some services are likely to increase as the Council's resource base reduces.  |
| Impact of the recession and using resources effectively | Pressure will be placed on council services which support local businesses and employment. Any shortfall in identified savings may result in the need to make unplanned cuts to services which puts vulnerable people at risk. Individuals, particularly young people, may be unable to secure employment because they lack the basic skills and confidence necessary. |
| Supporting vulnerable people, children and young people | Failure to remodel services to reflect demographic changes will restrict the council's ability to respond to assessed needs and may result in inefficient services. The wellbeing and safety of children might be compromised.   |
| School Modernisation                                    | Insufficient progress may have a negative impact on pupils' learning and wellbeing.  |
| Improving educational attainment                        | Potentially fewer quality learning opportunities for students resulting in poorer educational attainment.  |
| Disposing of Waste                                      | Failure to achieve recycling/composting targets could result in inefficient use of resources with waste going to landfill sites and penalties against the Council.   |
| Collaboration with Partners                             | If the council does not undertake collaboration projects where they offer enhanced service quality, increased resilience or significant cost savings, it will not maximise cost effective, tangible, improvements to services.   |
| Implementing a new pay and grading                      | There is a risk that the recurrent costs   |

|                                |   |
|--------------------------------|---|
| system                         | of successful job evaluation appeals cannot be met and that staff morale and therefore service performance may be affected for staff receiving a reduction in pay.                |
| Maintaining the infrastructure | A poor highways network leads to increased third party liability claims, a loss of reputation, a possible adverse impact on the economy and reduced quality of life for citizens. |

- 7.11 The Council's approach to Risk Management ensures that key risks are considered when determining Council priorities, targets and objectives. These are incorporated in Directorates' Business Plans.
- 7.12 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.
- 7.13 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 and 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. All committee reports include an equality impact assessment.
- 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
- 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. All staff appraisals are completed during the first quarter of the financial year to ensure that targets can be linked to service priorities reflected in annual business plans. There is also a Six Month Review form which identifies progress on targets or any additional targets that need to be included. 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 The Member Development Programme is regularly reviewed by the Democratic Services Committee to ensure that any training activities are appropriate, relevant and timely.
- 8.5 During the period from November 2012 to April 2013, a team of elected members from the Council participated in a scrutiny learning exchange programme facilitated by the Wales Audit Office. The work has provided an opportunity for the Council to reflect upon how it conducts and evaluates its scrutiny process.
- 8.6 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.

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 2013-14, the Council consulted on a wide range of issues including the following (this list is not exhaustive):

- The Council's Financial Situation;
- Council Tax Reduction Scheme;
- Corporate Plan 2013-17;
- Proposals to amalgamate schools.

The Council is also using social media to promote various aspects of the Council and its services and enables feedback from the public.

9.5 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.

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

9.7 The Local Service Board (LSB) brings together representatives from organisations across a range of service areas in Bridgend to work together to improve the quality of life for people living and working in Bridgend. Current members of the LSB are:

- Abertawe Bro Morgannwg University Health Board
- Bridgend Association of Voluntary Organisations
- Bridgend Business Forum
- Bridgend College
- Bridgend County Borough Council
- Natural Resources Wales
- South Wales Fire and Rescue Service
- South Wales Police
- Valleys to Coast
- Wales Probation
- Welsh Government

In Bridgend the LSB Model is made up of two main elements:

- The LSB sets and directs the overarching strategy for the county as well as sponsoring innovative new projects to improve the way organisations deliver public services;
- The People and Communities Partnership Boards are responsible for the performance management of the Bridgend's Single Integrated Partnership Plan 'Bridgend County Together' and ensuring accountability for implementation of LSB programmes.

9.8 In the development of the Medium Term Financial Strategy 2014-15 to 2017-18, 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 Council 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.

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 scrutinising 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. The number of lay-members required to support the committee is being kept under review;
- the appointment of a Head of Democratic Services.

10.4 Training has been provided to ensure that all members (including the Lay-Member) have the opportunity to gain a comprehensive understanding of their role. In March 2013, the Audit Committee received training on the Annual Planning Process for Internal Audit.

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 Council.

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 2013-14, in carrying out its duties, Internal Audit has been working to 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 Head of Audit undertook a self-assessment to demonstrate the extent to which the Internal Audit Shared Service complied with the PSIAS and to identify areas where further work was required to demonstrate compliance. This was reported to Audit Committee in April 2014. The review showed that the Internal Audit Shared Service is fully compliant with eight of the standards and partially compliant with the remaining three. An Action Plan has been formulated by the Head of Audit to assist the Service in complying with the requirements of the PSIAS.
- 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.
- 10.11 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 2012-13 confirmed that the appointed auditor issued an unqualified audit opinion on the accounting statements for 2012-13 and was satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The Letter confirmed that the auditor was pleased with the substantial progress on job evaluation during the audit year and the implementation during 2013-14.

- 10.12 The Wales Audit Office issued two reports to Audit Committee, one on the Audit of the Financial Statements Report 2012-13 in September 2013 and one on the Certification of Grants and Returns 2012-13 in April 2014. 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 2012-13 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 has discharged its improvement reporting duties under the Local Government (Wales) Measure 2009 and has acted in accordance with Welsh Government guidance. The Council is likely to comply with the requirement to make arrangements to secure continuous improvement during the financial year. The draft Annual Improvement Report 2013-14 states that the Council has made good progress in delivering improvements in most of its priority areas and recognises the need to accelerate improvements in education and complaints handling.
- 10.14 The Public Services Ombudsman for Wales reports on each council in Wales the number of complaints received and investigated. In July 2013, the Council received its Annual Letter for 2012-13. The letter noted a decrease in the number of complaints received, 24 in 2012-13 compared to 30 in 2011-12. The comparative figure for the local authority average was 36 for 2012-13 (37 for 2011-12). Only 1 complaint was investigated by the Ombudsman compared to 2 for the previous year. The Ombudsman partly upheld one complaint against the Council during 2012-13.
- 10.15 The Care and Social Services Inspectorate Wales (CSSIW) Annual Review for Bridgend 2012-13 concluded that the Council has continued to make reasonable progress despite significant and ongoing management changes. The review identified that strong commissioning and contracting arrangements are in place combined with a robust approach to safeguarding adults. It recognised that the Council continues to be a key driver in the Western Bay regional collaboration. The work being completed by the remodeling of the adult social care programme board has enabled the identification of areas for development, the assigning of tasks and the monitoring of progress against a wide range of service developments. This has ensured service improvement across adult services. Within Children, the review recognises that the service has responded positively to the inspection of its arrangements for looked after children and young people and has clear action plans in place.
- 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. A Post Inspection Action Plan (PIAP) was developed following discussions with officers, elected members and the Central South Consortium and this was signed off by Estyn in July 2013. During March 2014, Estyn Inspectors carried out a monitoring visit which included interviewing a number of officers within the local authority and the consortia. The key message from the feedback was that progress in responding to the inspection was initially slow and overall judgment is that the current position is behind expectation. However, it was felt that recent changes appear to be accelerating actions. A further monitoring visit will take place in Autumn 2014.

## **11. Significant Governance Issues**

- 11.1 During 2013-14, Internal Audit carried out an audit review of the Code of Corporate Governance. The objective of the audit was to ensure compliance with the Code across the Council. The audit findings were that substantial assurance could be given. However, there were recommendations that need to be implemented during 2014-15. These were to ensure that the Code is regularly reviewed and updated and that it is updated to include reference to the Anti-Fraud and Bribery Policy of the Council.
- 11.2 The Annual Internal Audit Opinion is due to be reported to the Audit Committee in June 2014, for the period April 2013 to March 2014. It will state 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.” However, the Opinion does raise a concern over the retirement of the deputy Section 151 Officer at the end of July 2014 and that the Section 151 Officer is currently unavailable to perform her duties as a significant governance issue. The Chief Executive is in the process of addressing this issue and has given his assurances that interim arrangements will be put in place to ensure the statutory functions of the Section 151 Officer are covered.
- 11.3 As mentioned above, one of the significant governance issues in 2012-13 related to the Estyn Report on the quality of local authority education services for children and young people. The PIAP addresses the 5 recommendations from the inspection report. The School Improvement Monitoring group comprising of the Cabinet Members for Children and Young People and Resources, Chairperson of Children and Young People’s Overview and Scrutiny, Chief Executive, Corporate Directorate – Children, Head of Service and the Council Leader will oversee progress on both the PIAP and the wider school improvement agenda. The monitoring group meets monthly and receives a report from the Director on progress at each meeting. The role of this group monitoring the action plan will be crucial to improve education services within the Council.

- 11.4 The Annual Governance Statement 2012-13 highlighted the significant financial challenge facing the Council in terms of delivering a savings target of the £24m savings identified in the Medium Term Financial Plan 2013-14 to 2015-16. In February 2014, the Medium Term Financial Strategy (MTFS) 2014-15 to 2017-18 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 £36m over the period 2014-15 to 2017-18.
- 11.5 The implementation of the MTFS 2013-14 to 2016-17 has been led by Cabinet and the Corporate Management Board. This has now been rolled forward a year to cover the period 2014-15 to 2017-18 taking account of auditors' views and any issues which need to be addressed from 2013-14, together with a continued desire to embed a culture of medium term financial planning closely aligned with corporate planning. Implementation of the strategy will be led by Cabinet and Corporate Management Board underpinned by financial and performance data. The Council will seek to ensure that it is widely understood by internal stakeholders (Members, employees and Unions) and external stakeholders (citizens, businesses and partners). 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 WAO review of Council's arrangements for ensuring value for money from its working with the Third Sector (June 2013) identified a set of proposals for improvement including the need to develop a clear strategy of how it will work with the third sector to deliver its priorities. The Third Sector Review Project Board has a specific workstream on 'Value for Money and Alignment to Council priorities' which will progress improvements in accordance with the WAO's recommendations.
- 11.7 The attached 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.....**

## Annual Governance Statement – Action Plan

**Review Significant Governance Issues 2013-14**

|    | ISSUE  | ACTION  | TIMESCALE FOR COMPLETION                         | LATEST POSITION   | RESPONSIBLE OFFICER          |
|----|--|---|--|---|------------------------------|
| 1. | The Council's Code of Corporate Governance needs to be reviewed and updated. It also needs to reflect the existence and commitment to the revised Anti-Fraud and Bribery Strategy. | Cabinet approved the Anti-Fraud and Bribery Strategy in May 2014.<br><br>The Code will be revised to incorporate this Policy. | June 2014  | The revised Code of Corporate Governance will be presented to Audit Committee in June along with the Annual Governance Statement. | Corporate Director Resources |
| 2. | Estyn Report on the quality of local authority education services for children and young people.   | The Post Inspection Action Plan is being examined on a monthly basis by the School Improvement Monitoring Group.              | Autumn 2014<br><br>(next Estyn Monitoring Visit) | The Action Plan will continue to be monitored and progressed in preparation for the next monitoring meeting.                      | Corporate Director Children  |

|    | ISSUE   | ACTION  | TIMESCALE FOR COMPLETION  | LATEST POSITION   | RESPONSIBLE OFFICER          |
|----|---|---|---|---|------------------------------|
| 3. | Delivering the £36m savings identified in the Medium Term Financial Strategy 2014/15 to 2017/18 | The key assumptions and funding available was reviewed during 2013/14. A Medium Term Financial Strategy (MTFS) 2014-15 to 2017-18 was approved by Council on 19 February 2014 which identified £36m savings needed over the period. | Budget Timescale and Local Government Settlement Timescale<br><br>Updates to Corporate Management Board | Savings have been identified into :-<br><ul style="list-style-type: none"> <li>➤ Making Best Use of Resources</li> <li>➤ Managed Service Reductions</li> <li>➤ Collaboration &amp; Service Transformation</li> <li>➤ Policy Change</li> </ul> <p>The risk status of the savings proposals were identified within the MTFS with 9.9% of the Savings Proposals classified as being Red with proposals still being developed and 19.6% as Amber with Implementation Plans in development.</p> <p>The Budget Research and Evaluation Panel will work on an on-going basis with Cabinet members and officers to develop the savings proposals.</p> | Corporate Director Resources |

|    | ISSUE  | ACTION   | TIMESCALE FOR COMPLETION                             | LATEST POSITION   | RESPONSIBLE OFFICER          |
|----|--|--|--|---|------------------------------|
| 4. | Council's arrangements for ensuring value for money from its working with the Third Sector (WAO Study June 2013) | The Third Sector Review Project Board has been established with a workstream dedicated to 'Value for Money and Alignment to Council priorities'. | Updates to Project Board Cabinet Report October 2013 | <p>Action Plan includes:-</p> <ul style="list-style-type: none"> <li>➤ Development of a Third Sector Strategy to build understanding about what the Council wants and needs and the potential future opportunities to help develop the market and build sustainability.</li> <li>➤ That the Council should review each Service Level Agreement with Third Sector organisations, in discussion with the organisation, to ensure that performance management and reporting arrangements are proportionate to the funding provided.</li> <li>➤ Where the Council provides significant funding to a particular organisation, it should identify a lead officer to manage the relationship with that organisation, with an overview of all the funding it receives, and to act as a contact where there are issues with provider performance.</li> <li>➤ The Council should identify areas of its dealings with the Third Sector that could be more consistent such as commissioning and performance management, and seek to learn from colleagues, other councils, and the sector itself, about which approaches work well. The best approaches should then be applied across the Council.</li> </ul> | Corporate Director Resources |

|    | ISSUE  | ACTION  | TIMESCALE FOR COMPLETION | LATEST POSITION   | RESPONSIBLE OFFICER |
|----|--|---|--------------------------|---|---------------------|
| 5. | The Council must ensure that it has the appropriate fully qualified statutory s151 officer in place to fulfil its legal obligation and to help manage the Council during a very crucial period of financial uncertainty. | Suitable recruitment processes are being put in place for the new Head of Finance and ICT – deputy s151 Officer | July 2013                | ➤ Interim Head of Finance and ICT being recruited who will be a Deputy s151 officer | Chief Executive     |

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## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO AUDIT COMMITTEE

18 JUNE 2014

### REPORT OF THE SECTION 151 OFFICER

### STATEMENT OF ACCOUNTS 2013-14

#### **1. Purpose of this report**

- 1.1 The purpose of this report is to present the unaudited Statement of Accounts for 2013-14 to Audit Committee for note.

#### **2. Connections to Corporate Improvement Objectives / Other Corporate Priorities**

- 2.1 The Council's financial performance is an important element in determining the extent to which the Corporate Objectives can be delivered.

#### **3. Background**

- 3.1 The preparation of the statement of accounts is a requirement of the Accounts and Audit (Wales) Regulations 2005 (as amended), and its content is defined by the 'Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and CIPFA's Service Reporting Code of Practice (SERCOP).

- 3.2 The Statement of Accounts for 2013-14 have to be signed and dated by the responsible financial officer before the 30 June 2014, certifying that it presents a true and fair view of the financial position of the Authority. The audited Accounts must be approved by Audit Committee before 30 September 2014. The Code sets out the accounting principles and practices required to prepare a Statement of Accounts. However, it is the role of the responsible financial officer to make appropriate decisions in accordance with his/her professional judgement about the best and proper practices to be followed.

#### **4. Current Situation / Proposal**

- 4.1 The Council's Statement of Accounts for the financial year ended 31 March 2014 has been prepared and a copy is attached as Appendix A. The Statement of Accounts comprises a number of different statements relating to financial performance and reserves as well as a statement on corporate governance arrangements.

#### **5. Effect upon policy framework & procedural rules**

5.1 There is legal requirement for the Statement of Accounts to be signed by the responsible financial officer by the 30 June following the end of the financial year.

## **6. Equality Impact Assessment**

6.1 Whilst the production of the Statement of Accounts itself does not itself raise any equality issues, it does summarise the financial consequences of the budget reductions and service reconfigurations identified in the Council's Medium Term Financial Strategy. When these proposals were being developed consideration was given to their potential impact on protected groups within the community.

## **7. Financial implications**

7.1 These are reflected in the body of the report.

## **8. Recommendation**

8.1 That Audit Committee note the unaudited Statement of Accounts for 2013-14.

**Janet Smith CPFA**  
**Head of Finance and Performance**  
**10 June 2014**

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### **Background Documents:**

Statement of Accounts 2013-14



# Statement of Accounts 2013-14

Electronic Version - unsigned

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## Explanatory Foreword

### 1. The Statement Of Accounts

The accounts for 2013-14 have been produced in line with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2013. 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 (MIRS)

This statement shows the movement in the year on different reserves held by the Council. 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 Council'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 Council. This shows that the total Council fund balance has increased by £0.075 million.

2. The Comprehensive Income & Expenditure Statement (CIES)

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 Council and the estimated cost of the shortfall on the pension scheme, which are not directly funded by the Council Tax payer.

For 2013-14, the Council showed a deficit on the Comprehensive Income and Expenditure Statement of £25.342 million. 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 2014, where the net worth was £154.343 million. 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 £10.221 million.

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**

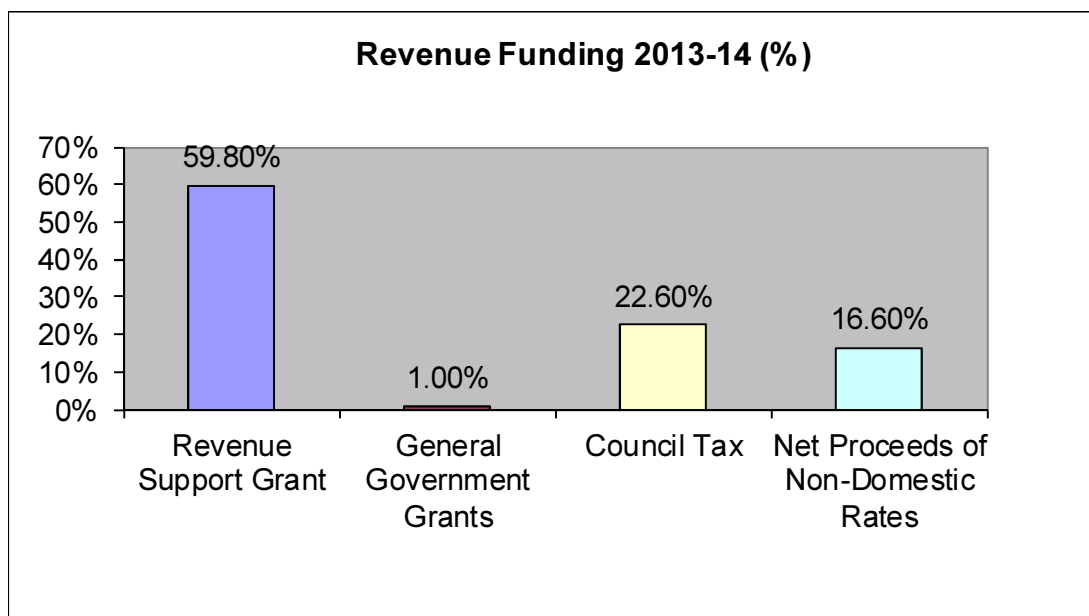
The Council incurs two types of expenditure – revenue expenditure and capital expenditure.

**Revenue expenditure** covers spending on the day to day costs of services such as staff salaries, maintenance of buildings and general supplies commissioning 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.

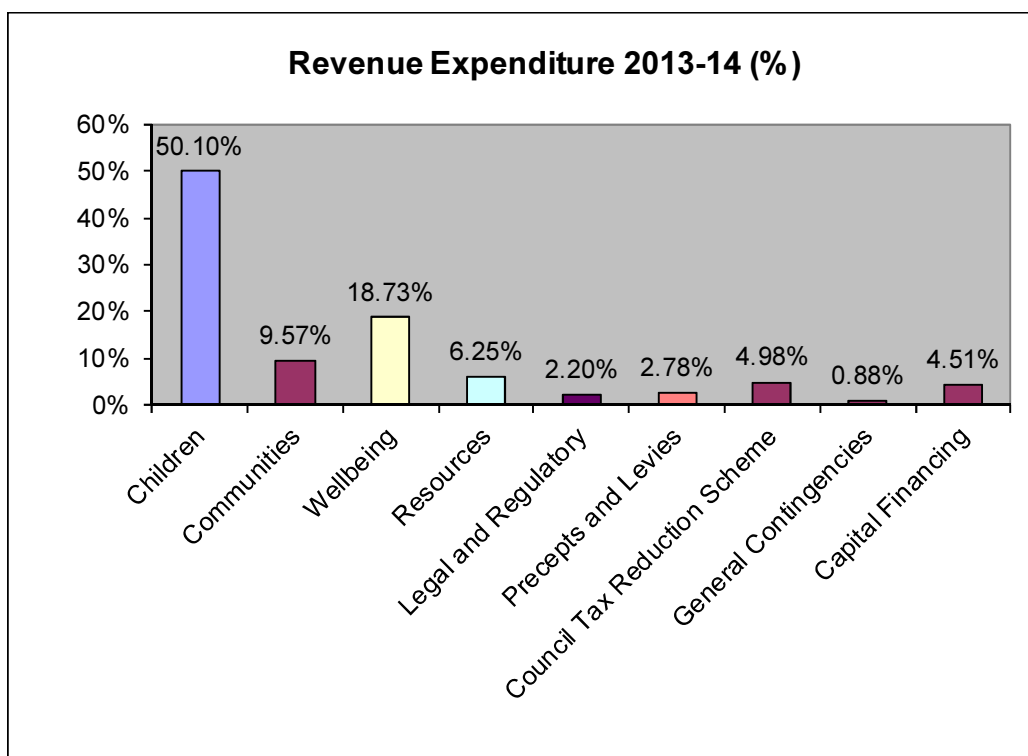
**Capital expenditure** covers spending on assets such as roads, new schools, redevelopment and the major renovation of buildings. These assets will provide benefits to the community for several years and the expenditure is mainly financed by borrowing and capital grants.

a) Revenue spending on council services

Where the money came from.....



Where the money was spent.....



In 2013-14, the net spend on revenue services was £220.777 million. This compares to £222.435 million anticipated when the budget was revised, resulting in a £1.658 million under-spend on Directorate Budgets. The overall

position for the Council was a slight under-spend of £75,000 after allowing for appropriation to Earmarked Reserves, additional income from council tax and an under-spend on general contingencies.

The following table shows how the actual expenditure on services during 2013-14 compared with the budget set for the year. Explanations are provided for significant differences between spend and budget.

Comparison of actual spend with budget 2013-14

|  | <b>Original<br/>Budget<br/>13-14<br/>£'000</b> | <b>Budget<br/>Transfers<br/>In Year<br/>£'000</b> | <b>Revised<br/>Budget<br/>13-14<br/>£'000</b> | <b>Actual<br/>13-14<br/>£'000</b> | <b>Variance<br/>13-14<br/>£'000</b> |
|--|--|---|---|-----------------------------------|-------------------------------------|
| <b>Directorates</b>                      |  |   |   |                                   |                                     |
| Children                                 | 125,010  | 2,416   | 127,426                                       | 127,351                           | (75)                                |
| Wellbeing                                | 45,891   | 2,059   | 47,950  | 47,616                            | (334)                               |
| Communities                              | 23,378   | 955   | 24,333  | 24,328                            | (5)                                 |
| Resources                                | 16,546   | 318   | 16,864  | 15,898                            | (966)                               |
| Legal & Regulatory Services              | 5,677  | 185   | 5,862   | 5,584                             | (278)                               |
| <b>Total Directorate Budgets</b>         | <b>216,502</b>                                 | <b>5,933</b>                                      | <b>222,435</b>                                | <b>220,777</b>                    | <b>(1,658)</b>                      |
| Precepts & Levies                        | 7,050  | (2)   | 7,048   | 7,063                             | 15                                  |
| General Contingencies                    | 10,756   | (7,713)   | 3,043   | 2,084                             | (959)                               |
| Council Tax reduction Scheme             | 12,625   | -   | 12,625  | 12,671                            | 46                                  |
| Capital Financing                        | 10,715   | (50)  | 10,665  | 10,393                            | (272)                               |
| <b>Net Expenditure</b>                   | <b>257,648</b>                                 | <b>(1,832)</b>                                    | <b>255,816</b>                                | <b>252,988</b>                    | <b>(2,828)</b>                      |
| General Government Grants                | (2,539)  | -   | (2,539)                                       | (2,539)                           | -                                   |
| NNDR Discretionary Rate Relief           | 111  | -   | 111   | 128                               | 17                                  |
| Appropriation to/(from) Reserves         | (490)  | 1,832   | 1,342   | 5,622                             | 4,280                               |
| <b>Net Budget</b>                        | <b>254,730</b>                                 | <b>-</b>  | <b>254,730</b>                                | <b>256,199</b>                    | <b>1,469</b>                        |
| Revenue Support Grant                    | (154,722)                                      | -   | (154,722)                                     | (154,722)                         | -                                   |
| Non Domestic Rates                       | (43,154)                                       | -   | (43,154)                                      | (43,154)                          | -                                   |
| Council Tax                              | (56,854)                                       | -   | (56,854)                                      | (58,398)                          | (1,544)                             |
| <b>Net (Under)/Overspend on Services</b> | <b>-</b>                                       | <b>-</b>  | <b>-</b>                                      | <b>(75)</b>                       | <b>(75)</b>                         |

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 2014 showed an under-spend on service expenditure within the year of £1.658 million. A summary of the most significant variances is outlined below:-

➤ **Children's Directorate**



The net budget for the Directorate for 2013-14 was £127.426 million and the actual outturn was £127.351 million, resulting in an underspend of £75,000. An overspend of over £691,000 on Looked After Children has been offset by underspends across other services in the directorate.

The most significant variances are detailed below:

| <b>BRIDGEND C.B.C</b>                      | <b>Net Budget<br/>£,000</b> | <b>Outturn<br/>£,000</b> | <b>Variance<br/>Over/(under)<br/>budget<br/>£'000</b> | <b>%<br/>Variance</b> |
|--|-----------------------------|--------------------------|---|-----------------------|
| <b>CHILDRENS DIRECTORATE</b>               |                             |                          |   |                       |
| Schools Additional Learning Needs Services | 2,778                       | 2,574                    | (204)   | -7.3%                 |
| Inter-Authority Recoupment / Out of County | (48)                        | 492                      | 540   | -1125.0%              |
| School Improvement                         | 855                         | 742                      | (113)   | -13.2%                |
| School Delegated Budgets                   | 85,863                      | 85,863                   | 0   | 0.00%                 |
| Prudential Borrowing for Schools           | 584                         | 133                      | (451)   | -77.2%                |
| Business Strategy and Support              | 896                         | 682                      | (214)   | -23.9%                |
| Home to School / College Transport         | 5,298                       | 5,537                    | 239   | 4.5%                  |
| Catering Services                          | 977                         | 547                      | (430)   | -44.0%                |
| Looked After Children                      | 10,985                      | 11,676                   | 691   | 6.3%                  |
| Family Support Services                    | 1,290                       | 1,126                    | (164)   | -12.7%                |
| Youth Justice                              | 573                         | 791                      | 218   | 38.0%                 |
| Commissioning and Social Work              | 4,292                       | 4,434                    | 142   | 3.3%                  |

**Learning**

**Schools Additional Learning Needs Services**

- The underspend of £204,000 relates to senior management vacancies in respect of services for pupils with additional learning needs, both in centrally provided services and resource bases.

**Out of County Placements**

- There is a total overspend of £540,000 in relation to inter-authority recoupment and out of county education expenditure. An overspend of £346,000 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 ABMU health board, but for others the local authority meets the full cost. The overspend arose due to the need for additional placements in-year, with 40 children occupying out of county placements during the year.

There was also a reduction in income from other local authorities of £194,000 as a result of a reduction in the number of children from other authorities occupying places at Bridgend special schools, falling to 30 places from the 33 places that were budgeted for.

**School Improvement**

- The underspend of £114,000 relates to vacancies held in the service, along with general efficiencies made on miscellaneous materials and resources following the transfer of staff to the Joint Education Service.

**Strategic Partnerships and Commissioning****Prudential Code Repayments**

- Savings from school amalgamations are 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 2013-14, and slippage in the capital programme into 2014-15 there was an underspend of £450,000, which is being used to offset overspends in other parts of the budget.

**Business Strategy / Strategic Management**

- There is an underspend of £214,000 due to the delay in filling some posts in the Business Strategy and Support service, and short term vacancies in relation to strategic management.

**Home to School / College Transport**

- An overspend has arisen on the home to school and college transport budgets of £239,000 due to increased transport requirements for pupils with additional learning needs and looked after children. The overspend is also partly attributable to rising transport costs.

**Catering Service**

- The underspend on the catering service was £430,000. A substantial amount of this was due to the higher number of trading days for the service, arising from the lack of inclement weather and its usual impact on school opening days. This resulted in 1,186,951 primary meals being served in 2013-14 compared to 1,155,488 in 2012-13, although income from secondary schools was lower than in the previous year. Investment in kitchens to enable the Council to meet the Appetite for Life agenda was delayed due to problems fitting in works with school holidays, resulting in an underspend on this budget. Works will be progressed in the new financial year.

**School Delegated Budgets**

- School balances reduced from £3.737 million at the end of 2012-13 to £2.467 million at the end of March 2014, representing 2.7% of the funding available. Schools were required to draw down £1.27 million from their carried forward balances in order to balance their 2013-14 budget.

There are 11 schools (1 nursery, 9 primary, 1 secondary) with deficit budgets and 17 schools (9 primary, 6 secondary, 2 special) 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.

**Safeguarding and Family Support****Looked After Children (LAC)**

- An overspend of £691,000 has arisen on the budget for Looked After Children (LAC). This is a continuous pressure and although additional funding was allocated in the Medium Term Financial Strategy, the increase in the placement numbers continue to exceed the budget in the current

financial year. As at the end of March the authority had 412 looked after children, an increase of 25 since March 2013. Additional funding has been provided in the Council's MTFS 2014-15 to 2016-17.

#### Family Support Services

- The underspend of £164,000 has arisen through a combination of events – clawbacks of direct payments (£33,000), reduced residence orders (£40,000) maximisation of grant income (£28,000) and efficiency savings on volunteer drivers (£37,000).

#### Youth Justice

- There is an overspend of £284,000 on the Resolutions fostering service as a result of reduced take up by partner authorities. This has been partially offset by an underspend on the Youth Offending Service of £65,000 due to tight vacancy management. The resolutions service is set to be disbanded in March 2015 when foster carers within the Resolutions service will transfer to Bridgend.

#### Commissioning and Social Work

- The overspend of £142,000 is mainly due to the high costs associated with the temporary backfilling of social work posts through employment agencies to cover vacancies.

#### ➤ **Wellbeing Directorate**

The Directorate's net budget for 2013-14 was £47.950 million and the actual outturn, after the application of earmarked reserves, was £47.616 million resulting in an underspend of £334,000. This is made up of an underspend of £253,000 on Adult Social Care and an underspend of £81,000 on Healthy Living services. The Adult Social Care overspend has reduced by approximately £337,000 compared to the projection at quarter 3 reflecting maximisation of Western Bay grant and other funding, and increased income from residential establishments. There were specific earmarked reserves set aside to offset some of the costs associated with integrating health and social care, and this is reflected in the outturn position.

The most significant variances are detailed below:

| BRIDGEND C.B.C                                  | Net Budget<br>£,000 | Outturn<br>£,000 | Variance<br>Over/(under<br>)<br>budget<br>£'000 | % Variance |
|---|---------------------|------------------|---|------------|
| <b>WELLBEING DIRECTORATE</b>                    |                     |                  |   |            |
| Older People Residential Care                   | 8,279               | 7,889            | (389)   | -4.7%      |
| Older People Home Care                          | 7,814               | 8,264            | 450   | 5.8%       |
| Learning Disabilities Supported Accommodation   | 509                 | 389              | (120)   | -23.6%     |
| Learning Disabilities Direct Payments           | 1,435               | 1,321            | (114)   | -7.9%      |
| Learning Disabilities Day Opportunities         | 3,593               | 3,798            | 205   | 5.7%       |
| Mental Health Homecare                          | 21                  | 155              | 134   | 638.1%     |
| Adult Social Care Support Services & Management | 2,771               | 2,569            | (203)   | -7.3%      |
| Bryngarw House                                  | 97                  | 212              | 115   | 118.6%     |

#### Older People Residential Care

- During the year the number of residential care placements has reduced, with more people staying in their own homes for longer, thereby increasing pressure on domiciliary care services. The numbers of residential placements has reduced over the year from 497 at the start of the year to 478 by the end of the year, resulting in a net expenditure reduction of £328,000. The balance of savings (£61,000) has been achieved across the internally provided homes through careful cost control and energy efficiency savings.

#### Older People Home Care

- The overspend of £450,000 on home care services for Older People reflects the increasing demand for the provision of domiciliary care services, which in part offsets the reductions on residential care numbers, but is also indicative of the continued rise in the older population.

#### Learning Disabilities Supported Accommodation

- The budget for the Shared Lives Service was underspent by £120,000. The scheme has held a number of staff vacancies during the year and has also had 4 placement vacancies during the year, in addition to lower than anticipated demand for respite care.

#### Learning Disabilities Direct Payments

- The underspend of £114,000 relates to reimbursements received from service users who had not fully utilised the monies allocated to them.

#### Learning Disabilities Day Opportunities

- The budget for Day Opportunities included MTFS savings of £178,000, which have proved challenging to achieve during this financial year. These will be progressed in 2014-15.

#### Mental Health Homecare

- The overspend of £134,000 has arisen as a result of increasing demand on the service, in particular the higher incidence of dementia cases.

#### Support Services and Management

- There is an underspend of £81,000 on the Social Care Workforce Development training budget as a result of staff vacancies. There are also underspends on service specific training budgets (£53,000) and staff advertising budgets (£30,000). Further savings have been generated in relation to premises costs and management costs, giving a total underspend across these services of £39,000.

#### Bryngarw House

- The continued pressure on income levels is the primary reason for the overspend of £115,000. The service has restructured in recent months and changed its operational model, including opening hours, to try and reduce the cost of future service provision.

### ➤ **Communities Directorate**

The net budget for the Directorate for 2013-14 was £24.333 million and the actual outturn is £24.328 million resulting in an underspend of £5,000. The outturn report below highlights the most significant variances and outlines any action taken to address these variances in 2014-15.

The most significant variances are detailed below:

| <b>BRIDGEND C.B.C</b>                             | <b>Net Budget<br/>£,000</b> | <b>Outturn<br/>£,000</b> | <b>Variance<br/>Over/(under)<br/>budget<br/>£'000</b> | <b>%<br/>Variance</b> |
|---|-----------------------------|--------------------------|---|-----------------------|
| <b>COMMUNITIES DIRECTORATE</b>                    |                             |                          |   |                       |
| Development Control/Planning and Building Control | 455                         | 669                      | 214   | 47%                   |
| Housing and Community Regeneration                | 1,566                       | 1,224                    | (342)   | -21.9%                |
| Regeneration                                      | 2,171                       | 2,061                    | (110)   | -5.1%                 |
| Waste Collection and Disposal                     | 7,060                       | 6,820                    | (240)   | -3.4%                 |
| Car Parking                                       | (798)                       | (537)                    | 261   | -32.7%                |
| Highways and Fleet                                | 6,894                       | 7,122                    | 228   | 3.3%                  |

#### Development Control and Building Control

- There is a combined overspend of £268,000 on the Development Control and Building Control budgets primarily due to a shortfall in recovery of income. This has been offset by savings on staffing and other budget heads within Development Planning (£54,000). The shortfall has improved since 2012-13, but a permanent budget re-alignment of £200,000 has been made in 2014-15 to reflect a more realistic fee income target.

#### Housing and Community Regeneration

- There is an underspend of £342,000 on the Housing & Community Regeneration service. This comprises an underspend of £220,000 on temporary accommodation, resulting from a more proactive response to homelessness, with the balance from staff vacancy management.

Regeneration

- There is an underspend of £110,000 on the Regeneration budget. This is primarily due to staff vacancy management. Staff vacancies have been held to meet savings targets within the MTFS for 2014-15.

Waste Collection and Disposal

- The underspend of £240,000 on waste collection and disposal has been achieved partly through staff vacancies and partly as a result of one-off savings from procurement delays in regional projects e.g. anaerobic digestion. There will be a further reduction to the Sustainable Waste Management Grant in 2014-15 and the budget will be realigned in 2014-15 to reflect this.

Car Parking

- There is an overspend of £261,000 on the car parking budget. This is mainly due to an under-recovery of income following delays in implementing previous years' budget saving proposals. Budgets have been re-aligned in 2014-15 to reflect a realistic fee income budget going forward.

Highways and Fleet

- There is an overspend of £228,000 attributable primarily to an overspend on the Waterton depot running costs (£100,000), and vehicle leasing costs (£140,000). The depot rationalisation project should result in reduced running costs in the longer term, as the service will be operating from a newer facility. In addition, Fleet management are identifying alternative methods of financing vehicles with cheaper options being sourced where possible – e.g spot hire, prudential borrowing.

**➤ Resources Directorate**

The net budget for the Directorate for 2013-14 was £16.864 million and the actual outturn was £15.898 million resulting in an underspend of £966,000. The most significant variances are detailed below:

Financial Services

- There is an underspend of £254,000 on Financial Services arising from a combination of staff vacancies and reduced bank and audit fees (£79,000), coupled with an underspend on insurance provision (£122,000) as a result of lower claims being made against the Council than anticipated. Staff vacancies have been held pending restructures in 2014-15.

Human Resources & Organisational Development

- The underspend of £76,000 in this service is as a result of vacancies held pending restructures to meet MTFS savings in 2014-15.

ICT and Customer Care

- There is an underspend of £281,000 of which £115,000 relates to efficiencies generated in relation to software, hardware and telephone costs. These reductions contribute to the 2014-15 MTFS savings. In addition unanticipated grant income, e.g. from Communities First grant, has been used to offset core staffing costs with savings also accruing from staff vacancies which have been held to meet MTFS savings planned for 2014-15.

Property and Building Services

- There is an overall underspend on Property and Building Services of £277,000, of which £226,000 relates to income generated by the Built

Environment Service, with the balance attributable to staff vacancies, which have been held to meet MTFS savings planned for 2014-15.

➤ **Legal & Regulatory Services**

There is an overall underspend on this service of £277,000 mainly as a result of vacant posts held to meet the vacancy freeze and planned budget savings proposals for 2014-15, along with additional income raised by the registrars and regulatory services. This overall position masks an underlying projected budget pressure of around £200,000 on childcare legal costs and court fees which has been addressed in the 2014-15 budget.

➤ **Council wide budgets**

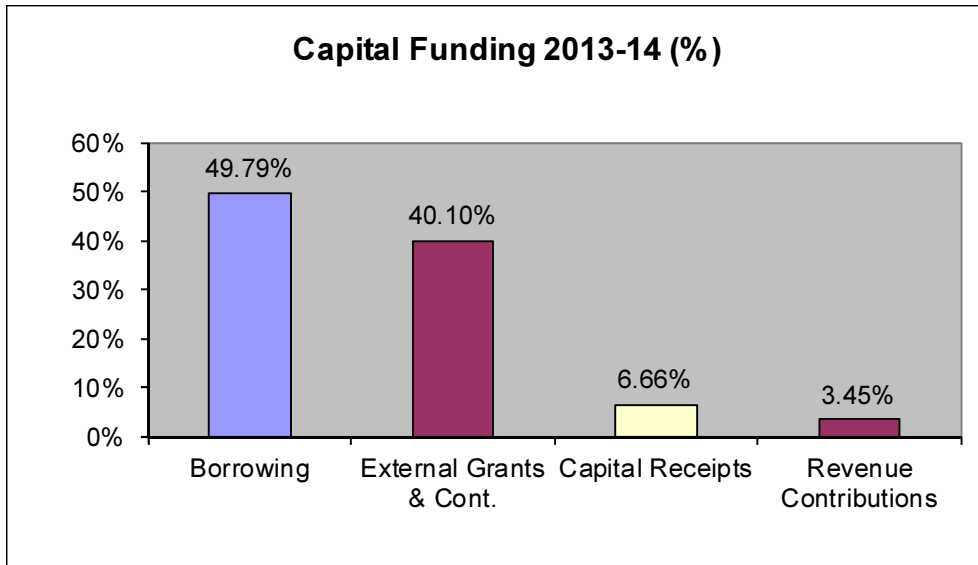
Council Wide budgets include an underspend of £351,000 on the capital financing budgets which was due to a combination of reduced financing costs because of timing differences between borrowing and repayments and enhanced investment income. There were also underspends on the central contingency, building maintenance and pump priming budgets because of delays in building works and the call on contingency being less than in previous years, partly because of the relatively mild winter weather. In addition, council tax income accrued in the year amounted to £1.544m. These underspends have been allocated as outlined in paragraph 4.1.6

**b) Capital spending in 2013-14**

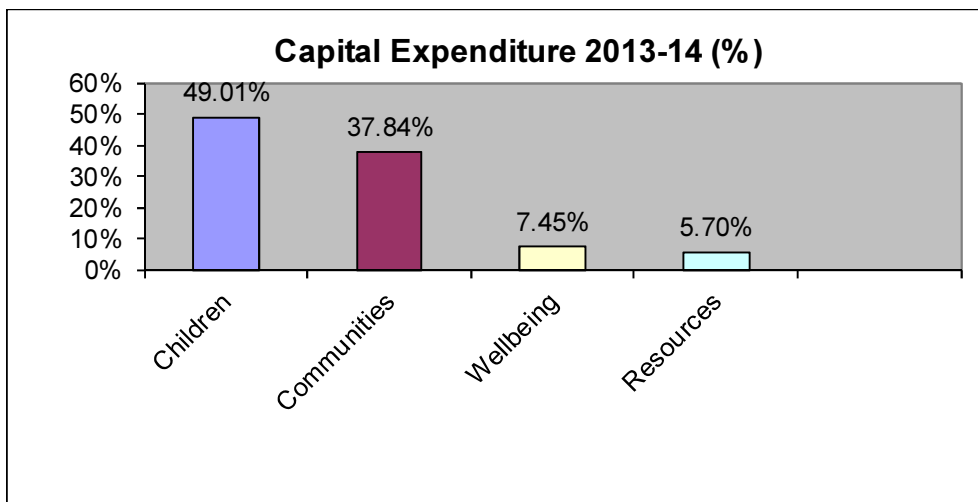
In addition to spending money on providing services on a day to day basis, the Council also spends money on providing new facilities, improving assets and the infrastructure, enhancing assets or providing capital grants to others. The total capital spending in 2013-14 was £36.853 million. Assets created, 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
- Maesteg Market Regeneration
- Porthcawl Harbour Infrastructure
- Carriageway Reconstruction
- Bridgend Recreation Centre Refurbishment
- Celtic Court Purchase

Where the money came from.....



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



**c) Borrowing arrangements and sources of funds**

The Council adopted the Chartered Institute of Public Finance and Accountancy’s *Treasury Management in the Public Services: Code of Practice 2011 Edition* which requires the Council to approve a Treasury Management Strategy before the start of each financial year. This Strategy fulfils the Council’s legal obligation under the *Local Government Act 2003* to have regard to this Code of Practice.

The Council’s Treasury Management Practices allow the Council to raise funds from a variety of sources. 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.



Each year, in accordance with the Local Government Act 2003, and the Prudential Code, the Council is required to set various limits in relation to its Treasury Management activities including limits for debt:-

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

|   | 2013-14<br>£m |
|---|---------------|
| <b>Authorised limit for external debt</b> |               |
| Borrowing                                 | 146           |
| Other long term liabilities               | 30            |
| <b>Total</b>                              | <b>176</b>    |
| <b>Operational Boundary</b>               |               |
| Borrowing                                 | 115           |
| Other long term liabilities               | 24            |
| <b>Total</b>                              | <b>139</b>    |

As can be seen from the Balance Sheet as at 31 March 2014 long term borrowing totalled £ 97.451 million (£97.474 million 2012-13) and long term liabilities totalled £20.923 million (£20.661 million 2012-13) so the Council has operated within the limits set.

### 3. The Council's reserves

The financial reserves held by the Council as at 31 March 2014 can be summarised as follows:

|  | Opening<br>Balance<br>£'000 | Movement<br>£'000 | Closing<br>Balance<br>£'000 |
|--|-----------------------------|-------------------|-----------------------------|
| Council Fund                               | 7,320                       | 75                | 7,395                       |
| Delegated Schools                          | 3,737                       | (1,270)           | 2,467                       |
| Maesteg School<br>PFI Equalisation<br>Fund | 2,639                       | 412               | 3,051                       |
| Earmarked<br>Reserves                      | 29,225                      | 3,156             | 32,381                      |
| <b>Total Reserves</b>                      | <b>42,921</b>               | <b>2,373</b>      | <b>45,294</b>               |

The Delegated Schools Balances represent amounts held by schools that are committed to be spent on the Education service and are not available to the Authority for general use. Whilst the majority of schools have surplus balances, some are carrying deficits into 2014-15. As part of the requirements of the Financial Scheme for Schools, schools have been asked to provide reasons for their balances. Reasons can include issues such as falling rolls, negative retrospective adjustments and planned initiatives.

The Maesteg School PFI Equalisation Fund has been set up to meet the future costs of the PFI contract, and as such is not available to the Council for general use.

Further information about earmarked reserves can be found in the note 30b 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 net position taking into account this Council's notional value of the fund assets, and the amount of money that needs to be set aside to meet the pension earned up to 31 March 2014. This deficit will change on an annual basis dependent on the performance of investments, the actuarial assumptions that are made in terms of current pensioners, deferred pensions and current employees, and the contributions made to the fund. The Pension Liability for 2013-14 is £243.900 million (£318.170 million in 2012-13). It is matched on the Balance Sheet with a pension reserve.

The assumptions used to calculate the pension liability are heavily prescribed by the relevant accounting standard (IAS19). However, the Actuary has more autonomy to apply differing, more council specific, assumptions when carrying out a triennial revaluation of the Pension Fund, which is used to determine the employer's contribution rates necessary to cover 100% of the pension fund liabilities. The triennial revaluation is therefore arguably a more accurate indication of the deficit that will be payable in the future, and employer contribution rates are set to cover this deficit. Statutory arrangements require benefits earned to be financed as the Council makes employers contributions to pension funds. Consequently, whilst the Council is required to carry out and disclose the IAS19 based pension fund liability, statutory arrangements, combined with triennial actuarial assessments of employer's liabilities, will ensure that funding will have been set aside by the time the benefits come to be paid.

#### **5. The Main Changes to the Accounts for 2013-14 compared to 2012-13**

The Council's accounts for the financial year 2013-14 have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2013 ('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. As identified in the Statement of Accounts for 2012-13, a revised IAS19 came into force for accounting periods beginning after 1 April 2013. This has resulted in a new classification of defined benefits costs, and set new definitions linked to recognition criteria (e.g. past service costs), which has resulted in some amendments to the format of the CIES. This has necessitated a restatement of these areas within the CIES, MIRS, and Cash flow statement for 2012-13, including the necessary supporting disclosure notes.

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

The Council's Medium Term Financial Strategy indicates that a number of budget reductions will be 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 Council's responsibilities

The Council 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.

### Section 151 Officer's Responsibilities

The Section 151 Officer 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 Section 151 Officer 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 Section 151 Officer has also:

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

#### **Section 151 Officer's 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 2014 and of its income and expenditure for the year ended 31 March 2014.

**Signed :**

**Section 151 Officer**

**Date :**

## Annual Governance Statement 2013-14

### **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).

### **2. The Purpose of the Governance Framework**

- 2.1 The governance framework comprises the systems, processes, and values by which the Council 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 2014. 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 Council 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 2013-2017 included Improvement Priorities which are aligned with the key outcomes of the Local Service Board's 'Bridgend County Together' Single Integrated Partnership Plan. This ensures that the Council is able to deliver on the commitments made with partner organisations. The Plan also takes 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.

4.2 The Plan includes the following six improvement priorities:

- Working together to develop 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.

4.3 These improvement priorities 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 priorities to be reviewed on a quarterly basis. The Corporate Plan has identified a number of outcome-focused 'success indicators', some of which are benchmarking measures. All of the indicators included in the Plan are aimed at measuring the success of our joined up working with citizens and partners.

4.4 The Council approved a Medium Term Financial Strategy (MTFS) for the period 2014-15 to 2017-18. This provides an integrated planning and financial framework for the next four years and includes the detailed budget strategy for the next

financial year. The annual revenue budget and 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.

4.5 There are a range of projects, linked to programmes, in progress to ensure that the improvement priorities are achieved. The corporate Programme Management Board (PMB) is overseeing a number of major initiatives under its Change Management Programme 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.

4.6 The Auditor General's Annual Improvement Report 2013-14 on the Council has been received in draft pending further discussion. The draft report recognises that the Council has made good progress in delivering improvement in most of its priority areas and recognises the need to accelerate improvements in education and complaints handling. Also, the Council has established a culture of self-evaluation which has resulted in a fair and balanced account of its performance although there were some areas for improvement. Finally, despite significant financial challenges, the letter recognises that the Council has sound plans for improvement. The Auditor General arrived at his views by:-

- reviewing the Annual Performance Report 2012-13 and the Council's own self-assessment; and
- assessing contributions from Welsh inspectorates, Estyn (for education), the Care and Social Services Inspectorate for Wales (the CSSIW) and the Welsh Language Commissioner.

4.7 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, and linked with Local Service Board priorities;
- Delivery of the Local Service Board's Citizen Engagement Strategy;
- Customer contact centre as focal point for customer engagement;
- Consultation activity with customers – e.g. consultation on corporate improvement priorities, development of "Ask Bridgend"

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 and maintain high standards of conduct by Town and Community Councillors and County Borough Councillors, co-opted members and Church and Parent Governor Representatives.
- 5.3 The Constitution is at the heart of the Council's business and assigns responsibility within the Council. 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.
- 5.5 All Committees have clear terms of reference that set out their roles and responsibilities and work programmes. 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 the Human Resources Department.



- 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 As the social care functions for children and adults are located within different directorates of Bridgend County Borough Council, a protocol is in place which clarifies the statutory roles of the Director of Social Services and the Lead Director for Children and Young People within the Council. This protocol also sets out the expectations between the Statutory Director of Social Services and the Head of Safeguarding and Family Support.
- 5.11 The revised Performance Management Framework was published in December 2013. This documents Council processes and procedures and the roles and responsibilities of managers within the process. It includes expectations around the style and behaviour of managers to support the further evolution of a strong culture of self-assessment.
- 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. It stands for Fair (taking into account everyone's needs and situation), Ambitious (always trying to improve what we do and aiming for excellence), Citizen focused (remembering that we are here to serve our local communities) and Efficient (delivering services that are value for money).
- 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. There is also a gifts and hospitality register.
- 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 Bribery Policy
  - Whistleblowing Policy
  - HR policies regarding the disciplining of staff involved in such incidents
  - Corporate Complaints Policy
- Both the Anti-Fraud and Bribery Policy (May 2014) and the Whistleblowing Policy (April 2014) have been reviewed, updated and approved by Cabinet.
- 6.4 Conduct of Members is monitored by the Public Services Ombudsman for Wales. The Council's Standards Committee also considers any reports submitted by the Ombudsman and the Monitoring Officer and any representations received relating to alleged breaches of the Code of Conduct.

- 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.
- 6.7 During 2013-14, the Council has developed a 'Bridgend County Borough Council, social media and you' protocol which is available on the website. The aim of this is to be clear about how the Council will engage with users and manage expectations.
- 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 legal, 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 appointed based on the political balance of the elected members that form the Council. 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 describes the 'Golden Thread' for planning which links the Council's vision of "Working together to improve lives" through services delivered at the frontline of the Council and how external factors influence the vision. The external factors include national priorities from both Welsh and UK Government and local priorities from Citizens, Partners, Elected Members and the Local Service Board via the Single Integrated Partnership Plan (SIPP) entitled 'Bridgend County Together'. The Council's Corporate Plan is aligned to the key outcomes of the SIPP. The vision and priorities that are set out in the Corporate Plan have a direct relationship with directorate business plans, service delivery plans, group delivery plans and the individuals' objectives within staff appraisals.

7.7 Corporate Performance Assessment (CPA) is undertaken on a quarterly basis and is attended by Cabinet Members, Corporate Management Board, and Heads of Service and is supported by the Corporate Improvement and Finance teams. The purpose of the CPA is as follows:

- Obtain a holistic view of the Council's performance;
- Identify and explore cross-cutting issues;
- Critically challenge areas of poor performance; and
- Identify service improvement opportunities, risks to delivery and resource implications.

7.8 Specifically, the CPA monitors:

- The overall financial position;
- The Council's improvement priorities 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 priorities; 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 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.

7.10 Risks are viewed from both a Service and Council-wide perspective which allows the key risks to be distilled in the 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 Corporate Risk Register is also presented to Audit Committee for review.

The main risks facing the Council that were identified during 2013-14 included:

| Risk Description  | Potential Impact   |
|---|--|
| Welfare Reform Bill                                     | Changes being made by the UK Government to benefit entitlements mean that demands on some services are likely to increase as the Council's resource base reduces.  |
| Impact of the recession and using resources effectively | Pressure will be placed on council services which support local businesses and employment. Any shortfall in identified savings may result in the need to make unplanned cuts to services which puts vulnerable people at risk. Individuals, particularly young people, may be unable to secure employment because they lack the basic skills and confidence necessary. |
| Supporting vulnerable people, children and young people | Failure to remodel services to reflect demographic changes will restrict the council's ability to respond to assessed needs and may result in inefficient services. The wellbeing and safety of children might be compromised.   |
| School Modernisation                                    | Insufficient progress may have a negative impact on pupils' learning and wellbeing.  |
| Improving educational attainment                        | Potentially fewer quality learning opportunities for students resulting in poorer educational attainment.  |
| Disposing of Waste                                      | Failure to achieve recycling/composting targets could result in inefficient use of resources with waste going to landfill sites and penalties against the Council.   |
| Collaboration with Partners                             | If the council does not undertake collaboration projects where they offer enhanced service quality, increased resilience or significant cost savings, it will not maximise cost effective, tangible, improvements to services.   |
| Implementing a new pay and grading system               | There is a risk that the recurrent costs of successful job evaluation appeals cannot be met and that staff morale and therefore service performance may be affected for staff receiving a reduction in pay.  |
| Maintaining the infrastructure                          | A poor highways network leads to increased third party liability claims, a loss of reputation, a possible adverse impact on the economy and reduced quality of life for citizens.  |

7.11 The Council's approach to Risk Management ensures that key risks are considered when determining Council priorities, targets and objectives. These are incorporated in Directorates' Business Plans.

- 7.12 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.
- 7.13 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 and 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. All committee reports include an equality impact assessment.
- 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
- 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. All staff appraisals are completed during the first quarter of the financial year to ensure that targets can be linked to service priorities reflected in annual business plans. There is also a Six Month Review form which identifies progress on targets or any additional targets that need to be included. 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 The Member Development Programme is regularly reviewed by the Democratic Services Committee to ensure that any training activities are appropriate, relevant and timely.
- 8.5 During the period from November 2012 to April 2013, a team of elected members from the Council participated in a scrutiny learning exchange programme facilitated by the Wales Audit Office. The work has provided an opportunity for the Council to reflect upon how it conducts and evaluates its scrutiny process.

8.6 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.

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 2013-14, the Council consulted on a wide range of issues including the following (this list is not exhaustive):

- The Council's Financial Situation;
- Council Tax Reduction Scheme;
- Corporate Plan 2013-17;
- Proposals to amalgamate schools.

The Council is also using social media to promote various aspects of the Council and its services and enables feedback from the public.

9.5 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.

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

9.7 The Local Service Board (LSB) brings together representatives from organisations across a range of service areas in Bridgend to work together to improve the quality of life for people living and working in Bridgend. Current members of the LSB are:

- Abertawe Bro Morgannwg University Health Board

- Bridgend Association of Voluntary Organisations
- Bridgend Business Forum
- Bridgend College
- Bridgend County Borough Council
- Natural Resources Wales
- South Wales Fire and Rescue Service
- South Wales Police
- Valleys to Coast
- Wales Probation
- Welsh Government

In Bridgend the LSB Model is made up of two main elements:

- The LSB sets and directs the overarching strategy for the county as well as sponsoring innovative new projects to improve the way organisations deliver public services;
- The People and Communities Partnership Boards are responsible for the performance management of Bridgend's Single Integrated Partnership Plan 'Bridgend County Together' and ensuring accountability for implementation of LSB programmes..

9.8 In the development of the Medium Term Financial Strategy 2014-15 to 2017-18, 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 Council 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.

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 scrutinising 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. The number of lay-members required to support the committee is being kept under review;
- the appointment of a Head of Democratic Services.

10.4 Training has been provided to ensure that all members (including the Lay-Member) have the opportunity to gain a comprehensive understanding of their role. In March 2013, the Audit Committee received training on the Annual Planning Process for Internal Audit.

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 Council.

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 2013-14, in carrying out its duties, Internal Audit has been working to 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 Head of Audit undertook a self-assessment to demonstrate the extent to which the Internal Audit Shared Service complied with the PSIAS and to identify areas where further work was required to demonstrate compliance. This was reported to Audit Committee in April 2014. The review showed that the Internal Audit Shared Service is fully compliant with eight of the standards and partially compliant with the remaining three. An Action Plan has been formulated by the Head of Audit to assist the Service in complying with the requirements of the PSIAS.

- 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.
- 10.11 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 2012-13 confirmed that the appointed auditor issued an unqualified audit opinion on the accounting statements for 2012-13 and was satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The Letter confirmed that the auditor was pleased with the substantial progress on job evaluation during the audit year and the implementation during 2013-14.
- 10.12 The Wales Audit Office issued two reports to Audit Committee, one on the Audit of the Financial Statements Report 2012-13 in September 2013 and one on the Certification of Grants and Returns 2012-13 in April 2014. 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 2012-13 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 has discharged its improvement reporting duties under the Local Government (Wales) Measure 2009 and has acted in accordance with Welsh Government guidance. The Council is likely to comply with the requirement to make arrangements to secure continuous improvement during the financial year. The draft Annual Improvement Report 2013-14 states that the Council has made good progress in delivering improvements in most of its priority areas and recognises the need to accelerate improvements in education and complaints handling.

- 10.14 The Public Services Ombudsman for Wales reports on each council in Wales the number of complaints received and investigated. In July 2013, the Council received its Annual Letter for 2012-13. The letter noted a decrease in the number of complaints received, 24 in 2012-13 compared to 30 in 2011-12. The comparative figure for the local authority average was 36 for 2012-13 (37 for 2011-12). Only 1 complaint was investigated by the Ombudsman compared to 2 for the previous year. The Ombudsman partly upheld one complaint against the Council during 2012-13.
- 10.15 The Care and Social Services Inspectorate Wales (CSSIW) Annual Review for Bridgend 2012-13 concluded that the Council has continued to make reasonable progress despite significant and ongoing management changes. The review identified that strong commissioning and contracting arrangements are in place combined with a robust approach to safeguarding adults. It recognised that the Council continues to be a key driver in the Western Bay regional collaboration. The work being completed by the remodeling of the adult social care programme board has enabled the identification of areas for development, the assigning of tasks and the monitoring of progress against a wide range of service developments. This has ensured service improvement across adult services. Within Children, the review recognises that the service has responded positively to the inspection of its arrangements for looked after children and young people and has clear action plans in place.
- 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. A Post Inspection Action Plan (PIAP) was developed following discussions with officers, elected members and the Central South Consortium and this was signed off by Estyn in July 2013. During March 2014, Estyn Inspectors carried out a monitoring visit which included interviewing a number of officers within the local authority and the consortia. The key message from the feedback was that progress in responding to the inspection was initially slow and overall judgment is that the current position is behind expectation. However, it was felt that recent changes appear to be accelerating actions. A further monitoring visit will take place in Autumn 2014.

## **11. Significant Governance Issues**

- 11.1 During 2013-14, Internal Audit carried out an audit review of the Code of Corporate Governance. The objective of the audit was to ensure compliance with the Code across the Council. The audit findings were that substantial assurance could be given. However, there were recommendations that need to be implemented during 2014-15. These were to ensure that the Code is regularly reviewed and updated and that it is updated to include reference to the Anti-Fraud and Bribery Policy of the Council.
- 11.2 The Annual Internal Audit Opinion is due to be reported to the Audit Committee in June 2014, for the period April 2013 to March 2014. It will state 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." However, the Opinion does raise a concern over the retirement of the deputy Section 151 Officer at the end of July 2014 and that the Section 151 Officer is currently unavailable to perform her

duties as a significant governance issue. The Chief Executive is in the process of addressing this issue and has given his assurances that interim arrangements will be put in place to ensure the statutory functions of the Section 151 Officer are covered.

- 11.3 As mentioned above, one of the significant governance issues in 2012-13 related to the Estyn Report on the quality of local authority education services for children and young people. The PIAP addresses the 5 recommendations from the inspection report. The School Improvement Monitoring group comprising of the Cabinet Members for Children and Young People and Resources, Chairperson of Children and Young People's Overview and Scrutiny, Chief Executive, Corporate Directorate – Children, Head of Service and the Council Leader will oversee progress on both the PIAP and the wider school improvement agenda. The monitoring group meets monthly and receives a report from the Director on progress at each meeting. The role of this group monitoring the action plan will be crucial to improve education services within the Council.
- 11.4 The Annual Governance Statement 2012-13 highlighted the significant financial challenge facing the Council in terms of delivering a savings target of the £24m savings identified in the Medium Term Financial Plan 2013-14 to 2015-16. In February 2014, the Medium Term Financial Strategy (MTFS) 2014-15 to 2017-18 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 £36m over the period 2014-15 to 2017-18.
- 11.5 The implementation of the MTFS 2013-14 to 2016-17 has been led by Cabinet and the Corporate Management Board. This has now been rolled forward a year to cover the period 2014-15 to 2017-18 taking account of auditors' views and any issues which need to be addressed from 2013-14, together with a continued desire to embed a culture of medium term financial planning closely aligned with corporate planning. Implementation of the strategy will be led by Cabinet and Corporate Management Board underpinned by financial and performance data. The Council will seek to ensure that it is widely understood by internal stakeholders (Members, employees and Unions) and external stakeholders (citizens, businesses and partners). 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 WAO review of Council's arrangements for ensuring value for money from its working with the Third Sector (June 2013) identified a set of proposals for improvement including the need to develop a clear strategy of how it will work with the third sector to deliver its priorities. The Third Sector Review Project Board has a specific workstream on 'Value for Money and Alignment to Council priorities' which will progress improvements in accordance with the WAO's recommendations.
- 11.7 An Action Plan has been devised for all these issues together with a timescale for completion and a responsible officer. The issues 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 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 Council's transactions for the 2013-14 financial year and its position at the year end of 31 March 2014. The Council 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) 2013-14 and the *Service Reporting Code of Practice* 2013-14 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 Council 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 Council 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 Council.
- 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 Council 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 Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council 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 Council 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 Council 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 Council.

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 Council 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 Council – 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 Council when there is reasonable assurance that:

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

- The *Teachers' Pension Scheme*, administered by Teachers' Pensions on behalf of the Department for 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 Council 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 Council are included in the Balance Sheet at their fair value:-
    - i. Quoted securities – current bid price
    - ii. Unquoted securities – professional estimate
    - iii. Property – market value
  - The change in the net pensions liability is analysed into the following 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 as a result of a scheme amendment or curtailment 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. Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
    - iv. Remeasurements comprising:-
      - The return on plan assets – excluding amounts included in the net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve and Other Comprehensive Income and Expenditure
      - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions reserve as Other Comprehensive Income and expenditure
    - v. 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 Council to the pension

fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers 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 pensioners 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 Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## 7. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to 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 2013-14 (SeRCOP)*. For 2013-14, 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 Council's status as a multi-functional, democratic organisation.
- Non distributed costs are the costs of discretionary benefits awarded to employees retiring early and any 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 Council). 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 Council.

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

- infrastructure and community assets – 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 Council recognises its civic regalia as a Heritage Asset, and these items are reported in the Balance Sheet at insurance valuation which is based on market values.

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 Council's general policies on impairment. If the Council disposes of a heritage asset, the proceeds are accounted for in accordance with the Council'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 Council 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 Council 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 Council as a 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 Council 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 Council 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 Council as a 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 Council 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 Council 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. Carbon Reduction Commitments Allowances**

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme's introductory phase finished on the 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.



# Core Financial Statements 2013-14

**Movement in Reserves Statement For Years Ended 31 March 2013 & 2014**

|  | Council Fund Balance | Earmarked Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Total Unusable Reserves | Total Authority Reserves | Notes |
|--|----------------------|--------------------|--------------------------|--------------------------|-----------------------|-------------------------|--------------------------|-------|
|  | £'000                | £'000              | £'000                    | £'000                    | £'000                 | £'000                   | £'000                    |       |
| Balance at 31 March 2012 carried forward                               | 7,199                | 28,404             | 12,313                   | 108                      | 48,024                | 59,062                  | 107,086                  |       |
| <b>Movement in Reserves during 2012/13 (Restated)</b>                  |                      |                    |                          |                          |                       |                         |                          |       |
| Surplus or (deficit) on provision of services                          | 3,329                | -                  | -                        | -                        | 3,329                 | -                       | 3,329                    |       |
| Other Comprehensive Expenditure and Income                             | -                    | -                  | 26                       | -                        | 26                    | (19,899)                | (19,873)                 |       |
| <b>Total Comprehensive Expenditure and Income</b>                      | <b>3,329</b>         | <b>-</b>           | <b>26</b>                | <b>-</b>                 | <b>3,355</b>          | <b>(19,899)</b>         | <b>(16,544)</b>          |       |
| Adjustments between accounting basis & funding basis under regulations | 3,989                |                    | 166                      | 68                       | 4,223                 | (4,223)                 | -                        |       |
| <b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>    | <b>7,318</b>         | <b>-</b>           | <b>192</b>               | <b>68</b>                | <b>7,578</b>          | <b>(24,122)</b>         | <b>(16,544)</b>          |       |
| Transfers to/from Earmarked Reserves                                   | (7,197)              | 7,197              | -                        | -                        | -                     | -                       | -                        |       |
| <b>Increase/Decrease in 2012/13</b>                                    | <b>121</b>           | <b>7,197</b>       | <b>192</b>               | <b>68</b>                | <b>7,578</b>          | <b>(24,122)</b>         | <b>(16,544)</b>          |       |
| <b>Balance at 31 March 2013 carried forward (Restated)</b>             | <b>7,320</b>         | <b>35,601</b>      | <b>12,505</b>            | <b>176</b>               | <b>55,602</b>         | <b>34,940</b>           | <b>90,542</b>            |       |
| <b>Movement in Reserves during 2013/14</b>                             |                      |                    |                          |                          |                       |                         |                          |       |
| Surplus or (deficit) on provision of services                          | (25,342)             |                    |                          |                          | (25,342)              |                         | (25,342)                 |       |
| Other Comprehensive Expenditure and Income                             |                      |                    | 27                       |                          | 27                    | 89,116                  | 89,143                   |       |
| <b>Total Comprehensive Expenditure and Income</b>                      | <b>(25,342)</b>      | <b>-</b>           | <b>27</b>                | <b>-</b>                 | <b>(25,315)</b>       | <b>89,116</b>           | <b>63,801</b>            |       |
| Adjustments between accounting basis & funding basis under regulations | 27,715               |                    | (2,287)                  | 333                      | 25,761                | (25,761)                | -                        |       |
| <b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>    | <b>2,373</b>         | <b>-</b>           | <b>(2,260)</b>           | <b>333</b>               | <b>446</b>            | <b>63,355</b>           | <b>63,801</b>            |       |
| Transfers to/from Earmarked Reserves                                   | (2,298)              | 2,298              | -                        | -                        | -                     | -                       | -                        |       |
| <b>Increase/Decrease in 2013/14</b>                                    | <b>75</b>            | <b>2,298</b>       | <b>(2,260)</b>           | <b>333</b>               | <b>446</b>            | <b>63,355</b>           | <b>63,801</b>            |       |
| <b>Balance at 31 March 2014 carried forward</b>                        | <b>7,395</b>         | <b>37,899</b>      | <b>10,245</b>            | <b>509</b>               | <b>56,048</b>         | <b>98,295</b>           | <b>154,343</b>           |       |

## Comprehensive Income and Expenditure Statement 2013-14

| 2012-13 (restated) |                  |                  |   | 2013-14           |                  |                  | Notes |
|--------------------|------------------|------------------|---|-------------------|------------------|------------------|-------|
| Gross Expenditure  | Gross Income     | Net Expenditure  |   | Gross Expenditure | Gross Income     | Net Expenditure  |       |
| £'000              | £'000            | £'000            |   | £'000             | £'000            | £'000            |       |
| 162,207            | (36,987)         | 125,220          | Children's and Education Services                               | 176,951           | (35,364)         | 141,587          |       |
| 56,362             | (16,246)         | 40,116           | Adult Social Care   | 59,907            | (14,575)         | 45,332           |       |
| 28,219             | (10,521)         | 17,698           | Highways, Roads and Transport Services                          | 27,624            | (9,241)          | 18,383           |       |
| 55,907             | (53,704)         | 2,203            | Housing Services  | 57,464            | (55,059)         | 2,405            |       |
| 31,293             | (22,252)         | 9,041            | Central Services to the Public                                  | 28,929            | (8,876)          | 20,053           |       |
| 16,641             | (3,807)          | 12,834           | Cultural and Related Services                                   | 15,105            | (3,243)          | 11,862           |       |
| 18,736             | (6,825)          | 11,911           | Environmental and Regulatory Services                           | 21,232            | (8,855)          | 12,377           |       |
| 12,744             | (8,295)          | 4,449            | Planning Services   | 13,364            | (8,798)          | 4,566            |       |
| 5,559              | (74)             | 5,485            | Corporate and Democratic Core                                   | 5,502             | (126)            | 5,376            |       |
| 1,340              |                  | 1,340            | Non-Distributed Costs   | 853               |                  | 853              |       |
| <b>389,008</b>     | <b>(158,711)</b> | <b>230,297</b>   | <b>Cost Of Services</b>   | <b>406,931</b>    | <b>(144,137)</b> | <b>262,794</b>   |       |
|                    |                  |                  | <b>Other Operating Expenditure</b>                              |                   |                  |                  |       |
| 9,899              |                  | 9,899            | Payments of precepts  | 10,590            |                  | 10,590           | 5     |
| 6,964              |                  | 6,964            | Levies payable  | 7,063             |                  | 7,063            | 5     |
|                    | (117)            | (117)            | (Gain) / loss on disposal of non current (fixed assets)         | 5,882             |                  | 5,882            |       |
| <b>16,863</b>      | <b>(117)</b>     | <b>16,746</b>    | <b>Other Operating Expenditure</b>                              | <b>23,535</b>     | <b>-</b>         | <b>23,535</b>    |       |
|                    |                  |                  | <b>Financing and Investment Income and Expenditure</b>          |                   |                  |                  |       |
| 4,760              |                  | <b>4,760</b>     | Interest payable on debt  | 4,625             |                  | 4,625            |       |
| 16                 |                  | <b>16</b>        | Interest element of finance leases (lessee)                     | 104               |                  | 104              |       |
| 1,537              |                  | <b>1,537</b>     | Interest payable on PFI unitary payments                        | 1,505             |                  | 1,505            | 12    |
| 13,290             |                  | <b>13,290</b>    | Net Interest in Net Defined Benefit Liability (Asset)           | 13,580            |                  | 13,580           |       |
|                    | (522)            | <b>(522)</b>     | Investment Interest & Other Interest Receivable                 |                   | (607)            | (607)            |       |
|                    | (123)            | <b>(123)</b>     | Changes in fair value of investment properties                  | 410               |                  | 410              |       |
| 7,934              | (8,040)          | <b>(106)</b>     | (Gain) / loss on trading accounts (not applicable to a service) | 6,736             | (6,756)          | (20)             | 6     |
| <b>27,537</b>      | <b>(8,685)</b>   | <b>18,852</b>    | <b>Financing and Investment Income and Expenditure</b>          | <b>26,960</b>     | <b>(7,363)</b>   | <b>19,597</b>    |       |
|                    |                  |                  | <b>Taxation and Non-Specific Grant Income</b>                   |                   |                  |                  |       |
|                    | (143,198)        | <b>(143,198)</b> | RSG   |                   | (154,722)        | (154,722)        | 7     |
|                    | (66,265)         | <b>(66,265)</b>  | Council tax   |                   | (68,987)         | (68,987)         | 9     |
|                    | (36,350)         | <b>(36,350)</b>  | NNDR  |                   | (43,026)         | (43,026)         | 10    |
|                    | (22,026)         | <b>(22,026)</b>  | Recognised capital grants and contributions                     |                   | (11,310)         | (11,310)         | 8     |
|                    | (1,385)          | <b>(1,385)</b>   | Non service related government grants                           |                   | (2,539)          | (2,539)          | 8     |
| <b>-</b>           | <b>(269,224)</b> | <b>(269,224)</b> | <b>Taxation and Non-Specific Grant Income</b>                   | <b>-</b>          | <b>(280,584)</b> | <b>(280,584)</b> |       |
| <b>433,408</b>     | <b>(436,737)</b> | <b>(3,329)</b>   | <b>(Surplus) or Deficit on Provision of Services</b>            | <b>457,426</b>    | <b>(432,084)</b> | <b>25,342</b>    |       |
|                    |                  | 813              | Surplus or deficit on revaluation of non current assets         | 1847              |                  | 1,847            |       |
|                    |                  | 19,060           | Actuarial gains / losses on pension assets / liabilities        |                   | (90,990)         | (90,990)         |       |
|                    |                  | <b>19,873</b>    | <b>Other Comprehensive Income and Expenditure</b>               |                   |                  | <b>(89,143)</b>  |       |
|                    |                  | <b>16,544</b>    | <b>Total Comprehensive Income and Expenditure</b>               |                   |                  | <b>(63,801)</b>  |       |

## Balance Sheet for Years Ended 31 March 2013 and 2014

| 31 March<br>2013<br>£'000 |  | 31 March<br>2014<br>£'000 | Notes      |
|---------------------------|--|---------------------------|------------|
|                           | <b>Property, Plant &amp; Equipment</b>                 |                           | <b>21</b>  |
| 379,309                   | - other land and buildings                             | 359,659                   |            |
| 3,414                     | - vehicles, plant, furniture and equipment             | 5,202                     |            |
| 85,507                    | - infrastructure                                       | 88,659                    |            |
| 4,537                     | - community assets                                     | 4,537                     |            |
| 36,148                    | - assets under construction                            | 49,457                    |            |
| 9,953                     | - surplus assets not held for sale                     | 10,669                    |            |
| 51                        | <b>Heritage Assets</b>                                 | 51                        | <b>23</b>  |
|                           | <b>Investment Property</b>                             |                           |            |
| 3,421                     | - Investment property                                  | 3,011                     | <b>22</b>  |
|                           | <b>Long Term Debtors</b>                               |                           |            |
| 56                        | Housing Advances                                       | 29                        | <b>24</b>  |
| 503                       | Finance Leases   | 384                       |            |
| <b>522,899</b>            | <b>Long Term Assets</b>                                | <b>521,658</b>            |            |
|                           | <b>- Short Term Investments</b>                        | 4,005                     | <b>37</b>  |
| 5,354                     | <b>Assets held for sale</b>                            | 6,721                     | <b>26</b>  |
| 454                       | <b>Inventories</b>                                     | 433                       |            |
| 32,257                    | <b>Short Term Debtors</b>                              | 27,063                    | <b>25</b>  |
| 14,690                    | <b>Cash and Cash Equivalents</b>                       | 4,469                     |            |
| <b>52,755</b>             | <b>Current Assets</b>                                  | <b>42,691</b>             |            |
|                           | <b>Short Term Borrowing</b>                            | (1,543)                   | <b>37</b>  |
| (3,289)                   | <b>Short Term Creditors</b>                            | (38,901)                  | <b>27</b>  |
| (37,361)                  |  |                           |            |
| <b>(40,650)</b>           | <b>Current Liabilities</b>                             | <b>(40,444)</b>           |            |
| (5,273)                   | <b>Provisions</b>                                      | (4,900)                   | <b>28</b>  |
| (97,474)                  | <b>Long Term Borrowing</b>                             | (97,451)                  | <b>37</b>  |
|                           | <b>Other Long Term Liabilities</b>                     |                           |            |
| (20,661)                  | PFI & Other Long Term Liabilities                      | (20,923)                  | <b>29</b>  |
| (318,170)                 | Net pensions liability                                 | (243,900)                 | <b>31b</b> |
| (2,884)                   | <b>Capital Grants Receipts in Advance</b>              | (2,388)                   |            |
| <b>(444,462)</b>          | <b>Long Term Liabilities</b>                           | <b>(369,562)</b>          |            |
| <b>90,542</b>             | <b>Net Assets</b>                                      | <b>154,343</b>            |            |
|                           | <b>Usable reserves</b>                                 |                           | <b>30</b>  |
| 7,320                     | - Council Fund   | 7,395                     |            |
| 35,601                    | - Earmarked reserves                                   | 37,899                    | <b>30b</b> |
| 12,505                    | - Capital Receipts Reserve                             | 10,245                    | <b>30a</b> |
| 176                       | - Capital Grants Unapplied                             | 509                       |            |
|                           | <b>Unusable Reserves</b>                               |                           | <b>31</b>  |
| 101,985                   | - Revaluation Reserve                                  | 97,620                    | <b>31a</b> |
| (318,170)                 | - Pensions Reserve                                     | (243,900)                 | <b>31b</b> |
| 260,687                   | - Capital Adjustment Account                           | 253,727                   | <b>31c</b> |
| (5,526)                   | - Financial Instruments Adjustment Account             | (5,320)                   | <b>31d</b> |
| (4,036)                   | - Short-term Accumulating Compensated Absences Account | (3,832)                   | <b>31e</b> |
| <b>90,542</b>             | <b>Total Reserves</b>                                  | <b>154,343</b>            |            |

## Cash Flow Statement as at 31 March 2013 and 2014

| 2012-13<br>£'000 |  | 2013-14<br>£'000 | Notes |
|------------------|--|------------------|-------|
| (3,329)          | Net (surplus)/deficit on the Provision of Services   | 25,342           |       |
| (10,987)         | Adjustments to net deficit on the provision of services for non-cash movements   | (44,121)         | 39    |
| 22,026           | Adjustments for Items included in the net deficit on the provision of services that are investing and financing activities | 11,310           |       |
| <b>7,710</b>     | <b>Net Cash Flows from Operating Activities</b>  | <b>(7,469)</b>   | 40    |
| 26,493           | Investing Activities   | 37,649           | 41    |
| (26,399)         | Financing Activities   | (19,959)         | 42    |
| <b>7,804</b>     | <b>Net increase in Cash &amp; Cash Equivalents</b>   | <b>10,221</b>    |       |
| (22,494)         | Cash & Cash Equivalent at the beginning of the Reporting Period  | (14,690)         |       |
| <b>(14,690)</b>  | <b>Cash &amp; Cash Equivalent at the end of the Reporting Period</b>   | <b>(4,469)</b>   |       |





# Notes to the Core Financial Statements 2013-14

**Contents for Notes to the Core Financial Statements**

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## 1. Accounting Standards that have been Issued but not yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for the financial year 2013-14 there would have been no material changes as detailed below.

A number of new and revised standards have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements in other entities. These include:-

**IFRS 10 Consolidated Financial Statements** – This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The Council has not produced consolidated accounts for this financial year on the basis of materiality.

**IFRS 11 – Joint Arrangements** – This standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified either as a joint venture or a joint operation. The Council has no material joint venture arrangements.

**IFRS 12 – Disclosures of Involvement with Other Entities** – This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'.

**IAS 27 – Separate Financial Statements** and **IAS 28 – Investments in Associates and Joint Ventures** – These statements have been amended to confirm with the changes in IFRS 10, IFRS 11 and IFRS 12. Given that there would be no changes in the financial statements, except for disclosure, due to the above changes, there is no further impact as a result of these changes.

**IAS 32 – Financial Instruments Presentation** – The Code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure statement, and therefore no further disclosure is required.

**IAS 1 – Presentation of Financial Statements** – The changes clarifies the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period, therefore these changes will not have a material impact on the Statement of Accounts.

## 2. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out above, the Council 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 Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

The Council 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 £22.9 million) has been recognised as Property, Plant and Equipment on the Council's Balance Sheet.

The Council 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 2014 is £37 k.

### **3. 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 Council 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 2014 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. Due to IAS19(R), which became effective for all statement produced from 1 Jan 2014, the figures for 2012-13 have been restated within these financial statements.

## Notes to the Movement in Reserves Statement

### 4. 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 Council 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 2012-13 for comparative purposes and the adjustments for 2013-14:-

| 2012-13   | Council Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Usable Reserves | Revaluation Reserve | Pensions Reserve | Capital Adjustment Account | Financial Instruments Adjustment Account | Short term Compensated Absences | Movement in Unusable Reserves |
|---|----------------------|--------------------------|--------------------------|-----------------------------|---------------------|------------------|----------------------------|--|---------------------------------|-------------------------------|
|   | £'000                | £'000                    | £'000                    | £'000                       | £'000               | £'000            | £'000                      | £'000                                    | £'000                           | £'000                         |
| <b>Adjustments between accounting basis &amp; funding basis under regulations</b>   |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| <b>Adjustments Primarily Involving the Capital Adjustment Account</b>   |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| <b>Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement</b>  |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| Charges for Depreciation & Impairment of Non-Current Assets   | 20,380               |                          |                          | 20,380                      |                     |                  | (20,380)                   |  |                                 | (20,380)                      |
| Revaluation losses on Property, Plant & Equipment   | 815                  |                          |                          | 815                         |                     |                  | (815)                      |  |                                 | (815)                         |
| 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                      |  |                                 | -                             |
| <b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>   |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| 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                           |
| <b>Adjustments primarily involving the Capital Grants Unapplied Account :</b>   |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| 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                            |
| <b>Adjustments primarily involving the Capital Receipts Reserve</b>   |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| 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  |                      | (519)                    |                          | (519)                       |                     |                  | 519                        |  |                                 | 519                           |
| <b>Adjustments primarily involving the Financial Instrument Adjustment Account</b>  |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| 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                           |
| <b>Adjustments primarily involving the Pensions Reserve</b>   |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement   | 30,450               |                          |                          | 30,450                      |                     | (30,450)         |                            |  |                                 | (30,450)                      |
| Employer's contributions to pension schemes   | (18,460)             |                          |                          | (18,460)                    |                     | 18,460           |                            |  |                                 | 18,460                        |
| <b>Adjustments primarily involving the Accumulated Absences Account</b>   |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| 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)                          |
| <b>Total Adjustments 2012/13 (Restated)</b>   | <b>3,988</b>         | <b>166</b>               | <b>68</b>                | <b>4,222</b>                | <b>(1,711)</b>      | <b>(11,990)</b>  | <b>9,320</b>               | <b>205</b>                               | <b>(46)</b>                     | <b>(4,222)</b>                |

## Statement of Accounts

2013-14

| 2013-14   | Council Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Usable Reserves | Revaluation Reserve | Pensions Reserve | Capital Adjustment Account | Financial Instruments Adjustment Account | Short term Compensated Absences | Movement in Unusable Reserves |
|---|----------------------|--------------------------|--------------------------|-----------------------------|---------------------|------------------|----------------------------|--|---------------------------------|-------------------------------|
|   | £'000                | £'000                    | £'000                    | £'000                       | £'000               | £'000            | £'000                      | £'000                                    | £'000                           | £'000                         |
| <b>Adjustments between accounting basis &amp; funding basis under regulations</b>   |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| <b>Adjustments Primarily Involving the Capital Adjustment Account</b>   |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| <b>Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement</b>  |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| Charges for Depreciation & Impairment of Non-Current Assets   | 19,931               |                          |                          | 19,931                      |                     |                  | (19,931)                   |  |                                 | (19,931)                      |
| Revaluation losses on Property, Plant & Equipment   | 5,408                |                          |                          | 5,408                       |                     |                  | (5,408)                    |  |                                 | (5,408)                       |
| Movement in market value of investment property   | 410                  |                          |                          | 410                         |                     |                  | (410)                      |  |                                 | (410)                         |
| Capital grant and contributions applied   | (11,336)             |                          |                          | (11,336)                    |                     |                  | 11,336                     |  |                                 | 11,336                        |
| Revenue Expenditure Funded from Capital under Statute   | 194                  |                          | 411                      | 605                         |                     |                  | (605)                      |  |                                 | (605)                         |
| 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  | 6,048                |                          |                          | 6,048                       | (1,290)             |                  | (4,758)                    |  |                                 | (6,048)                       |
| Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.   |                      |                          |                          |                             | (1,228)             |                  | 1,228                      |  |                                 | -                             |
| <b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>   |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| Statutory Provision for the financing of capital investment   | (7,840)              |                          |                          | (7,840)                     |                     |                  | 7,840                      |  |                                 | 7,840                         |
| Capital expenditure charged against the Council Fund balance  | (1,271)              |                          |                          | (1,271)                     |                     |                  | 1,271                      |  |                                 | 1,271                         |
| <b>Adjustments primarily involving the Capital Grants Unapplied Account :</b>   |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement   | 26                   |                          | (26)                     | -                           |                     |                  |                            |  |                                 | -                             |
| Application of grants to capital financing transferred to the Capital Adjustment Account  |                      |                          | (52)                     | (52)                        |                     |                  | 52                         |  |                                 | 52                            |
| <b>Adjustments primarily involving the Capital Receipts Reserve</b>   |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement  | (166)                | 166                      |                          | -                           |                     |                  |                            |  |                                 | -                             |
| Use of Capital Receipts Reserve to finance new capital expenditure  |                      | (2,453)                  |                          | (2,453)                     |                     |                  | 2,453                      |  |                                 | 2,453                         |
| <b>Adjustments primarily involving the Financial Instrument Adjustment Account</b>  |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| 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                           |
| <b>Adjustments primarily involving the Pensions Reserve</b>   |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement   | 34,060               |                          |                          | 34,060                      |                     | (34,060)         |                            |  |                                 | (34,060)                      |
| Employer's contributions to pension schemes   | (17,340)             |                          |                          | (17,340)                    |                     | 17,340           |                            |  |                                 | 17,340                        |
| <b>Adjustments primarily involving the Accumulated Absences Account</b>   |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| 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 | (204)                |                          |                          | (204)                       |                     |                  |                            |  | 204                             | 204                           |
| <b>Total Adjustments 2013/14</b>  | <b>27,716</b>        | <b>(2,287)</b>           | <b>333</b>               | <b>25,761</b>               | <b>(2,518)</b>      | <b>(16,720)</b>  | <b>(6,932)</b>             | <b>206</b>                               | <b>204</b>                      | <b>(25,761)</b>               |

## Notes to the Comprehensive Income and Expenditure Statement

## 5. 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:

| 2012-13<br>£'000 |  | 2013-14<br>£'000 |
|------------------|--|------------------|
| 8,419            | <b>Precepts</b><br>Police and Crime Commissioner for South Wales | 9,078            |
| 1,480            | Community Councils   | 1,512            |
| <b>9,899</b>     | <b>Sub total</b>   | <b>10,590</b>    |
| 6,582            | <b>Levies</b><br>South Wales Fire and Rescue Authority           | 6,659            |
| 256              | Coroners Service   | 263              |
| 107              | Archive Service  | 106              |
| 1                | Margam Crematorium Joint Committee                               | 17               |
| 18               | Swansea Bay Port Health Authority                                | 18               |
| <b>6,964</b>     | <b>Sub total</b>   | <b>7,063</b>     |
| <b>16,863</b>    | <b>Total</b>   | <b>17,653</b>    |

## 6. Trading activities

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

| 2012-13<br>Income<br>£'000 | 2012-13<br>Exp.<br>£'000 | 2012-13<br>Deficit/<br>(Surplus)<br>£'000 | Activity                             | 2013-14<br>Income<br>£'000 | 2013-14<br>Exp.<br>£'000 | 2013-14<br>Deficit/<br>(Surplus)<br>£'000 | Target<br>£'000 | Variance<br>£'000 |
|----------------------------|--------------------------|---|--------------------------------------|----------------------------|--------------------------|---|-----------------|-------------------|
| (3,383)                    | 3,355                    | (28)                                      | Building Maintenance                 | (2,680)                    | 2,747                    | 67  | (34)            | 101               |
| (1,192)                    | 1,097                    | (95)                                      | Building Cleaning                    | (1,175)                    | 1,093                    | (82)                                      | (26)            | (56)              |
| (3,465)                    | 3,482                    | 17  | Fleet Services                       | (2,900)                    | 2,895                    | (5)                                       | 61              | (66)              |
| <b>(8,040)</b>             | <b>7,934</b>             | <b>(106)</b>                              | <b>Transfer to I &amp; E Account</b> | <b>(6,755)</b>             | <b>6,735</b>             | <b>(20)</b>                               | <b>1</b>        | <b>(21)</b>       |

## 7. 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 2013-14 was £154.7 million (£143.2 million for 2012-13).

## 8. Government grants

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



| 2012-13        | Specific Grants credited to Services       | 2013-14       |
|----------------|--|---------------|
| £'000          |  | £'000         |
| 47,437         | Housing Benefit Subsidy                    | 47,948        |
| 12,704         | Council Tax Benefit Subsidy                | 0             |
| 8,323          | DCELLS Post 16 Grant                       | 6,717         |
| 4,352          | Foundation Phase Grants                    | 4,333         |
| 2,149          | PFI Grant                                  | 1,681         |
| 5,549          | Other Children                             | 5,654         |
| 712            | Other Wellbeing                            | 434           |
| 3,110          | Others                                     | 2,811         |
| 5,088          | Supporting People                          | 6,101         |
| 1,805          | Resettlement Grant                         | 0             |
| 910            | Substance Misuse Action Plan               | 0             |
| 2,686          | Concessionary Fares Grant                  | 2,920         |
| 1,661          | Flying Start                               | 2,486         |
| 3,020          | Sustainable Waste Grant                    | 2,898         |
| 1,219          | Housing/Council Tax Benefit Administration | 1,033         |
| 426            | Local Transport Services                   | 357           |
| 957            | Communities First                          | 952           |
| 1,847          | Families First                             | 1,913         |
| <b>103,955</b> | <b>Total</b>                               | <b>88,238</b> |

| 2012-13        | Other Government Grants credited to Taxation and Non-specific Grant Income | 2013-14        |
|----------------|--|----------------|
| £'000          |  | £'000          |
| 1,385          | Improvement Agreement Grant  | 1,401          |
|                | Council Tax Reduction Grant  | 1,138          |
| 22,026         | Capital Grants and Contributions   | 11,310         |
| <b>23,411</b>  | <b>Total</b>   | <b>13,849</b>  |
| <b>127,366</b> |  | <b>102,087</b> |

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

## 9. 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 – 50,075.92 dwellings for 2013-14 (49,961.74 in 2012-13). The average amount for a Band D property is £1,346.83 in 2013-14 (£1,296.16 in 2012-13 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 | 29  | 10,124 | 14,802 | 13,723 | 9,467 | 6,846 | 3,835 | 1,332 | 281  | 81   |

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

| 2012-13<br>£'000 |  | 2013-14<br>£'000 |
|------------------|--|------------------|
| 66,265           | Council Tax Collectable                  | 68,987           |
|                  | Less:                                    |                  |
| (1,480)          | Payable to Community Councils            | (1,512)          |
| (8,419)          | Payable to South Wales Police            | (9,078)          |
|                  | Provision for non-payment of Council Tax |                  |
| (190)            | (Decrease)                               | 68               |
| <b>56,176</b>    | <b>Net Proceeds from Council Tax</b>     | <b>58,465</b>    |

#### 10. 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 46.4p in 2013-14 (45.2p in 2012-13). 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 Council 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 £43.026 million in 2013-14 (£36.350 million in 2012-13).

#### 11. Leases

##### Council as a 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<br>2013<br>£'000 |  | 31 March<br>2014<br>£'000 |
|---------------------------|--|---------------------------|
| 88                        | Vehicles, Plant & Equipment Finance Leases | 37                        |

The Council 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 Council and finance costs that will be payable by the Council in future years

while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

| 31 March<br>2013<br>£'000 |  | 31 March<br>2014<br>£'000 |
|---------------------------|--|---------------------------|
|                           | Finance Lease Liabilities (Net Present Value of minimum lease payments) :- |                           |
| 54                        | * current  | 41                        |
| 41                        | * non-current  |                           |
| 5                         | Finance Costs payable in future years                                      | 2                         |
| <b>100</b>                | <b>Minimum lease payments</b>  | <b>43</b>                 |
| 57                        | Not later than one year  | 43                        |
| 43                        | Later than one year  | -                         |
| <b>100</b>                | <b>Total</b>   | <b>43</b>                 |

### Operating Leases

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

| 31 March<br>2013<br>£'000 |                         | 31 March<br>2014<br>£'000 |
|---------------------------|-------------------------|---------------------------|
| 1,361                     | Not later than one year | 1,327                     |
| 3,920                     | Later than one year     | 3,676                     |
| 9,104                     | Later than five years   | 8,486                     |
| <b>14,385</b>             | <b>Total</b>            | <b>13,489</b>             |

Expenditure charged in the year to the Service areas was £1.459 million made up of minimum lease payments of £0.884 million and £0.575 million for contingent rents (£1.766 million in 2012-13 made up of £1.189 million minimum lease payments and £0.577 million contingent rents).

### Council as a Lessor

#### Operating Leases

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

| 31 March<br>2013<br>£'000 |                         | 31 March<br>2014<br>£'000 |
|---------------------------|-------------------------|---------------------------|
| 220                       | Not later than one year | 171                       |
| 389                       | Later than one year     | 182                       |
| 814                       | Later than five years   | 851                       |
| <b>1,423</b>              | <b>Total</b>            | <b>1,204</b>              |

## 12. 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 £30.5 million (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:-

| 2012-13<br>£'000 | Unitary Charge          | 2013-14<br>£'000 |
|------------------|-------------------------|------------------|
| 583              | Service Charge Element  | 589              |
| 1,537            | Interest Element        | 1,505            |
| 410              | Finance Lease Liability | 442              |
| <b>2,530</b>     | <b>Total</b>            | <b>2,536</b>     |

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          | 2014-15<br>£'000 | 2015-16 to<br>2019-20<br>£'000 | 2020-21 to<br>2024-25<br>£'000 | 2025-26 to<br>2029-30<br>£'000 | 2030-31 to<br>2033-34<br>£'000 |
|-------------------------|------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Service Charge Element  | 476              | 2,990                          | 4,337                          | 6,290                          | 5,683                          |
| Interest Element        | 1,471            | 6,744                          | 5,397                          | 3,444                          | 792                            |
| Finance Lease Liability | 502              | 2,511                          | 2,511                          | 2,511                          | 2,002                          |
| <b>Total</b>            | <b>2,449</b>     | <b>12,245</b>                  | <b>12,245</b>                  | <b>12,245</b>                  | <b>8,477</b>                   |

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 Council 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 2014, the balance on the PFI equalisation earmarked reserve is £3.057 million (£2.639 million as at 31 March 2013).

### 13. 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 (LHB).

| Total Expenditure 2012-13<br>£'000 | Purpose of Partnership                    | Trust Expenditure<br>£'000 | BCBC Expenditure<br>£'000 | Total Expenditure 2013-14<br>£'000 |
|------------------------------------|---|----------------------------|---------------------------|------------------------------------|
| 877                                | Community Reablement Project              | 207                        | 519                       | 726                                |
| 6                                  | Integrated Services Manager               | 39                         | 39                        | 78                                 |
| 251                                | Community Disability Rehabilitation Team  | 180                        | 64                        | 244                                |
| 56                                 | Joint Locality Director                   |                            |                           | -                                  |
| 110                                | Bryn Y Cae Residential Reablement         | 98                         | 174                       | 272                                |
| 630                                | Early Response Service                    | 391                        | 405                       | 796                                |
| 100                                | Health, Social Care & Well Being Strategy | 21                         | 79                        | 100                                |
| <b>2,030</b>                       | <b>Total</b>                              | <b>936</b>                 | <b>1,280</b>              | <b>2,216</b>                       |

There are however some formal pooled budget arrangements between the Council and the LHB and these are detailed below :-

| 2012/13                              |   |                                   | Partner  | Purpose of Partnership   | 2013/14                              |   |                                   |
|--------------------------------------|---|-----------------------------------|--|--|--------------------------------------|---|-----------------------------------|
| Gross Income Of Partnership<br>£'000 | Gross Expenditure of Partnership<br>£'000 | Authority's Contribution<br>£'000 |  |  | Gross Income Of Partnership<br>£'000 | Gross Expenditure of Partnership<br>£'000 | Authority's Contribution<br>£'000 |
| 523                                  | 523                                       | 267                               | Abertawe Bro-Morgannwg<br>University Health Board  | Integrated Service Provision using a Pooled Fund. Provision of day opportunities for people recovering from mental health problems.  | 564                                  | 564                                       | 294                               |
| 2,133                                | 2,142                                     | 472                               | Rhondda Cynon Taff CBC<br>Merthyr Tydfil CBC<br>Cwm Taf LHB<br>Abertawe Bro Morgannwg<br>University Health Board | Integrated commissioning from a pooled fund for procuring specified community equipment for eligible people within the partnership's administrative area. Rhondda Cynon Taf are the lead partner | 2,236                                | 2,407                                     | 471                               |

#### 14. 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 2013-14 has been calculated as shown in the table below. It is based on the opening Capital Financing Requirement (CFR) of the Council.

| 2012-13        |   | 2013-14        |
|----------------|---|----------------|
| £'000          |   | £'000          |
| 162,177        | CFR 1 April                                       | 165,581        |
| 161            | HALO Adjustment 12-13                             | 943            |
| (20,627)       | PFI School  | (20,217)       |
| (871)          | Innovation Centre                                 | (845)          |
| (248)          | Finance Leases                                    | (95)           |
| (161)          | Leisure Contract Capital Liability                | (1,087)        |
| (82)           | Factor A Adjustment                               | (82)           |
| (9,733)        | CFR Adj Para 19 2008/Unsupported<br>Borrowing Adj | (12,368)       |
| <b>130,616</b> | <b>Adjusted CFR</b>                               | <b>131,830</b> |
| 5,225          | MRP - 4%  | 5,273          |
| 410            | PFI School - MRP Charge                           | 442            |
| 26             | Innovation Centre MRP Charge                      | 28             |
| 153            | Finance Leases MRP Charge                         | 54             |
| 17             | HALO MRP Charge                                   | 117            |
| 761            | Unsupported Borrowing MRP                         | 1,926          |
| <b>6,592</b>   | <b>Total MRP</b>                                  | <b>7,840</b>   |

#### 15. 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**

| 2012-13   | Remuneration Band   | Number of Employees  |                              |                              |  |  |
|-----------|---------------------|----------------------|------------------------------|------------------------------|--|--|
|           |                     | Movement in Bandings | 2013-14 inc Redundancy Costs | 2013-14 exc Redundancy Costs | Number of Teachers inc in Figures exc Redundancy | Number of Non-Teachers inc in Figures exc Redundancy |
| 12        | £60,000 - £64,999   | 5                    | 17                           | 15                           | 15   | -  |
| 13        | £65,000 - £69,999   | 1                    | 14                           | 13                           | 12   | 1  |
| 5         | £70,000 - £74,999   | (2)                  | 3                            | 3                            | 3  | -  |
| 10        | £75,000 - £79,999   | (5)                  | 5                            | 4                            | -  | 4  |
| 2         | £80,000 - £84,999   | -                    | 2                            | 2                            | 1  | 1  |
| 2         | £85,000 - £89,999   | 1                    | 3                            | 3                            | 1  | 2  |
| 2         | £90,000 - £94,999   | 3                    | 5                            | 3                            | 2  | 1  |
| 1         | £95,000 - £99,999   | 3                    | 4                            | 3                            | 2  | 1  |
| 1         | £100,000 - £104,999 | (1)                  | -                            | -                            | -  | -  |
| 1         | £105,000 - £109,999 | (1)                  | -                            | -                            | -  | -  |
| 1         | £110,000 - £114,999 | -                    | 1                            | -                            | -  | -  |
| -         | £115,000 - £119,999 | -                    | -                            | -                            | -  | -  |
| -         | £120,000 - £124,999 | 1                    | 1                            | -                            | -  | -  |
| -         | £125,000 - £129,999 | 3                    | 3                            | 3                            | -  | 3  |
| -         | £130,000 - £134,999 | -                    | -                            | -                            | -  | -  |
| -         | £135,000 - £139,999 | -                    | -                            | -                            | -  | -  |
| -         | £140,000 - £144,999 | -                    | -                            | -                            | -  | -  |
| -         | £145,000 - £149,999 | -                    | -                            | -                            | -  | -  |
| -         | £235,000 - £239,999 | -                    | -                            | -                            | -  | -  |
| <b>50</b> |                     | <b>8</b>             | <b>58</b>                    | <b>49</b>                    | <b>36</b>  | <b>13</b>  |

Within the Remuneration Bands are a number of senior employees of the Council 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. This disclosure is shown in Table 2 below.

Table 2 : Senior Officers' Disclosure

| Job Title   | Salary  |         | Expenses |       | Benefits in Kind |        | Pension Contributions |        | Total Remuneration including Pension Contributions |         |
|---|---------|---------|----------|-------|------------------|--------|-----------------------|--------|--|---------|
|   | 13-14   | 12-13   | 13-14    | 12-13 | 13-14            | 12-13  | 13-14                 | 12-13  | 13-14  | 12-13   |
|   | £       | £       | £        | £     | £                | £      | £                     | £      | £  | £       |
| Chief Executive Officer & Head of Paid Service          | 125,246 | 65,918  | 1,411    | 8,345 | 328              | 1,997  | 26,051                | 13,711 | 153,036  | 89,972  |
| Corporate Director - Children                           |         |         |          |       |                  |        |                       |        |  |         |
| Previous Post Holder                                    | 43,362  | 104,068 | 135      | 301   | 2,256            | 5,428  | 9,019                 | 21,646 | 54,772   | 131,443 |
| Current Post Holder                                     | 56,837  | -       | 31       | -     | 824              | -      | 11,822                | -      | 69,514   |         |
| Corporate Director - Communities                        | 98,620  | 103,229 | -        | 266   | 13,554           | 8,724  | 20,513                | 21,472 | 132,687  | 133,690 |
| Corporate Director - Wellbeing                          | 56,837  | 35,084  | -        | 613   | 10,067           | 9,242  | 11,822                | 8,525  | 78,726   | 53,464  |
| Corporate Director -Resources & s151 Officer            | 104,068 | 104,068 | 9        | 540   | -                | -      | 21,004                | 17,796 | 125,081  | 122,403 |
| Assistant Chief Executive - Legal & Regulatory Services | 92,360  | 88,458  | 296      | 267   | 4,549            | 10,460 | 19,211                | 18,399 | 116,417  | 117,585 |

**Notes**

Note 1 : The Chief Executive Officer took up post in September 2012

Note 2 : The Chief Executive Officers Salary excludes payment for Election Duties. These amounted to £300 for two elections

Note 3 : The previous Corporate Director - Children left the Authority in August 2013, and the new Corporate Director - Children, took up post in August 2013

Note 4 : The Corporate Director - Communities was permanently appointed to this post in November 2013, but had been fulfilling this role in an acting capacity since April 2014. The previous post holder left the Authority in March 2013

Note 5 : The Corporate Director - Wellbeing took up post in September 2013

Note 6 : 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<br>(including Special Payments) | Number of<br>Compulsory<br>Redundancies |           | Number of Other<br>Departures Agreed |           | Total Number of<br>Exit Packages by<br>Cost Band |           | Total Cost of Exit<br>Packages in Each<br>Band |                |
|--|---|-----------|--------------------------------------|-----------|--|-----------|--|----------------|
|  | 13-14                                   | 12-13     | 13-14                                | 12-13     | 13-14  | 12-13     | 13-14<br>£                                     | 12-13<br>£     |
| £0 - £20,000   | 53                                      | 31        | 30                                   | 8         | 83   | 39        | 566,652  | 330,170        |
| £20,001 - £40,000                                      | 7                                       | 2         | 10                                   | 6         | 17   | 8         | 500,503  | 230,797        |
| £40,001 - £60,000                                      | 1                                       | 2         | 2                                    | 4         | 3  | 6         | 138,140  | 284,115        |
| £60,001 - £80,000                                      | 1                                       | -         | 2                                    | -         | 3  | -         | 205,406  | -              |
| £80,001 - £100,000                                     | 1                                       | -         | -                                    | -         | 1  | -         | 80,101   | -              |
| £100,001 - £120,000                                    | -                                       | -         | -                                    | 1         | -  | 1         | -  | 106,886        |
| £120,001 - £140,000                                    | -                                       | -         | 1                                    | -         | 1  | -         | 124,507  | -              |
| £140,001 - £180,000                                    | -                                       | -         | 2                                    | -         | 2  | -         | 309,500  | -              |
|  | <b>63</b>                               | <b>35</b> | <b>47</b>                            | <b>19</b> | <b>110</b>                                       | <b>54</b> | <b>1,924,809</b>                               | <b>951,968</b> |

**16. Members' allowances**

As a result of the December 2011 Report of the Independent Remuneration Panel for Wales, a new system of 'salary' payments for Members came into effect in full from 16 May 2012. Between 1 April 2012 and 16 May 2012 there was an incremental move away from the previous system of basic allowances and special responsibility allowances. The Council now has in place a 'Basic Salary' for all members, for which the total spend in 2013-14 was £474,000 (£459,000 for the period from 16 May 2012 to 31 March 2013), a 'Senior Salary', for which the total spend for 2013-14 was £576,000 (£450,000 for the period from 16 May 2012 to 31 March 2013), and a Civic Salary, for which the total spend for 2013-14 was £38,000 (£37,000 for the period from 16 May 2012 to 31 March 2013). Prior to 16 May 2012 there were residual payments made under the old scheme prior to 16 May 2013 totalling £128,000. Because of the incremental transition that took place in 2012-13, the categories of payments are not yet directly comparable. Overall, the total spend in 2013-14 was £1.088 million compared to £1.050 million in 2012-13.

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

**17. External audit costs**

In 2013-14 Bridgend County Borough Council incurred the following fees relating to external audit and inspection:

| 2012-13<br>£'000 |                                | 2013-14<br>£'000 |
|------------------|--------------------------------|------------------|
| 190              | Financial Statement Audit      | 190              |
| 135              | Performance Audit              | 135              |
| <b>325</b>       | <b>External Audit Services</b> | <b>325</b>       |
| -                | Statutory Inspection           |                  |
| 82               | Grant Claims and Returns       | 82               |
| <b>407</b>       | <b>Total</b>                   | <b>407</b>       |

**18. 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), Central South Joint Education Committee (JES), and Glamorgan Archives. These interests are not considered to be material, and consolidated accounts have therefore not been prepared.

**19. Related party transactions**

The Council 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 Council.

### **Welsh Government**

Welsh Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council 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 2013-14 is shown in Note 13. Grants were made to organisations whose senior management included members including Groundwork Bridgend and Neath Port Talbot £47,500 in 2013-14 (£47,500 in 2012-13), Bridgend County Borough Citizens Advice Bureau £228,690 (£228,690 in 2012-13) and Bridgend Association of Voluntary Organisations £166,299 in 2013-14 (£117,000 in 2012-13). 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 2013-14, no chief officer declared any material interests/relationships in a related party. This was the same in 2012-13.

### **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 2013-14, the Council contributed to the Joint Committee an amount of £106,040 (£106,830 in 2012-13). 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 13.

## **20. 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 Council'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 Council's principal Directorates recorded in the budget reports for the comparative year (2012-13) is as follows:

## Statement of Accounts

2013-14

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

| Directorate Income and Expenditure 2013-14 | Children<br>£'000 | Wellbeing<br>£'000 | Communities<br>£'000 | Other<br>Services<br>£'000 | Total<br>£'000   |
|--|-------------------|--------------------|----------------------|----------------------------|------------------|
| Fees, charges & other service income       | (19,205)          | (16,250)           | (13,270)             | (17,394)                   | <b>(66,119)</b>  |
| Government grants                          | (22,962)          | (1,865)            | (14,748)             | (49,793)                   | <b>(89,368)</b>  |
| <b>Total Income</b>                        | <b>(42,167)</b>   | <b>(18,115)</b>    | <b>(28,018)</b>      | <b>(67,187)</b>            | <b>(155,487)</b> |
| Employee expenses                          | 110,889           | 28,729             | 16,169               | 22,232                     | <b>178,019</b>   |
| Other operating expenses                   | 58,629            | 37,002             | 36,178               | 66,437                     | <b>198,246</b>   |
| <b>Total operating expenses</b>            | <b>169,518</b>    | <b>65,731</b>      | <b>52,347</b>        | <b>88,669</b>              | <b>376,265</b>   |
| <b>Net Cost of Services</b>                | <b>127,351</b>    | <b>47,616</b>      | <b>24,329</b>        | <b>21,482</b>              | <b>220,778</b>   |

### 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 :-

|  | 2013-14<br>£'000 | 2012-13<br>£'000 |
|--|------------------|------------------|
| <b>Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement</b>      |                  |                  |
| Cost of Services in Service Analysis   | <b>220,778</b>   | <b>209,726</b>   |
| Add services not included in main analysis   | 16,326           | 2,177            |
| Add amounts not reported to management   | 27,199           | 19,762           |
| Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement | (1,509)          | (1,368)          |
| <b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>                        | <b>262,794</b>   | <b>230,297</b>   |

### 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 :-

## Statement of Accounts

2013-14

| Reconciliation to Subjective Analysis<br>2012-13       | Directorate<br>Analysis<br>£'000 | Services not<br>in Analysis<br>£'000 | Not reported<br>to mgmt<br>£'000 | Not included<br>in I & E<br>£'000 | Net Cost of<br>Services<br>£'000 | Corporate<br>Amounts<br>£'000 | Total<br>£'000   |
|--|----------------------------------|--------------------------------------|----------------------------------|-----------------------------------|----------------------------------|-------------------------------|------------------|
| Fees, charges & other service income                   | (64,985)                         |                                      |                                  | 8,040                             | (56,945)                         | (8,040)                       | (64,985)         |
| Surplus or deficit on associates and joint ventures    |                                  |                                      |                                  |                                   | -                                |                               | -                |
| 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)        |
| <b>Total Income</b>                                    | <b>(169,764)</b>                 | <b>(8,753)</b>                       | <b>-</b>                         | <b>8,040</b>                      | <b>(170,477)</b>                 | <b>(277,786)</b>              | <b>(448,263)</b> |
| Employee expenses                                      | 172,505                          | 570                                  | (1,253)                          |                                   | 171,822                          | 13,290                        | 185,112          |
| Other service expenses                                 | 206,985                          | 10,360                               |                                  | (7,934)                           | 209,411                          | 7,934                         | 217,345          |
| Support Service recharges                              |                                  |                                      |                                  |                                   | -                                |                               | -                |
| 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           |
| Payments to Housing Capital Receipts Pool              |                                  |                                      |                                  |                                   | -                                |                               | -                |
| Gain or Loss on Disposal of Fixed Assets               |                                  |                                      |                                  |                                   | -                                | (240)                         | (240)            |
| <b>Total Expenditure</b>                               | <b>379,490</b>                   | <b>10,930</b>                        | <b>19,762</b>                    | <b>(9,408)</b>                    | <b>400,774</b>                   | <b>44,160</b>                 | <b>444,934</b>   |
|  |                                  |                                      |                                  |                                   |                                  |                               |                  |
| <b>Surplus or deficit on the provision of services</b> | <b>209,726</b>                   | <b>2,177</b>                         | <b>19,762</b>                    | <b>(1,368)</b>                    | <b>230,297</b>                   | <b>(233,626)</b>              | <b>(3,329)</b>   |

## Statement of Accounts

2013-14

| Reconciliation to Subjective Analysis<br>2013-14       | Directorate<br>Analysis<br>£'000 | Services not<br>in Analysis<br>£'000 | Not reported<br>to mgmt<br>£'000 | Not included<br>in I&E<br>£'000 | Net Cost of<br>Services<br>£'000 | Corporate<br>Amounts<br>£'000 | Total<br>£'000   |
|--|----------------------------------|--------------------------------------|----------------------------------|---------------------------------|----------------------------------|-------------------------------|------------------|
| Fees, charges & other service income                   | (66,119)                         |                                      |                                  | 6,756                           | (59,363)                         | (6,756)                       | (66,119)         |
| Surplus or deficit on associates and joint ventures    |                                  |                                      |                                  |                                 | -                                |                               | -                |
| Interest and investment income                         |                                  |                                      |                                  |                                 | -                                | (607)                         | (607)            |
| Income from council tax                                |                                  |                                      |                                  |                                 | -                                | (68,987)                      | (68,987)         |
| Government grants and contributions                    | (89,368)                         | (4,048)                              |                                  |                                 | (93,416)                         | (211,597)                     | (305,013)        |
| <b>Total Income</b>                                    | <b>(155,487)</b>                 | <b>(4,048)</b>                       | <b>-</b>                         | <b>6,756</b>                    | <b>(152,779)</b>                 | <b>(287,947)</b>              | <b>(440,726)</b> |
| Employee expenses                                      | 178,019                          | 1,050                                | 2,935                            |                                 | 182,004                          | 13,580                        | 195,584          |
| Other service expenses                                 | 198,246                          | 19,324                               |                                  | (6,736)                         | 210,834                          | 6,736                         | 217,570          |
| Support Service recharges                              |                                  |                                      |                                  |                                 | -                                |                               | -                |
| Depreciation, amortisation and impairment              |                                  |                                      | 24,264                           |                                 | 24,264                           |                               | 24,264           |
| Interest Payments                                      |                                  |                                      |                                  | (1,529)                         | (1,529)                          | 6,235                         | 4,706            |
| Precepts & Levies                                      |                                  |                                      |                                  |                                 | -                                | 17,653                        | 17,653           |
| Payments to Housing Capital Receipts Pool              |                                  |                                      |                                  |                                 | -                                |                               | -                |
| Gain or Loss on Disposal of Fixed Assets               |                                  |                                      |                                  |                                 | -                                | 6,292                         | 6,292            |
| <b>Total Expenditure</b>                               | <b>376,265</b>                   | <b>20,374</b>                        | <b>27,199</b>                    | <b>(8,265)</b>                  | <b>415,573</b>                   | <b>50,496</b>                 | <b>466,069</b>   |
|  |                                  |                                      |                                  |                                 |                                  |                               |                  |
| <b>Surplus or deficit on the provision of services</b> | <b>220,778</b>                   | <b>16,326</b>                        | <b>27,199</b>                    | <b>(1,509)</b>                  | <b>262,794</b>                   | <b>(237,451)</b>              | <b>25,343</b>    |



## Notes to the Balance Sheet

## 21. Tangible Fixed Assets

a) Capital commitments

As at 31 March 2014 commitments of approximately £6.78m existed on capital works contracts started before that date, details of which are shown in the table below.

| 2012-13<br>£'000 |   | 2013-14<br>£'000 |
|------------------|---|------------------|
| 808              | Porthcawl Regeneration                                  | 88               |
| 4,442            | Bridgend Town Centre Regeneration                       | 873              |
| 1,421            | Maesteg Regeneration                                    | -                |
| 2,657            | Highways Infrastructure Local Govt Borrowing Initiative | 2,811            |
| 1,198            | Refurbishment Requirements Healthy Living Partnership   | -                |
| 13,036           | Gateway to the Valleys                                  | 1,633            |
| 3,506            | Pen y Fai Primary School                                | 1,012            |
| 130              | Litchard Primary Amalgamation                           | -                |
| 890              | Bryncethin School Amalgamation                          | -                |
| 400              | Coety / Parc Derwen Primary School                      | -                |
| 63               | Tremains Primary Amalgamation                           | -                |
|                  | Lewistown Flying Start Provision                        | 363              |
| <b>28,551</b>    | <b>Total</b>  | <b>6,780</b>     |

b) Notes on Fixed AssetsVoluntary-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

| <b>Category</b>                    | <b>Number<br/>as at 31<br/>March<br/>2013</b> | <b>Number<br/>as at 31<br/>March<br/>2014</b> |
|------------------------------------|---|---|
| Schools                            | 66  | 68  |
| 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     | 28  | 27  |
| 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  | 55  |
| Vehicles on Finance Leases         | 27  | 4   |
| Miscellaneous assets               | 23  | 22  |
|                                    | <b>421</b>                                    | <b>405</b>                                    |

## Statement of Accounts

2013-14

| c) Summary of Property, Plant & Equipment (PPE)  | Other Land and Buildings<br>£'000 | Vehicle, Plant and Equipment<br>£'000 | Infra-Structure<br>£'000 | Comm-unity Assets<br>£'000 | Surplus Assets<br>£'000 | Assets Under Construction<br>£'000 | Total PPE Assets<br>£'000 | PFI Assets Included In PPE<br>£'000 | Finance Leases In PPE<br>£'000 |
|--|-----------------------------------|---------------------------------------|--------------------------|----------------------------|-------------------------|------------------------------------|---------------------------|-------------------------------------|--------------------------------|
| <b>Cost or Valuation</b>   |                                   |                                       |                          |                            |                         |                                    |                           |                                     |                                |
| 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                             | <b>32,766</b>             | -                                   | 161                            |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          | (1,550)                           | -                                     | -                        | -                          | 1,009                   | -                                  | <b>(541)</b>              | -                                   | -                              |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 625                               | -                                     | -                        | -                          | (595)                   | (905)                              | <b>(875)</b>              | -                                   | -                              |
| Derecognition - Disposals  | (60)                              | (8,878)                               | -                        | -                          | -                       | -                                  | <b>(8,938)</b>            | -                                   | -                              |
| Assets reclassified (to)/from Held for Sale  | (95)                              | -                                     | -                        | -                          | (4,505)                 | -                                  | <b>(4,600)</b>            | -                                   | -                              |
| Assets reclassified (to)/from Investment Property  | 75                                | -                                     | -                        | -                          | -                       | -                                  | <b>75</b>                 | -                                   | -                              |
| Other Movements in Cost or Valuation   | 243                               | -                                     | 969                      | 1,201                      | (409)                   | (3,531)                            | <b>(1,527)</b>            | -                                   | -                              |
|  | -                                 | -                                     | -                        | -                          | -                       | -                                  | -                         | -                                   | -                              |
| <b>At 31 March 2013</b>  | <b>421,599</b>                    | <b>12,593</b>                         | <b>183,081</b>           | <b>4,574</b>               | <b>10,455</b>           | <b>36,147</b>                      | <b>668,449</b>            | <b>22,744</b>                       | <b>1,341</b>                   |
| <b>Accumulated Depreciation and Impairments</b>  |                                   |                                       |                          |                            |                         |                                    |                           |                                     |                                |
| 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)                    | -                                  | <b>(17,932)</b>           | <b>(239)</b>                        | (146)                          |
| Depreciation written out to the Revaluation Reserve  | -                                 | -                                     | -                        | -                          | -                       | -                                  | -                         | -                                   | -                              |
| Acc. Depreciation WO to GCA  | -                                 | -                                     | -                        | -                          | -                       | -                                  | -                         | -                                   | -                              |
| Acc. Impairment WO to GCA  | -                                 | -                                     | -                        | -                          | -                       | -                                  | -                         | -                                   | -                              |
| Impairment Losses/(Reversals) recognised in the Revaluation Reserve                              | (274)                             | -                                     | -                        | -                          | -                       | -                                  | <b>(274)</b>              | -                                   | -                              |
| Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services     | (1,685)                           | (60)                                  | (703)                    | -                          | -                       | -                                  | <b>(2,448)</b>            | -                                   | -                              |
| Derecognition - disposals  | 60                                | 8,878                                 | -                        | -                          | -                       | -                                  | <b>8,938</b>              | -                                   | -                              |
| Assets reclassified (to)/from Held for Sale  | 2                                 | -                                     | -                        | -                          | -                       | -                                  | <b>2</b>                  | -                                   | -                              |
| Other Movements  | 1,148                             | -                                     | -                        | -                          | 379                     | -                                  | <b>1,527</b>              | -                                   | -                              |
| <b>At 31 March 2013</b>  | <b>(42,290)</b>                   | <b>(9,179)</b>                        | <b>(97,574)</b>          | <b>(37)</b>                | <b>(502)</b>            | <b>-</b>                           | <b>(149,582)</b>          | <b>(956)</b>                        | <b>(1,092)</b>                 |
| <b>Balance Sheet as at 1 April 2012</b>  | <b>385,198</b>                    | <b>4,049</b>                          | <b>87,786</b>            | <b>3,285</b>               | <b>14,088</b>           | <b>18,288</b>                      | <b>512,694</b>            | <b>22,027</b>                       | <b>234</b>                     |
| <b>Balance Sheet as at 31 March 2013</b>   | <b>379,309</b>                    | <b>3,414</b>                          | <b>85,507</b>            | <b>4,537</b>               | <b>9,953</b>            | <b>36,147</b>                      | <b>518,867</b>            | <b>21,788</b>                       | <b>249</b>                     |

| c) Summary of Property, Plant & Equipment (PPE)  | Other Land and Buildings<br>£'000 | Vehicle, Plant and Equipment<br>£'000 | Infra-Structure<br>£'000 | Comm-unity Assets<br>£'000 | Surplus Assets<br>£'000 | Assets Under Construction<br>£'000 | Total PPE Assets<br>£'000 | PFI Assets Included In PPE<br>£'000 | Finance Leases In PPE<br>£'000 |
|--|-----------------------------------|---------------------------------------|--------------------------|----------------------------|-------------------------|------------------------------------|---------------------------|-------------------------------------|--------------------------------|
| <b>Cost or Valuation</b>   |                                   |                                       |                          |                            |                         |                                    |                           |                                     |                                |
| At 1 April 2013  | 421,599                           | 12,593                                | 183,081                  | 4,574                      | 10,455                  | 36,147                             | 668,449                   | 22,744                              | 1,341                          |
| Additions  | 2,275                             | 2,916                                 | 7,166                    | -                          | -                       | 21,561                             | <b>33,918</b>             | -                                   | 943                            |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          | (1,829)                           | -                                     | -                        | -                          | -                       | -                                  | <b>(1,829)</b>            | -                                   | -                              |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (5,461)                           | -                                     | -                        | -                          | 53                      | -                                  | <b>(5,408)</b>            | -                                   | -                              |
| Derecognition - Disposals  | (6,825)                           | (399)                                 | -                        | -                          | -                       | -                                  | <b>(7,224)</b>            | -                                   | -                              |
| Derecognition - other  | (84)                              | -                                     | -                        | -                          | -                       | -                                  | <b>(84)</b>               | -                                   | -                              |
| Assets reclassified (to)/from Held for Sale  | (1,401)                           | -                                     | -                        | -                          | (53)                    | -                                  | <b>(1,454)</b>            | -                                   | -                              |
| Assets reclassified (to)/from Investment Property  | -                                 | -                                     | -                        | -                          | -                       | -                                  | -                         | -                                   | -                              |
| Other Movements in Cost or Valuation   | 333                               | -                                     | 6,109                    | -                          | 811                     | (8,251)                            | <b>(998)</b>              | -                                   | -                              |
|  | -                                 | -                                     | -                        | -                          | -                       | -                                  | -                         | -                                   | -                              |
| <b>At 31 March 2014</b>  | <b>408,607</b>                    | <b>15,110</b>                         | <b>196,356</b>           | <b>4,574</b>               | <b>11,266</b>           | <b>49,457</b>                      | <b>685,370</b>            | <b>22,744</b>                       | <b>2,284</b>                   |
| <b>Accumulated Depreciation and Impairments</b>  |                                   |                                       |                          |                            |                         |                                    |                           |                                     |                                |
| At 1 April 2013  | (42,290)                          | (9,179)                               | (97,574)                 | (37)                       | (502)                   | -                                  | (149,582)                 | (956)                               | (1,092)                        |
| Depreciation Charge for 2013/14  | (7,104)                           | (1,050)                               | (9,729)                  | -                          | (27)                    | -                                  | <b>(17,910)</b>           | <b>(239)</b>                        | (51)                           |
| Depreciation written out to the Revaluation Reserve  | -                                 | -                                     | -                        | -                          | -                       | -                                  | -                         | -                                   | -                              |
| Acc. Depreciation WO to GCA  | -                                 | -                                     | -                        | -                          | -                       | -                                  | -                         | -                                   | -                              |
| Acc. Impairment WO to GCA  | -                                 | -                                     | -                        | -                          | -                       | -                                  | -                         | -                                   | -                              |
| Impairment Losses/(Reversals) recognised in the Revaluation Reserve                              | (18)                              | -                                     | -                        | -                          | -                       | -                                  | <b>(18)</b>               | -                                   | -                              |
| Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services     | (1,550)                           | (78)                                  | (394)                    | -                          | -                       | -                                  | <b>(2,022)</b>            | -                                   | -                              |
| Derecognition - other  | 41                                | -                                     | -                        | -                          | -                       | -                                  | <b>41</b>                 | -                                   | -                              |
| Derecognition - disposals  | 907                               | 399                                   | -                        | -                          | -                       | -                                  | <b>1,306</b>              | -                                   | -                              |
| Assets reclassified (to)/from Held for Sale  | -                                 | -                                     | -                        | -                          | -                       | -                                  | -                         | -                                   | -                              |
| Other Movements  | 1,066                             | -                                     | -                        | -                          | (68)                    | -                                  | <b>998</b>                | -                                   | -                              |
| <b>At 31 March 2014</b>  | <b>(48,948)</b>                   | <b>(9,908)</b>                        | <b>(107,697)</b>         | <b>(37)</b>                | <b>(597)</b>            | <b>-</b>                           | <b>(167,187)</b>          | <b>(1,195)</b>                      | <b>(1,143)</b>                 |
| <b>Balance Sheet as at 1 April 2013</b>  | <b>379,309</b>                    | <b>3,414</b>                          | <b>85,507</b>            | <b>4,537</b>               | <b>9,953</b>            | <b>36,147</b>                      | <b>518,867</b>            | <b>21,788</b>                       | <b>249</b>                     |
| <b>Balance Sheet as at 31 March 2014</b>   | <b>359,659</b>                    | <b>5,202</b>                          | <b>88,659</b>            | <b>4,537</b>               | <b>10,669</b>           | <b>49,457</b>                      | <b>518,183</b>            | <b>21,549</b>                       | <b>1,141</b>                   |

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) Sources of finance for Capital Expenditure

| 2012-13<br>£'000 |                          | 2013-14<br>£'000 |
|------------------|--------------------------|------------------|
| 9,835            | Loans                    | 18,350           |
| 24,492           | Government grants        | 14,547           |
| 519              | Capital receipts         | 2,453            |
| 862              | Revenue contribution     | 1,271            |
|                  | <b>Finance Leases</b>    |                  |
| 161              | HALO Financial Liability | 943              |
| 952              | Other contribution       | 231              |
| <b>36,821</b>    | <b>Total</b>             | <b>37,795</b>    |

f) 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.

| 2012-13<br>£'000 |   | 2013-14<br>£'000 |
|------------------|---|------------------|
| 4,055            | Revenue Expenditure Funded from Capital under Statute | 3,879            |
| <b>4,055</b>     | <b>Total</b>  | <b>3,879</b>     |

## g) Capital financing requirement and the financing of capital expenditure

| 2012-13<br>£'000 | Capital Financing Requirement  | 2013-14<br>£'000 |
|------------------|--|------------------|
| 162,178          | Opening Capital Financing Requirement  | 165,581          |
|                  | <b>Capital Investment</b>  |                  |
| 32,605           | Property, Plant and Equipment  | 32,974           |
|                  | Investment Properties  |                  |
| 4,055            | Revenue Expenditure Funded from Capital under Statute                                  | 3,879            |
| 161              | Recognition of Finance Leases within the Year  | 943              |
|                  | <b>Sources of Finance</b>  |                  |
| (25,445)         | Grants & Contributions   | (14,780)         |
| (519)            | Capital receipts applied   | (2,453)          |
| (862)            | Revenue Contributions  | (1,271)          |
| (5,225)          | Minimum Revenue Provision  | (5,273)          |
| (761)            | Unsupported Borrowing MRP  | (1,926)          |
| (170)            | Finance Leases MRP   | (171)            |
| (26)             | Innovation Centre MRP  | (28)             |
| (410)            | PFI School MRP   | (442)            |
| <b>165,581</b>   | <b>Closing Capital Financing Requirement</b>   | <b>177,033</b>   |
|                  | <b>Explanation for Movements in Year</b>   |                  |
| (458)            | Decrease in Underlying Need to Borrow (supported by government financial assistance)   | (1,327)          |
| 4,306            | Increase in Underlying Need to Borrow (unsupported by government financial assistance) | 12,477           |
| (35)             | Assets acquired under finance leases   | 744              |
| (410)            | Assets acquired under PFI Contract   | (442)            |
| <b>3,403</b>     | <b>Increase/(Decrease) in Capital Financing Requirement</b>                            | <b>11,452</b>    |

h) Capital Grants Received in Advance

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

| 2012-13<br>£'000 |   | 2013-14<br>£'000 |
|------------------|---|------------------|
| 2,875            | Developers' Contributions - capital element | 2,388            |
| 9                | Other Capital Grants & Contributions        |                  |
| <b>2,884</b>     | <b>Total</b>                                | <b>2,388</b>     |

**22. 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:

| 2012-13<br>£'000 |  | 2013-14<br>£'000 |
|------------------|--|------------------|
| 483              | Rental Income from Investment Property                     | 526              |
| (145)            | Direct Operating Expenses arising from Investment Property | (152)            |
| <b>338</b>       | <b>Net gain/(loss)</b>                                     | <b>374</b>       |

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

| 2012-13<br>£'000 |  | 2013-14<br>£'000 |
|------------------|--|------------------|
| 3,374            | <b>Balance at 1 April</b>                  | 3,422            |
| 123              | Net gain from fair value adjustments       | (410)            |
| (75)             | Transfers to Property, Plant and Equipment | -                |
| <b>3,422</b>     | <b>Balance as at 31 March</b>              | <b>3,012</b>     |

**23. Heritage Assets**

| 2012-13<br>£'000 |                               | 2013-14<br>£'000 |
|------------------|-------------------------------|------------------|
| 51               | Civic Regalia                 | 51               |
| <b>51</b>        | <b>Balance as at 31 March</b> | <b>51</b>        |

**24. 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.

| 2012-13<br>£'000 |                               | 2013-14<br>£'000 |
|------------------|-------------------------------|------------------|
| 56               | Mortgages                     | 29               |
| 503              | Finance Leases                | 384              |
| <b>559</b>       | <b>Balance as at 31 March</b> | <b>413</b>       |

**25. 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:

| 2012-13<br>£'000 | Short-term Debtors             | 2013-14<br>£'000 |
|------------------|--------------------------------|------------------|
| 20,650           | Central Government Bodies      | 12,492           |
| 772              | Other Local Authorities        | 4,189            |
| 188              | NHS Bodies                     | 541              |
| 10,647           | Other Entities and Individuals | 9,841            |
| <b>32,257</b>    | <b>Balance as at 31 March</b>  | <b>27,063</b>    |

The Council collects NNDR payments on behalf of Welsh Government. As at the 31 March 2014, the Council had paid over more cash than it collected, this excess was included in the Balance Sheet as a debtor of £3.102 million. The equivalent for 2012-13 was a debtor of £5.872 million which represented monies not yet paid over by Welsh Government.

## 26. Assets Held for Sale

| 2012-13<br>£'000 | Assets Held for Sale                      | 2013-14<br>£'000 |
|------------------|---|------------------|
| 1,264            | Balance at 1 April                        | 5,354            |
|                  | Assets newly classified as held for sale: |                  |
| 4,628            | Property, Plant & Equipment               | 1,454            |
|                  | Assets declassified as held for resale    |                  |
| (30)             | Property, Plant & Equipment               |                  |
| 60               | Revaluation Gain/(Loss)                   |                  |
| (568)            | Assets Sold                               | (87)             |
| <b>5,354</b>     | <b>Balance as at 31 March</b>             | <b>6,721</b>     |

## 27. Short Term Creditors

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

| 2012-13<br>£'000 | Short Term Creditors           | 2013-14<br>£'000 |
|------------------|--------------------------------|------------------|
| (4,828)          | Central Government Bodies      | (4,135)          |
| (1,072)          | Other Local Authorities        | (6,379)          |
| (197)            | NHS Bodies                     | (94)             |
| (31,264)         | Other Entities and Individuals | (28,293)         |
| <b>(37,361)</b>  | <b>Balance as at 31 March</b>  | <b>(38,901)</b>  |

## 28. Provisions

The Council has a number of provisions as detailed below:



| 2012-13      |                               | Expenditure    | Increase   | 2013-14      |
|--------------|-------------------------------|----------------|------------|--------------|
| £'000        |                               | £'000          | £'000      | £'000        |
| 4,356        | Insurance (BCBC)              | (1,075)        | 652        | 3,933        |
| 104          | Equal Pay and Other           | -              | 100        | 204          |
| 600          | Waste Disposal                | (50)           | -          | 550          |
| 213          | Carbon Reduction Commitment   | (190)          | 190        | 213          |
| <b>5,273</b> | <b>Balance as at 31 March</b> | <b>(1,315)</b> | <b>942</b> | <b>4,900</b> |

#### 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 2013-14 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. During 2013-14, a payment was made of £100,000 to the administrators to cover claims relating to MMI Limited for the former Ogwr Borough Council.

#### Equal Pay / Other

This provision includes the anticipated costs of any valid equal pay claims which may be received and a new provision for a legal case that the Council is currently disputing.

#### Waste Disposal

The balance of the waste disposal liability of £550,000 will be paid at £50,000 per annum over the next eleven 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 2013-14. The payment will be made with the retrospective purchase of allowances in the summer 2014.

## 29. PFI and Other Long Term Liabilities

| 2012-13<br>£'000 |   | Additions in<br>Year<br>£'000 | Moved to<br>Short<br>Term<br>Creditors<br>£'000 | 2013-14<br>£'000 |
|------------------|---|-------------------------------|---|------------------|
| 19,776           | Maesteg School PFI Lease Liability        | -                             | (476)   | 19,300           |
| 817              | Innovation Centre Financial Liability     | -                             | (47)  | 770              |
| 41               | Finance Lease Liability                   | -                             | (41)  | -                |
| 27               | Healthy Living Contract Capital Liability | 943                           | (117)   | 853              |
| <b>20,661</b>    | <b>Balance as at 31 March</b>             | <b>943</b>                    | <b>(681)</b>                                    | <b>20,923</b>    |

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 Council's Balance Sheet being £21.898 million (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 2013-14, the amount written down was £442,000 and £476,000 has been transferred to Short Term Creditors leaving an outstanding long term liability of £19.3 million at year end.

The Innovation Centre Financial Liability of £0.917 million 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 2013-14 was £28,000 and £47,000 was transferred to Short Term Creditors resulting in a long term financial liability of £0.77 million at 31 March 2014.

The liability for finance leases related to leases for vehicles, plant and equipment classed as operating leases under UK GAAP being reclassified as finance leases to meet IFRS requirements. The £41,000 balance for 2012-13 has been transferred to Short Term Creditors in 2013-14.

A new addition was recognised during 2012-13 to reflect the capital work being undertaken by Halo Leisure Services Ltd at the Bridgend Recreation Centre as part of the Healthy Living Partnership Contract which commenced on 1 April 2012. This has been recognised as a long term liability over the contract life. There were additions of £0.943 million for 2013-14 and the amount written down during the year was £117,000, which was transferred to Short Term Creditors resulting in a long term financial liability of £0.853 million at 31 March 2014.

## 30. 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.

| 2012-13<br>£'000 |   | 2013-14<br>£'000 |
|------------------|---|------------------|
| 12,313           | Balance at 1st April                          | 12,505           |
| 685              | Capital Receipts Received                     | 166              |
| 26               | Mortgage repayments (Council Fund)            | 27               |
| -                | Receipts adjustment previous year's financing | -                |
| (519)            | Receipts used to finance capital expenditure  | (2,453)          |
| <b>12,505</b>    | <b>Balance as at 31st March</b>               | <b>10,245</b>    |

## b) Revenue reserves

The revenue reserves in the Balance Sheet as at 31 March 2014 are detailed below with descriptions of what they represent:-

| Opening Bal<br>2012-13<br>£'000 | Move-ment<br>2012-13<br>£'000 | Closing Bal<br>2012-13<br>£'000 | Reserve                                     | Move-ment<br>2013-14<br>£'000 | Closing Bal<br>2013-14<br>£'000 |
|---------------------------------|-------------------------------|---------------------------------|---|-------------------------------|---------------------------------|
| 7,199                           | 121                           | 7,320                           | <b>Council Fund Balance</b>                 | 75                            | <b>7,395</b>                    |
| 4,013                           | (276)                         | 3,737                           | <b>Delegated Schools Balance</b>            | (1,270)                       | <b>2,467</b>                    |
| 2,171                           | 468                           | 2,639                           | <b>Maesteg School PFI Equalisation Fund</b> | 412                           | <b>3,051</b>                    |
|                                 |                               |                                 | <b>Earmarked Balances :-</b>                |                               |                                 |
| 295                             | (177)                         | 118                             | Asset Management Plan                       | 230                           | <b>348</b>                      |
| 908                             | 342                           | 1,250                           | Building Maintenance Reserve                | (263)                         | <b>987</b>                      |
| 200                             | -                             | 200                             | Capital feasibility fund                    | 100                           | <b>300</b>                      |
| -                               | -                             | -                               | Capital Programme Contribution              | 5,513                         | <b>5,513</b>                    |
| 459                             | (284)                         | 175                             | Car Parking Strategy                        | 380                           | <b>555</b>                      |
| 413                             | 587                           | 1,000                           | Change Management                           | 1,069                         | <b>2,069</b>                    |
| 314                             | (142)                         | 172                             | Connecting Families                         | 24                            | <b>196</b>                      |
| -                               | -                             | -                               | Directorate Issues                          | 330                           | <b>330</b>                      |
| 300                             | (149)                         | 151                             | Election costs                              | 50                            | <b>201</b>                      |
| 365                             | 541                           | 906                             | ICT & Finance Systems                       | 351                           | <b>1,257</b>                    |
| 712                             | 979                           | 1,691                           | Insurance reserve                           | -                             | <b>1,691</b>                    |
| 853                             | (83)                          | 770                             | Invest to save / Joint projects             | (359)                         | <b>411</b>                      |
| 700                             | 330                           | 1,030                           | Looked After Children                       | (206)                         | <b>824</b>                      |
| 24                              | (24)                          | -                               | Maesteg school PFI                          | -                             | <b>-</b>                        |
| 12,269                          | 3,755                         | 16,024                          | Major Claims Reserve                        | (4,978)                       | <b>11,046</b>                   |
| 521                             | (521)                         | -                               | Mid Glam CC post balance sheet events       | -                             | <b>-</b>                        |
| -                               | 490                           | 490                             | Non-recurring Expenditure                   | (490)                         | <b>-</b>                        |
| 143                             | 58                            | 201                             | Porthcawl regeneration                      | 99                            | <b>300</b>                      |
| 52                              | (52)                          | -                               | Regeneration Match Funding                  | -                             | <b>-</b>                        |
| 400                             | 500                           | 900                             | Service Pressures Contingency               | 300                           | <b>1,200</b>                    |
| 1,200                           | 820                           | 2,020                           | Service Reconfiguration / Severance Costs   | 1,032                         | <b>3,052</b>                    |
| 25                              | (25)                          | -                               | Supporting People Review                    | -                             | <b>-</b>                        |
| 644                             | 400                           | 1,044                           | Treasury Management Reserve                 | -                             | <b>1,044</b>                    |
| 28                              | (28)                          | -                               | Unitary Development Plan                    | 50                            | <b>50</b>                       |
| 500                             | -                             | 500                             | Welfare Reform Bill                         | (200)                         | <b>300</b>                      |
| 895                             | (312)                         | 583                             | Wellbeing Projects                          | 124                           | <b>707</b>                      |
| <b>22,220</b>                   | <b>7,005</b>                  | <b>29,225</b>                   | <b>Balance as at 31 March</b>               | <b>3,156</b>                  | <b>32,381</b>                   |
| <b>35,603</b>                   | <b>7,318</b>                  | <b>42,921</b>                   |   | <b>2,373</b>                  | <b>45,294</b>                   |

The transfer to all Earmarked Balances excluding the Council Fund Balance was £2.298 million in 2013-14 (£7.197 million in 2012-13) 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 2013-14 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

| 2012-13<br>Closing<br>Balance<br>£'000 |                   | 2013-14<br>Over<br>spends<br>£'000 | 2013-14<br>Under<br>spends<br>£'000 | 2013-14<br>Closing<br>Balance<br>£'000 |
|--|-------------------|------------------------------------|-------------------------------------|--|
| 27                                     | Nursery Schools   | (27)                               | -                                   | -                                      |
| 1,328                                  | Primary Schools   | (732)                              | 549                                 | 1,145                                  |
| 1,703                                  | Secondary Schools | (880)                              | 7                                   | 830                                    |
| 679                                    | Special Schools   | (246)                              | 59                                  | 492                                    |
| <b>3,737</b>                           | <b>Total</b>      | <b>(1,885)</b>                     | <b>615</b>                          | <b>2,467</b>                           |

**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:-

| 2012-13<br>£'000 | Maesteg School PFI Accounts   | 2013-14<br>£'000 |
|------------------|-------------------------------|------------------|
| 2,639            | Maesteg PFI Equalisation Fund | 3,051            |
| <b>2,639</b>     | <b>Balance as at 31 March</b> | <b>3,051</b>     |

**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 Council'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 2014-15 to 2016-17.
- 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.
- 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 and the Bridgend Change Programme.
- 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.
- Capital Programme Contribution  
This earmarked reserve has been set up as a revenue contribution to the capital programme, to enable schemes to be progressed more quickly to alleviate pressure on the revenue budget and accelerate the realisation of capital receipts. This could include the costs of demolition of non-saleable surplus properties and related health and safety works.
- Directorate Issues  
This relates to specific directorate issues anticipated in 2014-15.

### 31. 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.

| 2012-13<br>£'000 |  | 2013-14 |                |
|------------------|--|---------|----------------|
|                  |  | £'000   | £'000          |
| 104,510          | <b>Balance at 1 April</b>  |         | 101,985        |
| 1,937            | Upward Revaluation of Assets   | 278     |                |
| (2,751)          | Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services             | (2,125) |                |
| <b>(814)</b>     | <b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of services</b> |         | <b>(1,847)</b> |
| (1,251)          | Difference between fair value depreciation and historical cost depreciation  | (1,228) |                |
| (460)            | Accumulated gains on assets sold or scrapped   | (1,290) |                |
| (1,711)          | Amount written off to the Capital Adjustment Account   |         | (2,518)        |
| <b>101,985</b>   | <b>Balance as at 31 March</b>  |         | <b>97,620</b>  |

#### 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 Council 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 Council 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 Council 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.

| 2012-13<br>£'000 |  | 2013-14<br>£'000 |
|------------------|--|------------------|
| (287,120)        | <b>Balance at 1 April</b>  | (318,170)        |
| (19,060)         | Actuarial gains or losses on pensions assets and liabilities   | 90,990           |
| (30,450)         | 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 | (34,060)         |
| 18,460           | Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year  | 17,340           |
| <b>(318,170)</b> | <b>Balance as at 31 March</b>  | <b>(243,900)</b> |

#### 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)**

| 2012-13<br>£'000 |  | 2013-14  |                 |
|------------------|--|----------|-----------------|
|                  |  | £'000    | £'000           |
| 251,393          | <b>Balance at 1 April</b>  |          | 260,687         |
|                  | <b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :</b>                     |          |                 |
| (20,380)         | Charges for depreciation and impairment of non-current assets  | (19,931) |                 |
| (815)            | Revaluation losses on Property, Plant and Equipment  | (5,408)  |                 |
| (683)            | Revenue Expenditure funded from Capital Under Statute  | (605)    |                 |
| (26)             | Other amounts including Mortgage Payments  | (27)     |                 |
|                  | - Financial Liability Adjustment to Capital Receipts   |          |                 |
| (568)            | 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 | (4,758)  |                 |
| (22,472)         |  | (30,729) |                 |
| 1,711            | Adjusting amounts written out to the Revaluation Reserve   |          | 1,228           |
| <b>(20,761)</b>  | <b>Net written out amount of the cost of non-current assets consumed in the year</b>   |          | <b>(29,501)</b> |
|                  | <b>Capital financing applied in the year:</b>  |          |                 |
| 519              | Use of the Capital Receipts Reserve to finance capital expenditure   | 2,453    |                 |
| 21,875           | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that has been applied to capital financing               | 11,335   |                 |
| 83               | Application of grants to capital financing from the Capital Grants Unapplied Account   | 52       |                 |
| 6,593            | Statutory provision for the financing of capital investment charged against the Council Fund   | 7,840    |                 |
| 862              | Capital expenditure charged against the Council Fund   | 1,271    |                 |
| <b>29,932</b>    |  |          | <b>22,951</b>   |
| 123              | Movement in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement                                     | (410)    | (410)           |
| <b>260,687</b>   | <b>Balance as at 31 March</b>  |          | <b>253,727</b>  |



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.

| 2012-13<br>£'000 |                                  | 2013-14 |                |
|------------------|----------------------------------|---------|----------------|
|                  |                                  | £'000   | £'000          |
| (5,731)          | <b>Balance at 1 April</b>        |         | (5,526)        |
| 198              | Premiums / Discounts Adjustments | 198     |                |
| 7                | Loans / Investments Adjustments  | 7       |                |
| <b>(5,526)</b>   | <b>Balance as at 31 March</b>    |         | <b>(5,321)</b> |

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.

| 2012-13<br>£'000 |  | 2013-14 |                |
|------------------|--|---------|----------------|
|                  |  | £'000   | £'000          |
| (3,990)          | <b>Balance at 1 April</b>  |         | (4,036)        |
| 3,990            | Settlement or cancellation of accrual made at the end of the proceeding year   | 4,036   |                |
| (4,036)          | Amounts accrued at the end of the current year   | (3,832) |                |
| (46)             | 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 |         | 204            |
| <b>(4,036)</b>   | <b>Balance as at 31 March</b>  |         | <b>(3,832)</b> |

32. **Trust funds**

The Council 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 2014 are:

| 2012-13<br>£'000 |                                      | 2013-14<br>£'000 |
|------------------|--------------------------------------|------------------|
| 81               | Social Services Home For The Elderly | 328              |
| 52               | Education                            | 53               |
| 47               | Nantymoel Workmans Hall              | 48               |
| 1                | Other                                | 1                |
| <b>181</b>       | <b>Balance as at 31 March</b>        | <b>430</b>       |

The increase in Social Services Home for the Elderly Trust fund is due to a £250,000 bequest received in 2013-14.

### 33. 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 2014 are £546,000 for the replacement of facilities and £88,000 for the replacement site. There are also escrows accounts of £57,000 recognised for Bocam Park and £130,000 for Wind Farms at Forch Ness and Pant y Wal which have resulted from planning conditions.

| 2012-13<br>£'000 |                                | 2013-14<br>£'000 |
|------------------|--------------------------------|------------------|
| 746              | Replacement facilities account | 546              |
| 217              | Replacement site account       | 88               |
| 53               | Bocam Park                     | 57               |
| 123              | Wind Farm                      | 130              |
| <b>1,139</b>     | <b>Balance as at 31 March</b>  | <b>821</b>       |

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

### 34. 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 £100,000) of section 106 receipts held by the Council during the year were as follows:

|  | 31 March<br>2013 | Income     | Expenditure  | 31 March<br>2014 |
|--|------------------|------------|--------------|------------------|
|  | £'000            | £'000      | £'000        | £'000            |
| Redrow - Marlas Farm -<br>Enlargement of Afon y Felin<br>Primary School                  | 177              | (177)      | 0            | 0                |
| Llanmoor Homes - Maesteg Rd<br>Tondu – additional education<br>facilities                | 181              | 0          | (29)         | 152              |
| Broadlands Consortium –<br>Newbridge fields - provision of<br>playing fields facilities  | 147              | 0          | (16)         | 131              |
| Redrow – Lock's Lane, Porthcawl<br>–ongoing maintenance of playing<br>field and pavilion | 107              | 0          | (26)         | 81               |
| Redrow - Brackla Park & Ride –<br>upgrade B4181  | 313              | 0          | 0            | 313              |
| Rockwool - Pencoed   | 96               | 0          | (13)         | 83               |
| Parc Derwen Primary School<br>Design fees - Persimmon Homes                              | 580              | 0          | (365)        | 215              |
| Land at Tyn Y Coed Farm<br>(Maendy Farm), Bryncethin -<br>Sports Provision               | 565              | 4          | 0            | 569              |
| Land at Tyn Y Coed Farm<br>(Maendy Farm), Bryncethin -<br>Education Capital              | 145              | 33         | (162)        | 16               |
| Former Maes Gwyn Hospital  | 163              | 0          | (163)        | 0                |
| Bridge Renewal Dowry   | 1                | 0          | 0            | 1                |
| Coychurch Primary  |                  | 0          | (150)        | (150)            |
| Joslyn Road Affordable Housing   |                  | 326        | 0            | 326              |
| Other  | 894              | 258        | (28)         | 1,124            |
| <b>Total</b>   | <b>3,369</b>     | <b>444</b> | <b>(952)</b> | <b>2,861</b>     |

### 35. Contingent liabilities

#### Contractual Claims

The Council is currently in dispute with a contractor over the final costs of the Bridgend Resource Centre capital contract. There is an approximate gap of £1.5m between the Council's calculation of the total cost for the work, and that calculated by the Contractor. The Council is strongly refuting any of these additional costs being claimed by the contractor, but until the issue is resolved it has been identified as a Contingent Liability in accordance with the CIPFA Code.

**36. Pensions liabilities, IAS 19 disclosures**

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

This Council participates in the Rhondda Cynon Taf County Borough Council Pension Fund, which is administered under the Regulations governing the Local Government Pension Scheme. This is a defined benefit scheme, meaning that the Authority and employees pay contributions into a fund, at a rate determined by the Fund's Actuary based on triennial actuarial valuations, which aims to balance 100% of pension liabilities with investment assets.

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>

Any award of discretionary post-retirement benefits upon early retirement is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. No investment assets are built up to meet these pension liabilities, and cash has to be generated to meet the actual pension payments as they fall due

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields, and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the Council Fund with the amounts required by statute as described in the accounting policies note.

The disclosures required for 2013-14 include information provided by the pension administrators, Rhondda Cynon Taff CBC and Aon Hewitt Associates Limited as the pensions actuary.

**Transactions Relating to Post-employment Benefits**

The cost of retirement benefits is recognised in the reported 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, so the real cost of post-employment benefits is reversed out of the Council Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Council Fund balance via the Movement in Reserves Statement during the year:-

# Statement of Accounts

2013-14

| Comprehensive Income & Expenditure Statement   | Local Govt Pension Scheme |              | LGPS Unfunded Benefits |             | Teachers' Unfunded Benefits |             | Total          |              |
|--|---------------------------|--------------|------------------------|-------------|-----------------------------|-------------|----------------|--------------|
|  | £m                        | £m           | £m                     | £m          | £m                          | £m          | £m             | £m           |
|  | 2013-14                   | 2012-13      | 2013-14                | 2012-13     | 2013-14                     | 2012-13     | 2013-14        | 2012-13      |
| <b>Cost of Services :</b>  |                           |              |                        |             |                             |             |                |              |
| <b>Service cost comprising:</b>  |                           |              |                        |             |                             |             |                |              |
| current service cost   | 19.94                     | 15.82        | 0.00                   | 0.00        | 0.00                        | 0.00        | 19.94          | 15.82        |
| past service costs   | 0.50                      | 2.38         | 0.00                   | 0.01        | 0.04                        | 0.11        | 0.54           | 2.50         |
| (gain)/loss from settlements   | 0.00                      | (1.16)       | 0.00                   | 0.00        | 0.00                        | 0.00        | 0.00           | (1.16)       |
| <b>Financing &amp; Investment Income &amp; Expenditure :-</b>  |                           |              |                        |             |                             |             |                |              |
| Net interest expense   | 13.01                     | 12.69        | 0.30                   | 0.32        | 0.27                        | 0.28        | 13.58          | 13.29        |
| <b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>  | <b>33.45</b>              | <b>29.73</b> | <b>0.30</b>            | <b>0.33</b> | <b>0.31</b>                 | <b>0.39</b> | <b>34.06</b>   | <b>30.45</b> |
| <b>Other Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</b> |                           |              |                        |             |                             |             |                |              |
| <i>Remeasurements of the net defined benefit liability comprising:</i>                               |                           |              |                        |             |                             |             |                |              |
| Return on plan assets (excluding the amount included in the net interest expense)                    | (16.34)                   | (34.08)      | 0.00                   | 0.00        | 0.00                        | 0.00        | (16.34)        | (34.08)      |
| Actuarial (gains) / losses due to changes in financial assumptions                                   | (47.27)                   | 52.98        | (0.42)                 | 0.60        | (0.21)                      | 0.53        | (47.90)        | 54.11        |
| Actuarial (gains) / losses due to changes in demographic assumptions                                 | (15.40)                   | 0.00         | 0.08                   | 0.00        | 0.09                        | 0.00        | (15.23)        | 0.00         |
| Actuarial (gains) / losses due to liability experience   | (11.04)                   | (0.95)       | 0.93                   | (0.01)      | (1.41)                      | (0.01)      | (11.52)        | (0.97)       |
| <b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>  | <b>(90.05)</b>            | <b>17.95</b> | <b>0.59</b>            | <b>0.59</b> | <b>(1.53)</b>               | <b>0.52</b> | <b>(90.99)</b> | <b>19.06</b> |
| <b>Movement in Reserves Statement:-</b>  |                           |              |                        |             |                             |             |                |              |
| Reversal of net charges made for retirement benefits in accordance with IAS 19                       | (33.45)                   | (29.73)      | (0.30)                 | (0.33)      | (0.31)                      | (0.39)      | (34.06)        | (30.45)      |
| <b>Actual amount charged against the Council Fund Balance for pensions in the year :-</b>            |                           |              |                        |             |                             |             |                |              |
| Employers' Contributions payable to the scheme   | 16.40                     | 17.50        |                        |             |                             |             | 16.40          | 17.50        |
| Retirement Benefits Paid Out   |                           |              | 0.50                   | 0.50        | 0.44                        | 0.46        | 0.94           | 0.96         |

## Pensions Assets and Liabilities Recognised in the Balance Sheet

The amounts included in the Balance sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:-

|  | Local Govt Pension Scheme |               | LGPS Unfunded Benefits |             | Teachers' Unfunded Benefits |             | Total         |               |
|--|---------------------------|---------------|------------------------|-------------|-----------------------------|-------------|---------------|---------------|
|  | £m                        | £m            | £m                     | £m          | £m                          | £m          | £m            | £m            |
|  | 2013-14                   | 2012-13       | 2013-14                | 2012-13     | 2013-14                     | 2012-13     | 2013-14       | 2012-13       |
| Present value of defined benefit obligation                  | 614.31                    | 654.92        | 7.94                   | 7.55        | 5.10                        | 6.76        | 627.35        | 669.23        |
| Fair Value of Plan Assets                                    | (383.45)                  | (351.06)      | 0.00                   | 0.00        | 0.00                        | 0.00        | (383.45)      | (351.06)      |
| <b>Net liability arising from defined benefit obligation</b> | <b>230.86</b>             | <b>303.86</b> | <b>7.94</b>            | <b>7.55</b> | <b>5.10</b>                 | <b>6.76</b> | <b>243.90</b> | <b>318.17</b> |

## Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets

|  | Local Govt Pension Scheme |               |
|--|---------------------------|---------------|
|  | £m<br>2013-14             | £m<br>2012-13 |
| Opening fair value of scheme assets  | 351.06                    | 303.13        |
| Interest income on assets  | 15.47                     | 14.34         |
| Remeasurement gain/(loss):<br>The return on plan assets, excluding the amount included in the net interest expense | 16.34                     | 34.08         |
| Contributions by Employer  | 16.40                     | 17.50         |
| Contributions by Participants  | 4.77                      | 4.96          |
| Settlements  | 0.00                      | (4.65)        |
| Net Benefits Paid Out  | (20.59)                   | (18.30)       |
| <b>Balance as at 31 March</b>  | <b>383.45</b>             | <b>351.06</b> |

## Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

|  | Local Govt Pension Scheme |               | LGPS Unfunded Benefits |               | Teachers' Unfunded Benefits |               | Total         |               |
|--|---------------------------|---------------|------------------------|---------------|-----------------------------|---------------|---------------|---------------|
|  | £m<br>2013-14             | £m<br>2012-13 | £m<br>2013-14          | £m<br>2012-13 | £m<br>2013-14               | £m<br>2012-13 | £m<br>2013-14 | £m<br>2012-13 |
| Opening balance at 1 April   | 654.92                    | 576.81        | 7.55                   | 7.13          | 6.76                        | 6.31          | 669.23        | 590.25        |
| Current Service Cost   | 19.94                     | 15.82         | 0.00                   | 0.00          | 0.00                        | 0.00          | 19.94         | 15.82         |
| Interest Cost  | 28.48                     | 27.03         | 0.30                   | 0.32          | 0.27                        | 0.28          | 29.05         | 27.63         |
| Contributions from scheme participants                                   | 4.77                      | 4.96          | 0.00                   | 0.00          | 0.00                        | 0.00          | 4.77          | 4.96          |
| Remeasurement (gains) and losses:  |                           |               |                        |               |                             |               |               |               |
| Actuarial gains / losses arising from changes in financial assumptions   | (47.27)                   | 52.98         | (0.42)                 | 0.60          | (0.21)                      | 0.53          | (47.90)       | 54.11         |
| Actuarial gains / losses arising from changes in demographic assumptions | (15.40)                   | 0.00          | 0.08                   | 0.00          | 0.09                        | 0.00          | (15.23)       | 0.00          |
| Actuarial gains / losses arising from changes in liability experience    | (11.04)                   | (0.95)        | 0.93                   | (0.01)        | (1.41)                      | (0.01)        | (11.52)       | (0.97)        |
| Past Service Cost  | 0.50                      | 2.38          | 0.00                   | 0.01          | 0.04                        | 0.11          | 0.54          | 2.50          |
| Benefits Paid  | (20.59)                   | (18.30)       | (0.50)                 | (0.50)        | (0.44)                      | (0.46)        | (21.53)       | (19.26)       |
| Liabilities extinguished on settlements                                  | 0.00                      | (5.81)        | 0.00                   | 0.00          | 0.00                        | 0.00          | 0.00          | (5.81)        |
| <b>Balance as at 31 March</b>  | <b>614.31</b>             | <b>654.92</b> | <b>7.94</b>            | <b>7.55</b>   | <b>5.10</b>                 | <b>6.76</b>   | <b>627.35</b> | <b>669.23</b> |

## Local Government Pension Scheme assets comprised:

|                    | Fair Value of Scheme Assets | Asset Split  | Fair Value of Scheme Assets | Asset Split  |
|--------------------|-----------------------------|--------------|-----------------------------|--------------|
|                    | 2013-14<br>£'m              | 2013-14<br>% | 2012-13<br>£'m              | 2012-13<br>% |
| Equities           | 271.48                      | 70.8         | 241.2                       | 68.7         |
| Bonds - Government | 36.43                       | 9.5          | 37.2                        | 10.6         |
| Bonds - Corporate  | 41.41                       | 10.8         | 40.0                        | 11.4         |
| Property           | 22.24                       | 5.8          | 20.7                        | 5.9          |
| Cash               | 11.89                       | 3.1          | 11.9                        | 3.4          |
| Other              | 0.0                         | 0.0          | 0.0                         | 0.0          |
| <b>Total</b>       | <b>383.45</b>               | <b>100</b>   | <b>351.06</b>               | <b>100</b>   |

**Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Aon Hewitt, an independent firm of actuaries, in accordance with IAS 19.

The significant assumptions used by the Actuary were:

|   | 2013-14 | 2012-13 |
|---|---------|---------|
|   | % pa    | % pa    |
| RPI Inflation Rate                        | 3.4     | 3.7     |
| Discount rate for scheme liabilities      | 4.3     | 4.4     |
| Discount rate for pension costs over year | 4.4     | 4.4     |
| Rate of pension increases                 | 2.4     | 2.8     |
| Rate of salary increases                  | 3.9     | 4.7     |
| Mortality Assumptions:                    |         |         |
| Longevity at 65 for current pensioners :- |         |         |
| Men                                       | 22.9    | 23.3    |
| Women                                     | 25.8    | 24.7    |
| Longevity at 65 for future pensioners :-  |         |         |
| Men                                       | 25.1    | 25.2    |
| Women                                     | 28.2    | 26.6    |

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies of the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

|  | Increase in Assumption<br>£m | Decrease in Assumption<br>£m |
|--|------------------------------|------------------------------|
| Rate for discounting scheme liabilities (increase or decrease by 0.1%) | (11.02)                      | 11.22                        |
| Rate of increase in salaries (increase or decrease by 0.1%)            | 2.28                         | (2.26)                       |
| Rate of increase in pensions (increase or decrease by 0.1%)            | 8.83                         | (8.64)                       |
| Longevity (increase or decrease in 1 year)                             | 14.12                        | (14.17)                      |

### Impact on the Council's Cash Flows

The funded nature of the LGPS requires the Employer and its employees to pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets. The Actuary has recently carried out an Actuarial Valuation as at 31 March 2013, and has set the current Employer's contribution rate to achieve a funding level of 100% of scheme liabilities. Consequently, whilst there is a significant shortfall (liability) between 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.

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 2015 are :-

|                           | 2014-15<br>£m |
|---------------------------|---------------|
| Local Govt Pension Scheme | 16.57         |
| LGPS Unfunded             | 0.51          |
| Teachers' Unfunded        | 0.45          |

### Teachers

In 2013-14, the Council paid £6.8 million (£6.8 million for 2012-13) to the Teachers Pensions Agency in respect of teachers' pension costs. In addition, the Council is responsible for all pension payments relating to added years awarded, together with the related increases. In 2013-14, these amounted to £0.5 million (£0.5 million for 2012-13).

### 37. Financial Instruments Disclosures

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.



**Financial Liabilities**

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets. 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 Council 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 re-measured 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 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.

The Council's non-derivative financial liabilities are carried in the Balance Sheet at amortised cost split between short and long term.

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

| <b>Short Term Borrowing<br/>&amp; Other Short Term Financial<br/>Liabilities</b> | <b>31 March 2014<br/>£'000</b> | <b>31 March 2013<br/>£'000</b> |
|--|--------------------------------|--------------------------------|
| Public Works Loan Board (<1 year)  | 16                             | 16                             |
| Short Term Loans (Accrued Int. Long Term)  | 275                            | 1,954                          |
| Escrow ( Football Club) Short Term   | 634                            | 962                            |
| Escrow ( Bocam Park) Short Term  | 57                             | 53                             |
| Escrow (Wind Farms) Short Term   | 130                            | 123                            |
| Other Trust Funds  | 431                            | 181                            |
| <b>Short Term Borrowing</b>  | <b>1,543</b>                   | <b>3,289</b>                   |
| Short Term Trade Payables(Creditors)   | 3,546                          | 4,877                          |
| Other Short Term Financial Liabilities(Creditors)                                | 1,301                          | 1,418                          |
| <b>Total Current Financial Liabilities</b>                                       | <b>6,390</b>                   | <b>9,584</b>                   |

The short term trade payables (creditors) figure £3.546 million relates to trade payables for goods and services received. 86% of this is not overdue for payment, 14% is due within 6 months with less than 1% due in more than 6 months. The other short term financial liabilities figure of £1.301 million represents monies held by the Council on behalf of different third parties.

The value of the short term liability relating to Other Long Term Liabilities for 2013-14, is made up as follows:-

| Short Term Liability relating to<br>Other Long Term Liabilities | 31 March 2014 | 31 March 2013 |
|---|---------------|---------------|
|   | £'000         | £'000         |
| Maesteg School PFI Lease Liability                              | 476           | 442           |
| Innovation Centre Financial Liability                           | 47            | 28            |
| Finance Lease Liability   | 41            | 54            |
| HALO Financial Liability  | 117           | 117           |
| <b>Total</b>  | <b>681</b>    | <b>641</b>    |

The £3.546 million, £1.301 million and £0.681 million shown in the tables above are all included in the Short Term Creditors Balance Sheet figure of £38.821 million which also includes creditors that do not meet the definition of a financial liability so is not detailed here. Note 27 provides more detailed information of the total short term creditors figure.

The long term borrowing figure in the balance sheet of £97.451 million is made up as follows:

| Long Term Borrowing              | 31 March 2014                |                  |                | 31 March 2013                |                  |                |
|----------------------------------|------------------------------|------------------|----------------|------------------------------|------------------|----------------|
|                                  | Principal Sum<br>Outstanding | Balance<br>Sheet | Fair<br>Value  | Principal Sum<br>Outstanding | Balance<br>Sheet | Fair<br>Value  |
|                                  | £'000                        | £'000            | £'000          | £'000                        | £'000            | £'000          |
| PWLB (long term)                 | 77,617                       | 77,617           | 96,644         | 77,632                       | 77,632           | 103,620        |
| <b>Total PWLB debt</b>           | <b>77,617</b>                | <b>77,617</b>    | <b>96,644</b>  | <b>77,632</b>                | <b>77,632</b>    | <b>103,620</b> |
| LOBO's                           | 19,250                       | 19,834           | 24,902         | 19,250                       | 19,842           | 28,193         |
| <b>Total Market Loans</b>        | <b>19,250</b>                | <b>19,834</b>    | <b>24,902</b>  | <b>19,250</b>                | <b>19,842</b>    | <b>28,193</b>  |
| <b>Total Long Term Borrowing</b> | <b>96,867</b>                | <b>97,451</b>    | <b>121,546</b> | <b>96,882</b>                | <b>97,474</b>    | <b>131,813</b> |

PFI and other long term liabilities figure in the balance sheet of £20.923 million are detailed below:

| Other Long Term Liabilities              | 31 March 2014    |               | 31 March 2013    |               |
|--|------------------|---------------|------------------|---------------|
|  | Balance<br>Sheet | Fair<br>Value | Balance<br>Sheet | Fair<br>Value |
|  | £'000            | £'000         | £'000            | £'000         |
| Maesteg PFI Lease Liability              | 19,300           | 26,710        | 19,776           | 27,067        |
| Finance Leases                           | -                | -             | 41               | 42            |
| Innovation Centre Financial Liability    | 770              | 1,109         | 817              | 1,119         |
| HALO Financial Liability                 | 853              | 1,569         | 27               | 1,557         |
| <b>Total Other Long Term Liabilities</b> | <b>20,923</b>    | <b>29,388</b> | <b>20,661</b>    | <b>29,785</b> |

The fair value of an instrument is determined by calculating the Net Present Value (NPV) of the remaining contractual cash flows at 31 March 2014, which provides an estimate of the value of payments in the future in today's terms. The fair value of short-term instruments, including trade payables is assumed to approximate to the carrying amount so these have not been disclosed above. The fair value of long-term borrowing and other liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

The Public Works Loan Board (PWLB) fair values of loans were provided by the PWLB based on premature repayment rates.

The fair values of long-term “Lender’s Option Borrower’s Option” (LOBO) loans have been calculated by discounting the contractual cash flows over the whole life of the instrument at the appropriate interest rate swap rate on 31 March plus a margin for local authority credit risk and adding the value of the embedded options.

The fair values of, PFI scheme liabilities, finance lease liabilities and other financial liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA corporate bond yield.

**Financial Assets**

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Council during the year are classed as Loans and Receivables, which are assets that have fixed or determinable payments but are not quoted in an active market. They are carried in the balance sheet at 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.

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

| <b>Investments and Cash and Cash Equivalents</b> | <b>31 March 2014<br/>Balance Sheet<br/>£'000</b> | <b>31 March 2013<br/>Balance Sheet<br/>£'000</b> |
|--|--|--|
| Investments (< 1 year)                           | 4,005  | -  |
| <b>Total Short Term Investments</b>              | <b>4,005</b>                                     | <b>-</b>   |
| Cash & Cash Equivalents (Deposits)               | 6,500  | 15,705   |
| Cash in Hand/Overdrawn                           | (2,031)  | (1,015)  |
| <b>Total Cash &amp; Cash Equivalents</b>         | <b>4,469</b>                                     | <b>14,690</b>                                    |
| Short Term Trade Receivables (Debtors)           | 6,301  | 5,338  |
| <b>Total Current Financial Assets</b>            | <b>10,770</b>                                    | <b>20,028</b>                                    |

The £6.301 million trade receivable (debtor) figure above is for goods and services delivered and an age debt analysis of these trade debtors is shown below in the Credit Risk section. This figure is included in the Short Term Debtors figure of £27.063 million in the balance sheet which also includes debtors that do not meet the definition of a financial liability and Note 25 provides more detailed information of the total short term debtors figure.

The fair value of short-term instruments, including trade receivables are assumed to approximate to the carrying amount so are not detailed in this disclosure.

There were no long term investments taken out during 2013-14 or outstanding at 31 March 2014. There are Long Term Debtors carried in the Balance Sheet which are financial assets. These are Housing Advances (£29,000) which are made of 26 long term loans made by the

Council to former tenants and private households for mortgages and a lease receivable carried in the balance sheet as Finance Leases (£384,000) for vehicles linked to the waste contract.

### Financial Instruments - Risk

The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks. The Council meeting of the 27 February 2013 accepted the Treasury Management Strategy 2013-14 and the Treasury Management and Prudential Indicators.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the WG's *Guidance on Local Government Investments*. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy is based on seeking the highest rate of return consistent with the proper levels of security and liquidity. 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. 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'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.

### 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 2013-14.

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 13 November 2013 approved the revisions as a result of the half year review of the Treasury Management Strategy and approved the following definition of "high credit quality" within the revised Investment Strategy which was deemed to be:

|  | Credit Rating (or equivalent) | Time Limit | Counterparty Cash Limit                        |
|--|-------------------------------|------------|--|
| UK registered banks, building societies and other organisations whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is: | AAA                           | 6 years    | £8m each of which no more than £3m over 1 year |
|  | AA+                           | 5 years    |  |
|  | AA                            | 4 years    |  |
|  | AA-                           | 3 years    |  |
|  | A+                            | 2 years    | £6m of which no more than £3m over 1 year      |
|  | A                             | 1 year     | £5m  |
|  | A-                            | 6 months   | £5m  |
| UK registered building societies whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:                                | BBB                           | 100 days   | £5m  |
|  |                               | 2 months   | £3m  |
| Money market funds* and similar pooled vehicles whose lowest published credit rating is:   | AAA                           | 1 year     | £2m  |
| UK Central Government  | n/a                           | 10 years   | No limit                                       |
| UK Local Authorities**but excluding parish and community councils  | n/a                           | 2 years    | £15m   |
|  |                               |            |  |

\* as defined in the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003

\*\*as defined in the Local Government Act 2003, and similar authorities in Scotland

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.

A Specified Investment is one which offers high security and high liquidity. It is a low risk investment where the possibility of loss of principal or investment income is negligible and satisfies the conditions below (extract WG Guidance on Local Government Investments):-

- The investment is denominated in sterling and any payments or repayments of the investment are payable only in sterling.
- The investment is not a long-term investment (contractually committed to be paid within 12 months/364 days).
- The making of the investment is not defined as capital expenditure by virtue of regulation 20(1)(d) of the Local Authorities (Capital Finance and Accounting)(Wales) Regulations 2003 [SI 3239 as amended].
- The investment is made with:
  - a) a body or in an investment scheme of high credit quality; or
  - b) the UK Government;
  - c) or a local authority in England or Wales (as defined in section 23 of the 2003 Act) or similar body in Scotland or Northern Ireland;
  - d) a parish council or community council.

A Non-Specified Investment is any investment that does not fall into the criteria detailed above under the Specified definition. The WG Guidance requires the Council's Investment Strategy to set an overall limit for non-specified investments which was set at £20 million. Therefore, at any one point in time a maximum of £20 million of investments could have been in one of the following non-specified categories:

- If the credit rating of the Authority's bankers falls below the minimum criteria in the table above, and following approval from the Authority's Treasury Management Advisers deposits repayable on demand with the Authority's bankers (limit £3 million).
- UK Building Societies without credit ratings with assets greater than £500 million with a time limit of 3 months (counterparty limit £1million category limit £4 million)
- 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 (counterparty limit £3 million category limit £5 million)
- Long-term investments with UK central government, UK local authorities or UK banks and buildings societies of "high credit quality" (subject to the counterparty limits detailed in the "high credit quality" table above and category limit £15 million)
- Money market funds rated AAA (category limit £6 million)
- Organisations and pooled funds which do not meet the above criteria, subject to an external credit assessment and a specific recommendation from the Council's treasury management adviser (category limit of £5m). This would also require approval from the Section 151 Officer (or officer nominated by them as per the Roles of Officers in Schedule E).

The combined values of short and long term investments with any one organisation were subject to the counterparty limits detailed above. A group of banks under the same ownership were treated as a single organisation for limit purposes. Overseas subsidiaries of foreign banking groups are normally assessed according to the country of domicile of the parent organisation. However, Santander UK plc (a subsidiary of Spain's Banco Santander) was classed as a UK bank due to its substantial UK franchise and the arms-length of the parent-subsidary relationship.

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 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 so not all the options available to the Council as detailed above have been utilised. The majority of the Council's surplus funds during 2013-14 were therefore kept in the form of short-term investments and all were placed with UK registered banks and building societies satisfying the above credit criteria, UK local government and the UK Debt Management Office (DMO - executive agency of the UK government) 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 2013-14 and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council's investments outstanding at 31 March 2014 totalled £10.50 million as detailed below and shown in the balance sheet as both Short Term Investments (£4.005 million) and included within Cash and Cash Equivalents (£6.500 million). The maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2014 that this was likely to crystallise. The table below summarises the credit risk exposures of the Council's investment portfolio by credit rating, based on the lowest long term rating:

| Counterparty Category | Credit Rating | Instant Access Deposit Accounts<br>£'000 | Deposits Maturing Within 1 Month<br>£'000 | Deposits Maturing Within 6 Months<br>£'000 | Total<br>£'000 |
|-----------------------|---------------|--|---|--|----------------|
| Central Govt (DMO)    | AAA*          | -  | 500                                       | -  | 500            |
| Banks (Sweden)        | AA-           | 3,000                                    | -   | -  | 3,000          |
| Bank (UK registered)  | A             | 3,000                                    | -   | 2,000                                      | 5,000          |
| Building Societies    | A             | -  | -   | 2,000                                      | 2,000          |
| <b>Total</b>          |               | <b>6,000</b>                             | <b>500</b>                                | <b>4,000</b>                               | <b>10,500</b>  |

\* Assumed credit rating as DMO is an executive agency of UK Government

The Council does not generally allow credit for its customers (trade debtors) such that all the trade debtors is short term, however, £1.933 million of the £6.301 million balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

| Trade Debtors<br>Past Due but not impaired | 31 March 2014 | 31 March 2013 |
|--|---------------|---------------|
|  | £'000         | £'000         |
| Less than three months                     | 1,238         | 734           |
| Three to six months                        | 136           | 204           |
| Six months to one year                     | 116           | 174           |
| More than one year                         | 443           | 476           |
| <b>Total</b>                               | <b>1,933</b>  | <b>1,588</b>  |

The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

### Liquidity risk

The Council manages its liquidity risk through its cash-flow 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 or other local authorities to cover any day to day cash flow need and the Public Works Loan Board (PWLB) provides access to borrowing at favourable rates. The Council arranges fixed term loans and investments with a range of maturity dates within the framework and indicators approved each year. There is no perceived risk that the Council will be unable to raise finance to meet its commitments, instead the risk relates to replenishing a significant proportion of its borrowings at a time of unfavourable interest rates.

A key parameter used to address liquidity risk is the Treasury Management Indicator which limits the maturity structure of fixed rate borrowing. This is the amount of projected borrowing that is fixed rate, maturing in each period as a percentage of total projected fixed rate borrowing. This indicator is set to control the Council's exposure to refinancing risk and has been set to allow for the possible restructuring of long term debt where this is expected to lead to an overall saving or reduction in risk.

| Maturity structure of fixed rate borrowing | Upper Limit | Lower Limit | Actual         | Principal Outstanding |
|--|-------------|-------------|----------------|-----------------------|
|  | 2013-14     | 2013-14     | 31/03/2014     | £'000<br>31/03/2014   |
| Less than one year                         | 50%         | 0%          | 0.02%          | 16                    |
| Between 1 and 2 years                      | 25%         | 0%          | 0.02%          | 16                    |
| Between 2 and 5 years                      | 50%         | 0%          | 0.00%          | 0                     |
| Between 5 and 10 years                     | 60%         | 0%          | 0.00%          | 0                     |
| More than ten years                        | 100%        | 40%         | 80.10%         | 77,601                |
| Uncertain date *                           | -           | -           | 19.87%         | 19,250                |
| <b>Total</b>                               |             |             | <b>100.00%</b> | <b>96,883</b>         |



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 all financial instruments therefore including longer term financial liabilities as they mature. The following table details the maturity of all the Council's financial liabilities based on the balance sheet value and includes all trade creditors and other creditors classed as financial liabilities which are due to be paid in less than a year.

| Maturity Analysis<br>Financial Liabilities | 31 March 2014  | 31 March 2013  |
|--|----------------|----------------|
|  | £'000          | £'000          |
| Less than one year                         | 7,071          | 10,227         |
| Between one and two years                  | 680            | 607            |
| Between two and five years                 | 2,319          | 1,826          |
| Between five and ten years                 | 5,147          | 4,214          |
| More than ten years                        | 90,691         | 91,644         |
| Uncertain date*                            | 19,834         | 19,842         |
| <b>Total Financial Liabilities</b>         | <b>125,742</b> | <b>128,360</b> |

\* The £19.250 million (19.87%) and £19,835 in the two tables above showing an uncertain date 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 2014) and therefore, the Authority being given the option to accept the increase or to repay the loan without incurring a penalty. Due to current low interest rates, the Council is not anticipating that this will occur during 2014-15 however in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

### 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. The Council is not exposed to the two treasury management risks of price risk or foreign exchange rate risk so only interest rate risk is detailed below.

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. The fair value of the borrowing (liability) will fall;

- 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. The fair value of the investment (asset) will fall

The Council has a number of strategies for managing interest rate risk. The 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, an indicator is set which provides maximum limits for fixed and variable interest rate exposure:-

|   | <b>Upper Limit<br/>TMS<br/>2013-14<br/>£m</b> | <b>Actual<br/>Principal<br/>Outstanding<br/>31-03-14<br/>£m</b> |
|---|---|---|
| Total Projected Principal Outstanding on Borrowing  | 108.88  | 96.88   |
| Total Projected Principal Outstanding on Investments (including cash/cash equivalents deposits) | 12.00   | 10.50   |
| <b>Net Principal Outstanding</b>  | <b>96.88</b>                                  | <b>86.38</b>  |
| Fixed interest rates (net principal) exposure   | 131.00  | 73.13   |
| Variable interest rates Exposure (net principal) exposure                                       | 45.00   | 13.25   |

The Council’s borrowings and investments 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. 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.

The Financial Control Team monitors market and forecast interest rates within the year to adjust exposures appropriately, to allow any adverse changes to be accommodated. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposure to losses. According to this strategy, at 31 March 2014, if there had been a 1% change in interest rates with all other variables held constant, the financial effect would be approximately:

|  | <b>Estimated<br/>£'000<br/>+ 1%</b> | <b>Estimated<br/>£'000<br/>-1%</b> |
|--|-------------------------------------|------------------------------------|
| Interest payable on variable rate borrowings                 | 133                                 | 0                                  |
| Interest receivable on variable rate investments             | (90)                                | 90                                 |
| <b>Impact on Surplus or Deficit on Provision of Services</b> | <b>43</b>                           | <b>90</b>                          |

The figures for an approximate impact of a 1% fall in interest rates are not the same figures as the 1% increase ( but reversed) as the variable rate borrowing relates to our LOBO loans where it is assumed that the lender would not exercise their option if there was a fall in interest rates.

**38. Post Balance Sheet Events**

There are no Post Balance Sheet Events.

## Notes to the Cash Flow Statement

## 39. Adjustments for Non-Cash Movements

| 2012-13         |   | 2013-14         |
|-----------------|---|-----------------|
| £'000           |   | £'000           |
| (21,194)        | Depreciation & Impairment of Assets   | (25,340)        |
| 14,637          | Movement in Stock, Debtors & Creditors  | (4,419)         |
| (682)           | Revenue Expenditure Funded from Capital Under Statute                                 | (195)           |
| (11,990)        | Pension Fund Adjustments  | (16,720)        |
| 1,154           | Provisions  | 373             |
| 123             | Changes in Fair Value of Investment Properties  | (5,882)         |
| 117             | Gain/loss on disposal of Non Current Asset  | (410)           |
| 5,986           | Minimum Revenue Provision   | 7,201           |
| 862             | Revenue Contribution to Capital   | 1,271           |
| <b>(10,987)</b> | <b>Adjustments to net deficit on the provision of services for non-cash movements</b> | <b>(44,121)</b> |

## 40. Operating Activities

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

| 2012-13      |   | 2013-14        |
|--------------|---|----------------|
| £'000        |   | £'000          |
| 2,068        | Cash Flow on Revenue Activities                           | (14,775)       |
| 4,673        | Interest Paid   | 6,305          |
| 1,553        | Interest element of finance lease and PFI rental payments | 1,609          |
| (584)        | Interest Received   | (607)          |
| <b>7,710</b> | <b>Net Cash Flows from Operating Activities</b>           | <b>(7,468)</b> |

## 41. Investing Activities

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

| 2012-13       |   | 2013-14       |
|---------------|---|---------------|
| £'000         |   | £'000         |
| 32,766        | Purchase of Property, Plant and Equipment and Investment Property           | 33,918        |
| (5,563)       | Purchase / (Proceeds) from Short Term Investments                           | 4,005         |
| (710)         | Proceeds from sale of Property, Plant and Equipment and Investment Property | (274)         |
| <b>26,493</b> | <b>Net Cash Flows from Investing Activities</b>                             | <b>37,649</b> |

## 42. Financing Activities

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

| 2012-13<br>£'000 |  | 2013-14<br>£'000 |
|------------------|--|------------------|
| -                | Cash Receipts of short and long term borrowing   | -                |
| (28,575)         | Other Receipts from financing activities   | (20,684)         |
| 1,570            | Repayments of short and long term borrowing  | 84               |
| 606              | Cash Payments for the reduction of the<br>outstanding liabilities relating to finance leases<br>and on-balance sheet PFI contracts | 641              |
| <b>(26,399)</b>  | <b>Net Cash Flows from Financing Activities</b>  | <b>(19,959)</b>  |

## **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.

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## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO AUDIT COMMITTEE

18 JUNE 2014

### REPORT OF THE CHIEF EXECUTIVE

## WALES AUDIT OFFICE – ANNUAL IMPROVEMENT REPORT (AIR) ON BRIDGEND COUNTY BOROUGH COUNCIL MAY 2014

### 1. Purpose of Report.

- 1.1 To introduce the report of the Wales Audit Office (WAO) to the Committee (attached as Appendix 1).

### 2. Connection to Corporate Improvement Objectives / Other Corporate Priority.

- 2.1 Under the Local Government (Wales) Measure 2009, the Auditor General must report each year on how well Welsh councils plan to improve their services. The WAO report focuses on the Council's delivery of its improvement objectives and evaluation of services in relation to 2012-13 and its planning of improvement for 2013-14.

### 3. Background.

- 3.1 Each year, the WAO, on behalf of the Auditor General, carries out an improvement assessment for each improvement authority in Wales. The annual improvement assessment consists of two parts:
- a corporate assessment that reviews the council's likelihood to comply with its duty to make arrangements to secure continuous improvement; and
  - a performance assessment that reviews the previous financial year's progress of planned improvements as set out in the council's forward looking plan (in this case, the Council's Corporate Plan 2010-13).

The attached Annual Improvement Report is informed by the findings of these two assessments.

- 3.2 The report has also drawn on the CSSIW<sup>1</sup> *Annual Review Evaluation of Performance 2012-13*; the findings of the Estyn inspection that was carried out in October 2012; and the Council's self-assessment of performance (Annual Report 2012-13).

### 4. Current situation / proposal.

- 4.1 The overall conclusion of the WAO report is positive, reflecting what the Council achieved and the improvement it made in 2012-13.

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<sup>1</sup> CSSIW – the Care and Social Services Inspectorate for Wales.

- 4.2 The report acknowledges that the Council:
- made good progress in delivering improvement in most of its priority areas and recognises the need to accelerate improvement in education.
  - has established a culture of self-evaluation which resulted in a fair and balanced account of its performance in 2012-13.
  - is ensuring it has sound plans for improvement, despite significant financial challenges.
- 4.3 The report recognises the Council has effective performance review arrangements in place, which it regards as “good practice”.
- 4.4 The report also recognises the Council’s approach to financial management as “positive practice”.
- 4.5 In June 2013, the WAO completed a review of the Council’s collaborative working arrangements with the third sector. The review made four proposals for improvement. In this report, the WAO acknowledges that the Council has continued its efforts to improve the arrangements with the third sector, and to put actions in place to implement the proposals.
- 4.6 Based on the findings, the report concludes that the Council is likely to make appropriate arrangements to secure continuous improvement for 2014-15.
- 4.7 The report has not made any statutory recommendations for the Council to consider, nor specific proposals for improvement.

## **5. Effect upon Policy Framework & Procedure Rules.**

- 5.1 There is no effect upon the Policy Framework and the Procedure Rules.

## **6. Equality Impact Assessment.**

No equality impact assessment has been undertaken as the Auditor General’s Annual Improvement Report is essentially a retrospective assessment of the Council’s performance.

## **7. Financial Implications.**

There are no financial implications in this report.

## **8. Recommendation.**

- 8.1 That Committee notes the Annual Improvement Report produced by the WAO.

**Darren Mepham**  
**Chief Executive**  
**5 June 2014**

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**Background documents**

None

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WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Annual Improvement Report

## Bridgend County Borough Council

Issued: May 2014

Document reference: 246A2014



# About the Auditor General for Wales

The Auditor General is independent of government, and is appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the National Assembly.

Together with appointed auditors, the Auditor General audits local government bodies in Wales, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. He also conducts local government value for money studies and assesses compliance with the requirements of the Local Government (Wales) Measure 2009.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Assembly Commission and National Health Service bodies in Wales.

The Auditor General and staff of the Wales Audit Office aim to provide public-focused and proportionate reporting on the stewardship of public resources and in the process provide insight and promote improvement.

This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Steve Barry and Helen Keatley under the direction of Jane Holownia.



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# Summary report

- 1 Each year, the Auditor General must report on how well Welsh councils, fire and rescue authorities, and national park authorities are planning for improvement in delivering their services. This report draws on the work of the relevant Welsh inspectorates, as well as work undertaken on the Auditor General's behalf by the Wales Audit Office. The report covers Bridgend County Borough Council's (the Council) delivery and evaluation of services in relation to 2012-13 and its planning of improvement for 2013-14. By taking these into account, the Auditor General can conclude whether the Council will make arrangements to secure continuous improvement for 2014-15.
  - the Care and Social Services Inspectorate Wales (CSSIW) considered that the Council continued to make reasonable progress, despite significant senior management changes and a long period of uncertainty;
  - the Welsh Language Commissioner identified continued improvement in the implementation of the Council's Welsh Language Scheme; and
  - the Ombudsman for Wales noted that the number of complaints against the Council had decreased.
- 2 We found that, in 2012-13, the Council made good progress in delivering improvement in most of its priority areas and recognises the need to accelerate improvements in education and complaints handling. We came to this conclusion because:
  - the Council has filled corporate director vacancies and is streamlining the senior management structure;
  - the connection between medium-term financial and service planning has been strengthened;
  - performance management arrangements continue to be improved;
  - the Council met the majority of its objectives for 2012-13 and further refined its arrangements for driving improvement from 2013 onwards;
- 3 We also found that the Council has established a culture of self-evaluation which resulted in a fair and balanced account of its performance in 2012-13 information, although there are areas for improvement. We arrived at this conclusion because:
  - the Council discharged its improvement reporting duties under the Local Government (Wales) Measure 2009 (the Measure) and acted in accordance with Welsh Government guidance;
  - well-established performance review arrangements were further refined during 2013;
  - the Council's performance across a range of services has improved since 2011-12, but there are inconsistencies in how well the Council collects its performance information;

- the Council is considered by the Appointed Auditor to have produced satisfactory financial accounts;
  - the Council's performance in administering housing benefit had not improved in 2012-13 from the previous year, but recent information shows significant improvements in its processing times;
  - the CSSIW reported that the Council has improved the provision for young children and aftercare for post-16 year olds, but challenges remain regarding child poverty and provision for Looked After Children (LAC);
  - the Council has been developing arrangements in education following an Estyn inspection in 2012 but remains below the Wales average in a number of national strategic indicators (NSIs); and
  - the Council recognises that there are weaknesses in its collaboration and working arrangements with third sector partnerships.
- 4 Despite significant financial challenges, the Council is ensuring it has sound plans for improvement. We arrived at this conclusion by finding that:
- the Council's *Corporate Plan for 2013-2017* incorporates the areas covered by the Welsh Government's guidance; and
- the Council has a detailed *Medium Term Financial Strategy 2013-2017* that supports effective financial management during a period of significant financial constraint.
- 5 Taking the above comments into account, we consider that the Council is likely to make appropriate arrangements to secure continuous improvement for 2014-15.

# Detailed report

## Introduction

- 6 Under the Measure, the Auditor General must report each year on how well Welsh councils plan to improve their services<sup>1</sup>. Including contributions from Welsh inspectorates, Estyn (for education), the CSSIW, and the Welsh Language Commissioner, this report focuses on what the Council is trying to achieve and how it is going about it. It also includes the Council's own self assessment on what progress it considers it has made since the Auditor General published his last *Annual Improvement Report* on the Council early in 2013.
- 7 We gather our evidence from our reviews of the Council's performance which have taken place throughout the year, and by shared knowledge with other Welsh inspectorates. We have not completed a full annual review of all the Council's arrangements or services this year.
- 8 The report will finally conclude whether or not the Auditor General believes that the Council is likely to improve its arrangements and services for 2014-15.
- 9 Given the wide range of services provided and the challenges facing the Council, it would be unusual if we did not find things that can be improved. The Auditor General is able to take action, depending on the seriousness of the problems:
- make proposals for improvement – if proposals are made to the Council, we would expect it to do something about them and we will follow up what happens within an agreed timetable;
  - make more formal recommendations for improvement – if a formal recommendation is made it is a more serious situation, and the Council must prepare a response to that recommendation within 30 working days;
  - for even more seriously fundamental issues, he can conduct a special inspection and publish a report with recommendations; and
  - as a last recourse, to recommend to Ministers of the Welsh Government that they intervene in some way.
- 10 In 2013 we made proposals for improvement to the ways in which the Council was working with the third sector in support of a review the Council was undertaking of its arrangements; these are covered later in the report.
- 11 We want to find out if this report gives you the information you need and whether it is easy to understand. You can let us know your views by e-mailing us at [info@wao.gov.uk](mailto:info@wao.gov.uk) or writing to us at 24 Cathedral Road, Cardiff, CF11 9LJ.

<sup>1</sup> Appendix 1 provides more information about the Auditor General's powers and duties under the Measure.

## The Council made good progress in delivering improvement in most of its priority areas and recognises the need to accelerate improvements in education

### The Council has filled corporate director vacancies and is streamlining the senior management structure

- 12 In May 2013 we reported that the Council was making good progress in delivering its improvement objectives and that it was refining its approach to evaluating performance. The 2013 report also identified the key challenges that the Council needed to manage, which included the need to resolve vacancies at corporate director level and, with the prospect of continuing financial challenges, strengthening the alignment between financial and service planning.
- 13 By November 2013 the Council had appointed its new senior management team ensuring clear accountability and responsibility at senior level. In February 2014 the Council also agreed to delegate authority to the Chief Executive to further review senior management arrangements with the intention of establishing an interim structure by April 2014 that has sufficient regard to the challenges facing Bridgend, costs less than the current structure, and takes account of potential local government reorganisation.

### The connection between medium-term financial and service planning has been strengthened

- 14 The budget planning process that led to the adoption of the Council's *Medium Term Financial Strategy* in February 2014 included detailed analysis of the funding associated with service delivery and related corporate objectives. This has enabled members to take more informed decisions about priorities when settling a balanced budget for 2014-15 and establishes a strong foundation for financial and service management for the future.

### Performance management arrangements continue to be improved

- 15 Performance management arrangements have continued to develop in the past year. The Council published its *Performance Management Framework* in December 2013. This document explains Council processes and procedures and the roles and responsibilities of managers within the process.
- 16 As well as providing a common point of reference for process and procedure, it includes expectations around the style and behaviour of managers to support the further evolution of a strong culture of self-assessment. Further reference will be made to our analysis of performance management in practice later in this report.

**The Council met the majority of its objectives for 2012-13 and further refined its arrangements for driving improvement, in areas like education, from 2013 onwards**

- 17 The Council set itself nine improvement objectives for 2012-13 and published its assessment of its performance in October 2013. When setting its objectives the Council also explained the measures it would use to judge its success. Using these measures as its reference point it reported that it had:
- ‘fully’ met four of its improvement objectives;
  - ‘mainly’ met four of its improvement objectives; and
  - ‘partially’ met one of its improvement objectives.
- 18 Explaining the measures of success is an important factor – ensuring they are the appropriate measures and the evaluation of how well they have been met is essential when assessing local impact and driving improvement. Our review of the Council’s assessment of its performance largely agreed with its conclusions. Our review also identified some scope for improvement. Describing an objective as ‘fully met’ may be a fair assessment when looking at an individual measure but the wider context also needs to be considered. The Council has taken this into account when adopting its priorities and measures for 2013 onwards.
- 19 For example, for 2012-13 the Council reported that it had ‘fully met’ the measures adopted in relation to its objective ‘to help all children and young people achieve higher attainment by improving learning opportunities and making them more accessible’. One measure, data about educational attainment of pupils in schools<sup>2</sup>, showed improvement compared to the previous year (improving from 77.1 per cent to 80.6 per cent) and in overall terms the assessment by the Council that its planned outcome had been achieved was fair. However, when compared to the same results for the rest of Wales, whilst showing an improvement, attainment was below the national average of 83.3 per cent and the Council’s ranking moved from 19th to 18th of the 22 councils in Wales. The best performance in Wales for this indicator achieved 86.4 per cent that year. The Council has recognised the need to address this and has strengthened the measures in its *Corporate Plan for 2013-2017*, for example by aiming for a faster rate of improvement and introducing associated measures that pay attention to progress at earlier stages of learning.

<sup>2</sup> EDU/003 The percentage of pupils assessed at the end of key stage 2, in schools maintained by the authority, achieving the Core Subject Indicator as determined by teacher assessment.

## The Care and Social Services Inspectorate Wales considered that the Council continued to make reasonable progress, despite significant senior management changes and a long period of uncertainty

- 20 The CSSIW publishes an annual review and evaluation of Council social services which sets out key areas of progress in the previous year and areas for future improvement. The most recent report about the Council was published in October 2013 and can be found at [www.cssiw.org.uk/docs/cssiw/publications/131028bridgend.pdf](http://www.cssiw.org.uk/docs/cssiw/publications/131028bridgend.pdf).
- 21 The CSSIW considered that for adult services the work being completed by the remodelling of the adult social care programme board had enabled the Council to identify areas for development, assign tasks and monitor progress against a wide range of service developments. This process was ensuring service improvement across adult services. Strong commissioning and contracting arrangements were in place combined with a robust approach to safeguarding adults. The Council continued to be a key driver in the Western Bay regional collaboration.
- 22 For children's services the CSSIW summarised that performance had continued to improve despite a high and increasing number of LAC. There were a number of projects in place to address the challenges that this increase created including the reduction of the looked-after child population and increasing the volume and range of local placements available. The success of

these initiatives will be critical to the overall improvement of service quality for children and young people in Bridgend. The Council has recognised this issue and has targeted it as an area for improvement in 2014-15.

- 23 With regard to the areas for development that had been identified in 2012 the CSSIW concluded that the Council had 'made good progress in addressing last year's areas for development and built them into its own improvement objectives. Children's services have also responded positively to the inspection of its arrangements for looked-after children and young people and has clear action plans in place.'

## The Welsh Language Commissioner identified continued improvement in the implementation of the Council's Welsh Language Scheme

- 24 The role of the Welsh Language Commissioner was created by the Welsh Language (Wales) Measure 2011. It is expected that new powers to impose standards on organisations will come into force through subordinate legislation by the end of 2014. Until that time, the Welsh Language Commissioner will continue to review Welsh language schemes by virtue of powers inherited under the Welsh Language Act 1993.
- 25 The Welsh Language Commissioner works with all councils in Wales to inspect and advise on the implementation of language schemes. It is the responsibility of councils to provide services to the public in Welsh in accordance with the commitments in

their language schemes. Every council is committed to providing an annual monitoring report to the Welsh Language Commissioner outlining its performance in implementing the language scheme. The Welsh Language Commissioner analyses every monitoring report, provides a formal response and collects further information as required.

- 26 The development of the Council's website is ongoing and following the introduction of a new content management system, English language pages are withheld until the corresponding Welsh pages are ready. Further to this development, the Council's microsites, relating to attractions within the Council, are completely bilingual. The Council acknowledges the need to attract Welsh speakers to apply for frontline posts. A scheme has been developed to appoint an apprentice to work in the Customer Services Centre. Further to that, the Council is considering visiting a Welsh-medium secondary school in the county to promote apprenticeships in the future. The Council is currently reviewing its third-party agreements in terms of social care for adults services. Providers are encouraged to use the Welsh language and to plan services in order to facilitate Welsh provision. Initial work has identified that there are staff who are willing to respond to service users in Welsh. The Council is carrying out a further audit for 2013-14 within adult social care, in order to better understand compliance against the Welsh Language Act for all commissioned services. This will build on the baseline audit carried out in 2012-13, which aims to continue to encourage the Welsh language and to plan services in order to facilitate Welsh provision.

### The Ombudsman for Wales noted that the number of complaints against the Council had decreased

- 27 The Ombudsman for Wales issues an annual report which notes the type and frequency of public complaints against public sector organisations and notes how they are dealing with the complaints.
- 28 Within the Council, the number of complaints received and investigated by the Ombudsman for Wales had decreased compared with 2011-12 and at 24 remained below the average (36) for Wales, the majority of complaints during 2012-13 relating to finance and taxation.



## The Council has a culture of self-evaluation which resulted in a fair and balanced account of its performance in 2012-13

29 The Council must publish a report of its 2012-13 performance by 31 October 2013. The Council's report is available on its website at: [www1.bridgend.gov.uk/media/181525/bridgend\\_cbc\\_annual\\_report\\_2012\\_13.pdf](http://www1.bridgend.gov.uk/media/181525/bridgend_cbc_annual_report_2012_13.pdf).

30 The Welsh Government has passed legislation and published guidance that all councils must follow when publishing such information. The Auditor General is required to assess whether the Council has complied with the legislation and has met the guidance; he must also publish his conclusions.

31 To enable the Auditor General to reach a final conclusion, we undertake an assessment of the report published by the Council and test a sample of the statements made and the data used by the Council. This assessment determines whether the report presents a fair and balanced picture of the Council's performance. In this section we report the conclusions arising from our assessment and provide a view of the way in which the Council evaluates its performance.

### The Council discharged its improvement reporting duties under the Measure and acted in accordance with Welsh Government guidance

32 The Council approved and published its *Annual Performance Report 2012-13* (the Report) before the statutory deadline of 31 October 2013. We found the Report to be fully accessible to the public and made available both in English and Welsh to download from the Council's website. The

Report is also available in hard copy upon request and a bilingual summary has been produced which has been circulated among various council locations.

33 We also concluded that the Report provides a fair and balanced account of the Council's performance in 2012-13 including details of performance and comparisons as measured by the national statutory performance indicators. The Report includes details of the ways in which the Council has sought to collaborate and used examples to illustrate the outcomes of some of these collaborations.

### Well-established performance review arrangements were further refined during 2013

34 The Council has a long established performance review process. At corporate level a Corporate Performance Assessment (CPA) is undertaken every three months. The CPA is attended by cabinet members, the Chief Executive and corporate directors with support from the corporate performance improvement and finance teams.

35 Our observation of these meetings has confirmed that they take a holistic view of performance across the Council; identify 'cross-cutting' opportunities between services and directorates; adequately manage financial matters affecting more than one service area; and manage risks and resource implications. The CPA also plays a key role in challenging poor performance and identifying improvement opportunities.

- 36 There is also systematic service review at directorate and operational level. From September to October 2013 staff from the Wales Audit Office and KPMG observed scheduled performance review meetings at directorate and service team level. The purpose of the observation was to assess current arrangements, and identify positive practice and any potential for improvement.
- 37 Observation identified positive practice by the majority of management teams (see [Exhibit 1](#)). Our conclusions and key messages were presented to all managers in December 2013 at a workshop which launched the Council's updated *Performance Management Framework* document. The event also enabled discussion about how positive practice could be more widely disseminated and systems further refined.
- 38 The *Performance Management Framework* brought together a description of current practice and set out clear expectations both in terms of process and the roles and behaviour expected of those engaged in the process. This document provides a key reference point for those engaged in the performance review process. The document can be found on the Council's website: [www1.bridgend.gov.uk/media/188158/pmf-final-for-publication-dec-2013-.pdf](http://www1.bridgend.gov.uk/media/188158/pmf-final-for-publication-dec-2013-.pdf).

### Exhibit 1 - Good practice in performance evaluation

Effective performance review was undertaken by the majority of management teams

Observation of routine performance review by service management teams identified a range of positive practice that was driving improvement and ensuring a focus on what mattered. Teams were observed:

- Taking account of a range of relevant information – covering overall performance in relation to corporate priorities; staffing matters including absence levels and tracking fulfilment of training/development needs; service user feedback and revenue/capital expenditure and forecasting.
- Assessing current risks to performance outcomes and 'horizon scanning' in order to prepare for anticipated change.
- Taking solution-focused decisions and identifying where inter-service arrangements could be improved to support improved results.

## The Council's performance across a range of services has improved since 2011-12, but there are inconsistencies in how well the Council collects its performance information

- 39 The Council's performance can be compared with the other 21 Welsh local authorities through the use of 30 NSIs. In comparison with last year, the Council's performance has generally improved across a number of services, with nearly 50 per cent of its NSIs showing improvement. However, 25 per cent have worsened.
- 40 Now 17 of the NSIs show that the Council is performing above the Welsh average, an improvement on nine in the previous year. However, the same number of NSIs as last year, that is, 12, show the Council's performance is below the Welsh average.
- 41 The reliability of performance data is important as it enables the Council to measure its progress and provide sound information and evidence on whether or not it is achieving its improvement objectives.
- 42 The Wales Audit Office undertook a review of how the Council checks the reliability of its data, to assess whether it is selecting the right measures and targets; looking at its methods of collecting, processing and analysing the data; and finally, whether the reporting of the results is provided to the right people, in a helpful and constructive way.
- 43 We examined how the Council collected the following NSIs: 'the percentage of private sector dwellings vacant for more than six months and returned to occupation during the year through direct action by the local authority'; and the 'percentage of Special Educational Needs (assessments) issued within 26 weeks'. Also, one Public Accountability Measure (PAM) for the 'percentage of statutory visits to LAC due in the year'. Finally, we examined three of the Council's own local performance measures, which monitored: 'the amount of biodegradable waste sent to landfill'; 'the number of participants using improvement walking routes'; and 'the number of written enquiries received by the Customer Service Centre and responded to within five working days'.
- 44 We found that collection systems for two out of the six performance measures/ indicators data systems were sometimes inaccurate. Therefore we concluded that:
- While the Council has well-established systems in place to collect, analyse and report data, there are inconsistencies in how staff apply the systems.
  - Some of the performance indicators are inaccurate or do not comply with definitions; this was because inappropriate data was being collected to validate an indicator or base data was being lost which meant the Council could not measure whether any improvement had taken place.

- The Council did not have a formal internal system in place to regularly check samples of performance measures or indicators. The Council does have plans in place to start up such a process in 2014.

45 We proposed that performance data staff consider refresher training to ensure they are aware of the necessity to be more accurate and careful in maintaining the systems. The Council has considered this proposal and has incorporated data validation and quality assurance checks into the new *Performance Management Framework* and the new Performance Management System.

### The Council is considered by the Appointed Auditor to have produced satisfactory financial accounts

46 The auditor appointed by the Auditor General recently gave his opinion on the Council's accounts and based on this the Appointed Auditor's view is that the financial statements were generally satisfactory. There were no concerns raised about the qualitative aspects of the Council's accounting practices and financial reporting, no significant difficulties encountered during the audit and no significant matters discussed and corresponded upon with management which required reporting to the Audit Committee.

47 The Appointed Auditor also noted that the Council had made progress in resolving the job evaluation project to enable the Council to effectively plan its future pay budget and demands on its resources into the medium term.

48 The Appointed Auditor's letter appears in [Appendix 3](#) and provides more detail.

### The Council's performance in administering housing benefit had not improved in 2012-13 from the previous year, but recent information shows significant improvements in its processing times

49 We annually review the processes by which the Council administers housing benefit and last year reported that the Council needed to take action to improve its performance in key areas. That is, to increase the number of new claims processed within 14 days; reduce the number of claims outstanding over 50 days; and reduced the time taken to deal with applications needing revision.

50 During our review, we found that the Council's performance had not improved, but we have since noted that the Council has made improvements to its processes which has strengthened performance:

- The percentage of new claims decided within 14 days had not improved in 2012-13 taking 23 days as opposed to 21 in the previous year. However, the Council can demonstrate an improvement during the period from April 2013 onwards, and current figures show an average of 16.5 days to process new claims.

- The percentage of new claims outstanding over 50 days in Bridgend had not improved: from six per cent in 2011-12 to 10 per cent in 2012-13. Current performance figures are more encouraging and the Council hopes to reduce the number of outstanding claims to less than five per cent.
- The time taken to process housing benefit applications with changes of circumstances was nine days in 2011-12, worsening to 13 days in 2012-13. The Council has since reported that it is currently taking just over nine days to process these applications, but hopes to reduce this time even further by the end of March 2014.

51 Our review next year will focus on how the Council achieved these improvements and whether they are sustainable.

**The CSSIW reported that the Council has improved the provision for young children and aftercare for post-16 year olds, but challenges remain regarding child poverty and provision for looked-after children**

52 In its *Annual Review and Evaluation of Performance 2012/2013*, the CSSIW noted that the Council had responded positively to the CSSIW's inspection of its arrangements for LAC and young people in 2012, now having clear action plans in place to address the areas requiring improvement.

53 Further, the CSSIW noted that performance in children's services had continued to improve; this was despite a high and increasing number of LAC and that these increases have placed considerable workload pressures on teams.

54 The Council has initiated a number of projects to cope with this increase, but recognises that much depends on its ability to deliver these projects successfully in order to maintain and even improve the quality of services for the increasing number of LAC and young people in Bridgend. For example, cases rose by 12 per cent from 345 in 2012, to 387 on 31 March 2013. The number of children on the child protection register also rose from 131 to 161 in the same period: a 23 per cent increase.

55 The Council also continues to extend the range of some of its services for vulnerable children; such as the expansion of the Flying Start programme for children aged 0 to 3 years – extending the reach of the programme to include more children and the completion of new accommodation in Brackla, Plasnewydd and Cefn Glas primary schools.

56 The greatest challenge for the Council is to provide services for LAC. Performance has declined from last year, with an increase in the children with three or more placements and changes of school. The Council is opening new residential care units to ensure that children can be cared for within the county boundary, but it is yet to have an impact on the numbers who have to seek care outside the boundaries and the constituent extra costs.

The Council has been developing arrangements in education following an Estyn inspection in 2012 but remains below the Wales average in a number of national strategic indicators

- 57 Estyn, the office of Her Majesty's Chief Inspector of Education and Training in Wales, last inspected the Council's education service in 2012 when it judged the service to be 'adequate' with 'adequate' capacity to improve. A copy of Estyn's Inspection Report can be found on its website at [www.estyn.gov.uk](http://www.estyn.gov.uk). Estyn made a number of recommendations that the Council should address in order to secure improvements. The Council is subject to Estyn monitoring visits that review progress although the results of these visits are not routinely reported.
- 58 The Council, whilst showing improvement for some education NSIs, still remains below the Wales average in important areas such as the standards of pupil achievement, and continues to be the poorest in Wales for issuing final statements of special education needs within 26 weeks.

There were weaknesses in the collaboration and working arrangements between the Council and its third sector partnerships

- 59 In June 2013, the Wales Audit Office completed a review of the Council's collaborative working arrangements with the third sector. We concluded that although it could demonstrate it was receiving good value from its work with the third sector, the Council:
- does not have a clear strategy of how the third sector will help it achieve Council priorities;
  - has not yet fully evidenced the value of working with the third sector, and performance monitoring is inconsistent which hinders the Council's ability to gauge whether activities are meeting expectations; and
  - has operational procedures and controls for working with the third sector, which although improving, are inconsistent and not always sufficiently robust.
- 60 The review made four proposals for improvement:

#### Third sector strategy

P1 The Council should clarify its stance on working with the third sector and promote that across the organisation and with the sector itself. It should build understanding with the sector about what the Council wants and needs and the potential future opportunities to help develop the market and build sustainability.

### **Performance monitoring**

P2 The Council should review each Service Level Agreement (SLA) with third sector organisations, in discussion with the organisation. Performance management and reporting arrangements should be proportionate to the funding provided, but as a minimum, should ensure that:

- performance measures demonstrate the contribution being made to the achievement of corporate priorities;
- targets are robust, meaningful and mutually agreed;
- reporting arrangements suit the needs of both parties; and
- feedback on performance is two-way.

### **Client relationship management**

P3 The Council should identify which organisations it defines as receiving significant levels of Council funding. Then for each of the organisations defined as such, the Council should nominate a lead officer to:

- manage the relationship with that organisation;
- have an overview of the total funding provided to the organisation by the Council;
- understand the contribution the organisation makes to achieving corporate priorities; and
- act as a contact for officers to escalate concerns about provider performance.

### **Consistency of approach**

P4 The Council should identify areas of its dealings with the third sector that could be more consistent such as commissioning and performance management. It should seek to learn from colleagues, other councils, and the sector itself, about which approaches work well. The best approaches should then be applied across the Council.

- 61 Following the publication of our review in August 2013, the Council has continued its efforts to improve the arrangements with the third sector, and to put actions in place to implement the proposals. It had already developed a cross-Council project group that included members from key voluntary sector partners, as part of a wider review of third sector activities by the Council. This group has put in place actions to address our proposals. Since the review the Council has collated detailed information for each of its third sector relationships. It now has a clearer understanding of what activity and organisations the Council supports and how this support contributes to achieving corporate objectives. It has agreed a common format for contracts it will use when commissioning activity from the third sector and it is planning to undertake a review of each third sector partnership using a common review methodology.



## Despite significant financial challenges, the Council is ensuring it has sound plans for improvement

### The Council's *Corporate Plan for 2013-2017* incorporates the areas covered by the Welsh Government's guidance

- 62 To comply with Welsh Government legislation, the Council published its *Corporate Plan 2013-2017* (the Plan) which contained its improvement objectives (referred to as improvement priorities) both in English and Welsh on the Council's website by 30 April 2013. We undertook an audit of the Plan and concluded that it incorporates the areas covered by the Welsh Government's guidance as it contained reasons for the selection of the objectives, details of the arrangements to help the Council achieve the priorities and what are the expected outcomes.
- 63 The Council has effectively consulted a wide range of people and organisations about the content of the Plan, including businesses, partners and the general public. The Council published the consultation feedback, indicating the general points or themes, and what action it took to refine the priorities.
- 64 Following the consultation, the Council has continued to engage the public by suggesting actions citizens can take to help the Council achieve the improvement priorities. For example, shopping locally to support local retailers and so improve the local economy and asking that businesses inform educational organisations about what skills they will be seeking in the local workforce in the future.

### The Council has a detailed *Medium Term Financial Strategy 2013-2017* that supports effective financial management during a period of significant financial constraint

- 65 The Council published its *Medium Term Financial Strategy*, for the period 2013-2017 in September 2013, based on the need to achieve reduced spend of £35 million over the next three years.
- 66 Our national report published in January 2014, entitled *Meeting the Financial Challenges Facing Local Government in Wales* looked at how councils are managing their finances in challenging economic circumstances and against a backdrop of increasing demand for services. Cost pressures have to be managed alongside substantial service demand pressures relating to, for example, LAC, supporting people most affected by economic recession and welfare reform, and the effect on services of the ageing population. Many of the services which councils provide are currently mandatory/statutory, leaving limited room for manoeuvre in budgets.
- 67 The report concluded that many councils in Wales are experiencing difficulties in managing cutbacks, as:
- they do not have clear and realistic plans to deliver efficiency savings and improvements;
  - councils in Wales are not routinely basing their strategic plans on sound and appropriate financial information;



- they have been able to meet their financial challenges and deliver their overall plan, but more robust arrangements will be necessary as financial pressures increase; and
- not all councils are effectively monitoring and evaluating progress in delivering their strategic plans.

68 Nevertheless, the Council displays a number of positive practices in its approach to medium-term financial management.

#### Exhibit 2 - Positive practice in medium-term financial management

The Council continues to refine its approach to medium-term financial management by:

- Developing a more robust approach to forecasting. By considering various possible scenarios over the coming three years, the Council is preparing a number of forecasts and assumptions to better prepare its finances to address a variety of possible outcomes or risk areas. The Council has a good understanding of the cost pressures it faces.
- Aligning financial and service planning. So that it can better align delivery of its corporate priorities with the associated finances, and can better monitor and assess its financial performance in line with service delivery.
- Having early discussions of where and how budgets should be spent. Members and stakeholders are involved and consulted at an early stage and are provided with regular opportunities to discuss issues and concerns in sufficient time to explore and consider the implications of cutbacks on service delivery.

69 The Council recognises that it continues to face major financial challenges in the forthcoming year, notwithstanding the possibility of fundamental changes to its very structure and areas of responsibility. Nevertheless, the Council has stated that it will continue to provide all its services, but seeking to deliver them more efficiently, and to drive forward improvement in its priority areas.

70 The Council needed to meet a shortfall of £24 million for the period 2013 to 2016, but following the Comprehensive Spending Review in June 2013, this has been revised to £31 million. It has amended its budget preparations to address this shortfall and is planning to make a £3.7 million saving in 2013-14. The Council continues to consult widely with members and key stakeholders on its budget and priorities, and its structured system of corporate performance reporting is improving links between corporate plans (including the Council's *Medium Term Financial Plan*), service delivery, performance targets and operating finances. The Council regularly checks the progress of its financial plans.

## The Council is likely to make appropriate arrangements to secure continuous improvement for 2014-15

- 71 Based on the conclusions outlined in the previous sections of this report, the Auditor General considers that the Council is likely to meet the requirements of the Measure for 2014-15. This is due to the Council's efforts to continually try to develop its arrangements to secure continuous improvement.

# Appendices

## Appendix 1 Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake an annual improvement assessment, and to publish an annual improvement report, for each improvement authority in Wales. This requirement covers local councils, national parks, and fire and rescue authorities.

This report has been produced by staff of the Wales Audit Office on behalf of the Auditor General to discharge his duties under section 24 of the Measure. The report also discharges his duties under section 19 to issue a report certifying that he has carried out an improvement assessment under section 18 and stating whether, as a result of his improvement plan audit under section 17, he believes that the authority has discharged its improvement planning duties under section 15.

Improvement authorities are under a general duty to 'make arrangements to secure continuous improvement in the exercise of [their] functions'. Improvement authorities are defined as local councils, national parks, and fire and rescue authorities.

The annual improvement assessment is the main piece of work that enables the Auditor General to fulfil his duties. The improvement assessment is a forward-looking assessment of an authority's likelihood to comply with its duty to make arrangements to secure continuous improvement. It also includes a retrospective assessment of whether an authority has achieved its planned improvements in order to inform a view as to the authority's track record of improvement. The Auditor General will summarise his audit and assessment work in a published *Annual Improvement Report* for each authority (under section 24).

The Auditor General may also in some circumstances carry out special inspections (under section 21), which will be reported to the authority and Ministers, and which he may publish (under section 22). An important ancillary activity for the Auditor General is the co-ordination of assessment and regulatory work (required by section 23), which takes into consideration the overall programme of work of all relevant regulators at an improvement authority. The Auditor General may also take account of information shared by relevant regulators (under section 33) in his assessments.

## Appendix 2

### Useful information about the Bridgend area and the Council

#### The Council

Bridgend County Borough Council spent approximately £316.4 million this year (2013-14). This equates to about £2,336.00 per resident. In the same year, the Council also spent £36.7 million on capital items.

The average band D council tax in 2012-13 for Bridgend was £1,296.16 per year. This has increased by 3.9 per cent to £1,346.83 per year for 2013-14; 79.4 per cent of Bridgend's housing is in council tax bands A to D.

The Council is made up of 54 elected members who represent the community and make decisions about priorities and use of resources. The political make-up of the Council is as follows:

- 39 Labour
- 4 Independent Annibynwyr
- 1 Plaid Cymru
- 1 Conservatives
- 6 Independent
- 3 Welsh Liberal Democrats

The Council's Chief Executive is Darren Mephram. Corporate Director, Resources is Ness Young; Corporate Director, Children is Deborah McMillan; Corporate Director, Communities is Mark Shephard; Corporate Director, Wellbeing is Susan Cooper; and Assistant Chief Executive, Legal & Regulatory Services is Andrew Jolley.

#### Other information

The Assembly Members for Bridgend are:

- Rt Hon. Carwyn Jones, Bridgend, Labour
- Janice Gregory, Ogmore, Labour
- Peter Black, Bethan Jenkins, Suzy Davies and Byron Davies, Regional Members

The Members of Parliament for Bridgend are:

- Mrs Madeleine Moon, Bridgend Constituency, Labour
- Mr. Huw Irranca-Davies, Ogmore Constituency, Labour

For more information, see the Council's own website at [www.Bridgend.gov.uk](http://www.Bridgend.gov.uk) or contact the Council at the Civic Offices, Angel Street, Bridgend, CF31 4WB.

## Appendix 3

### Annual Audit Letter

Councillor Mel Nott  
The Leader  
Bridgend County Borough Council  
Civic Offices  
Angel Street  
Bridgend  
CF31 4WB

Dear Councillor Nott

#### Annual Audit Letter

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor and my reporting responsibilities under the Code of Audit Practice.

#### The Council complied with reporting requirements relating to its financial performance and use of resources

It is the Council's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This Code is based on International Financial Reporting Standards. On 30 September 2013 I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit Committee in my Audit of Financial Statements report on the 26 September 2013.

This report stated that we had no concerns about the qualitative aspects of your accounting practices and financial reporting, we did not encounter any significant difficulties during the audit and there were no significant matters discussed and corresponded upon with management which we needed to report.

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed as part of the Improvement Assessment under the Local Government (Wales) Measure 2009. Overall, I am satisfied that the Council has appropriate arrangements in place. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report.

In previous years, I have commented on importance of resolving the job evaluation project to enable the Council to effectively plan its future pay budget and have confidence about the demands on its resources into the medium term. I am pleased to report that this year the Council has continued to make substantial progress in this area, with the job evaluation project progressing towards resolution during our audit year (and being implemented during 2013-14).

I issued a certificate confirming that the audit of the accounts has been completed on 30 September 2013.

The financial audit fee for 2012-13 is £190,000, which is in line with the agreed fee set out in the Annual Audit Outline.

Yours sincerely,



**Darren Gilbert, KPMG LLP**

For and on behalf of the Appointed Auditor  
21 November 2013

## Appendix 4

# Bridgend County Borough Council's improvement objectives and self-assessment

### The Council's improvement objectives

The Council is required by the Welsh Government to make plans to improve its functions and the services it provides. Each year it must publish these plans along with specific improvement objectives that set out the key things that the Council intends to do to improve. The Council must do this as soon as possible after 1 April each year. The Council published its improvement priorities in its corporate plan to cover the period 2013-2017, which can be found on the Council website at [www.Bridgend.gov.uk](http://www.Bridgend.gov.uk). They are published here, along with the previous improvement objectives:

#### Key improvement objectives 2010-2013

- to build safe and inclusive communities supported by an effective physical infrastructure;
- to develop and support sustainable and affordable housing solutions for those who are homeless or in need;
- to work in collaboration with partners to meet the different needs of all children and young people and provide them with the best start in life;
- to help all children and young people achieve higher attainment by improving learning opportunities and making them more accessible;
- to improve physical and emotional well-being by promoting and supporting active lifestyles, participation and learning;
- to implement effective integrated health and social care services to support independence, health and well-being;
- to support and invest in our communities to promote economic growth, physical renewal and sustainability;
- to manage and promote our natural and historic environment; and
- to improve the way we work to ensure effective and efficient use of our financial, technological, physical and human assets.

#### Improvement priorities 2013-2017

- working together to develop the local economy;
- working together to raise ambitions and drive up educational achievement;
- 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; and
- working together to make the best use of our resources.

### The Council's self-assessment of performance

The Council's self-assessment of its performance during 2012-13 can be found in the *Annual Report 2012-13* which can be found on: [www1.bridgend.gov.uk/media/181525/bridgend\\_cbc\\_annual\\_report\\_2012\\_13.pdf](http://www1.bridgend.gov.uk/media/181525/bridgend_cbc_annual_report_2012_13.pdf).

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## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO AUDIT COMMITTEE

18 JUNE 2014

#### REPORT OF THE CORPORATE DIRECTOR - RESOURCES

##### ANTI-MONEY LAUNDERING POLICY

#### 1. Purpose of the Report

- 1.1 The purpose of this report is to present the Committee with the draft Anti-Money Laundering Policy.

#### 2. Connection to Corporate Improvement Objectives and Other Corporate Priorities

- 2.1 Achievement of the aims and objectives in the Corporate Plan is underpinned by ensuring that effective governance arrangements are in place. The Anti-Money Laundering Policy is an integral part of the Council's overall governance framework.

#### 3. Background

- 3.1 The Council's existing Anti-Money Laundering Policy has not been updated since 2006 and needed revision.

#### 4. Current Situation / Proposal

- 4.1 The Council encourages a culture of openness and fairness and expects Elected Members and employees at all levels to adopt the highest standards of propriety and accountability.
- 4.2 The draft Anti-Money Laundering Policy, attached as Appendix A, recognises that the Council as a large organisation is at risk of loss due to money laundering. In adopting this Policy, the Council seeks to demonstrate clearly that it is firmly committed to dealing with money laundering and will deal equally with perpetrators from inside (members and employees) and outside the Council.

#### 5. Effect upon Policy Framework & Procedural Rules

- 5.1 There are no implications upon policy framework and procedural rules.

## **6. Equality Impact Assessment**

6.1 There are no equality implications.

## **7. Financial Implications**

7.1 There is no direct financial impact of the report but effective money laundering prevention and detection form a key element of the Council's internal control framework and maximises the resources available for frontline services.

## **8. Recommendations**

8.1 It is recommended that the Committee:-

- Note the draft Anti-Money Laundering Policy (Appendix A)
- Note that the Policy will be presented to Cabinet for approval.

### **Ness Young CPFA Corporate Director - Resources**

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### **Background Documents:**

None



**ANTI MONEY-LAUNDERING POLICY**

June 2014

## **ANTI-MONEY LAUNDERING POLICY**

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## **1. Introduction**

- 1.1 Money laundering is the process of concealing sources of money. Money evidently gained through crime is 'dirty' money, and money that has been 'laundered' to appear as if it came from a legitimate source is 'clean' money. Money can be laundered by many methods, which vary in complexity and sophistication.
- 1.2 Historically, legislation to tackle the laundering of the proceeds of crime was aimed at the financial and investment sector. However, it was subsequently recognised that those involved in criminal conduct were able to 'clean' criminal proceeds through a wider range of businesses and professional activities.
- 1.3 The Proceeds of Crime Act 2002 (as amended), the Money Laundering Regulations 2007 and the Terrorism Act 2000 (as amended) broaden the definition of money laundering and increase the range of activities caught by the statutory controls. They also imposed new obligations in respect of money laundering. These impact on certain areas of the local authority business and require the Council to establish internal procedures to prevent the use of their services for money laundering.

## **2. Scope of the policy**

- 2.1 This policy applies to all Council employees and aims to maintain existing high standards of conduct within the Council by preventing criminal activity through money laundering. The Policy sets out the procedures that must be followed to enable the Council to comply with its legal obligations. Further information can be found under the Obligations of the Council on page 4.

### Key message

- 2.2 The key message of this Policy is that if you suspect that money laundering activity may be taking place or proposed, in relation to anything you are dealing with, you should immediately disclose those suspicions to the Council's Money Laundering Reporting Officer. (Please refer to the Money Laundering checklist at Appendix 1 to assist.) The Council's Money Laundering Reporting Officer is the Corporate Director - Resources. The actual mechanism for doing this is outlined in section 5 below and in the appendices to this policy.
- 2.3 If the matter involves a proposed transaction (e.g. the sale of property) you should not proceed with the transaction without approval from the Money Laundering Reporting Officer or the National Crime Agency. If possible, you should defer the transaction in such a way as not to alert anyone else to your suspicions. If you believe you cannot reasonably do so, you should immediately contact the Money Laundering Reporting Officer or the Council's Monitoring Officer.
- 2.4 If you are unable to defer the transaction without exposing your suspicions, e.g. as it is a cash transaction, you should complete the transaction as you usually would and record as much detail as possible on the form attached as Appendix 2 and then pass the completed documentation to the MLRO.

### **3. What is Money Laundering?**

3.1 A simple definition of money laundering is noted above in section 1.1. There are two types of offences which may be committed:

- Money laundering offences (see 3.2 below).
- Failure to report money laundering offences (see section 7).

3.2 The main types of money laundering offences are:

- Acquiring, using or possessing criminal property,
- Handling the proceeds of crimes such as theft, fraud and tax evasion,
- Being knowingly involved in any way with criminal or terrorist property,
- Entering into arrangements to facilitate laundering criminal or terrorist property,
- Investing the proceeds of crime in other financial products,
- Investing the proceeds of crimes through the acquisition of property/assets,
- Transferring criminal property.

### **4. The Obligations of the Council**

4.1 The law requires those organisations in the regulated sector and conducting relevant business to:

- Appoint a Money Laundering Reporting Officer ('MLRO') to receive disclosures from employees of suspected money laundering activity,
- Implement risk sensitive policies and procedures relating to customer due diligence, reporting, record keeping, internal control, risk assessment and management, the monitoring and management of compliance and the internal communication of such policies and procedures.

4.2 Not all the Council's business is 'relevant' for these purposes. It is mainly the accountancy and audit services carried out by the Finance Department and certain financial, company and property transactions carried out by the Legal Department. However, the safest way to ensure compliance with the law is to apply it to all areas of work undertaken by the Council. Therefore, all employees are required to comply with the Council's Anti Money Laundering Policy in terms of reporting concerns about possible money laundering.

4.3 The Money Laundering Regulations 2007 require appropriate systems of internal control to prevent money laundering. There must be management controls in place to help identify possible attempts to launder money or fund terrorism, so that appropriate action to prevent or report it can be taken.

4.4 Systems of internal control should help identify unusual or suspicious transactions or customer activity and should include:

- Identification of relevant responsibilities under this Policy;
- Provision of information to relevant persons on suspected money laundering risks;

- Training of relevant employees on the legal and regulatory responsibilities for money laundering and control measures;
- Measures to ensure that money laundering risks are taken into account in the day to day operations of the organisation.

## **5. The Money Laundering Reporting Officer**

- 5.1 The officer nominated to receive disclosures about money laundering activity within the Council is the Corporate Director - Resources. He/she can be contacted as follows:

Corporate Director - Resources, Bridgend County Borough Council, Civic Offices, Angel Street, Bridgend, CF31 4WB

In the absence of the Corporate Director - Resources the employee should contact the Head of Finance and ICT, Bridgend County Borough Council, Raven's Court, Brewery Lane, Bridgend, CF31 4AP.

## **6. Identification of potential money laundering situations**

- 6.1 It is not possible to give a definitive list of ways in which to identify money laundering or how to decide whether to make a report to the MLRO. The following are types of risk factors which may, either alone or cumulatively, suggest possible money laundering activity:

- Payment of a substantial sum in cash (BCBC defines this as over £5,000),
- Payment of lower cash sums where cash is not the normal means of payment,
- A new customer or use of new/shell companies,
- A secretive customer, e.g. refuses to provide requested information without a reasonable explanation,
- Concerns about the honesty, integrity, identity or location of a customer,
- Illogical third party transaction such as unnecessary routing or receipt of funds from third parties or through third party accounts,
- Involvement of an unconnected third party without logical reason or explanation,
- Overpayments by a customer or payments of deposits subsequently requested back,
- Absence of an obvious legitimate source of funds,
- Movement of funds overseas, particularly to a higher risk country or tax haven,
- Unusual transactions or ways of conducting business, without reasonable explanation,
- A transaction without obvious legitimate purpose or which appears uneconomic, inefficient or irrational,
- The cancellation or reversal of an earlier transaction,
- Requests for release of customer account details other than in the normal course of business,
- Transactions at substantially above or below fair market values,

- Poor business records or internal accounting controls,
- A previous transaction for the same customer which has been, or should have been, reported to the MLRO,
- Lack of 'traceability' of persons involved,
- Individuals and companies that are insolvent yet have funds.

## **7. Failure to report money laundering offences or suspicions**

- 7.1 In addition to the money laundering offences, there are other offences of failure to report suspicions of money laundering. These are committed where, in the course of conducting relevant business, you know or suspect, or have reasonable grounds to do so (even if you did not know or suspect), that another person is engaged in money laundering and you do not disclose this as soon as is practicable to the MLRO.
- 7.2 Failure to report money laundering offences means that potentially any employee could be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about their suspicions.
- 7.3 Whilst the risk of contravening the legislation is low, it is extremely important that all employees understand their legal responsibilities: serious criminal sanctions may be imposed for breaches of the legislation. However an offence is not committed if the suspected money laundering activity is reported to the MLRO and appropriate consent obtained to continue with the transaction.
- 7.4 If you report suspected money laundering to the MLRO, you should not discuss it with anyone else: you may commit a further offence of 'tipping off' ( if, knowing a disclosure to the MLRO has been made, you make a disclosure to someone else which is likely to prejudice any investigation which might be conducted.
- 7.5 Even if you have not reported the matter to the MLRO, if you know or suspect that such a disclosure has been made and you mention it to someone else, this could amount to a tipping off offence. Be very careful what you say and to whom, in these circumstances. Any person found guilty of tipping off or prejudicing an investigation is liable to imprisonment (maximum five years), a fine or both.

## **8. Reporting Procedure**

- 8.1 If you know or suspect that money laundering activity is taking place, has taken place, or that your involvement in a matter may amount to a prohibited act under the legislation, this must be disclosed immediately to the MLRO. This disclosure should be done within hours of the information coming to your attention, not weeks or months later. **If you do not disclose information immediately, then you may be liable to criminal prosecution.**
- 8.2 Your disclosure should be made using the report form attached at Appendix 2. The disclosure report must contain as much detail as possible, for example:
- Full details of the people involved (including yourself if relevant), e.g. name, date of birth, address, company names, directorships, phone numbers, etc,
  - Full details of the nature of your and their involvement,



- The types of money laundering activity suspected,
  - The dates of such activities, including whether the transactions have happened, are ongoing or are imminent,
  - Where they took place,
  - How they were undertaken,
  - The (likely) amount of money/assets involved,
  - Why, exactly, you are suspicious.
- 8.3 You should also supply any other available information to help the MLRO to make a sound judgement as to the next steps to be taken and you should enclose copies of any relevant supporting documentation.
- 8.4 If you are a legal adviser and consider that legal professional privilege may apply to the information, you should explain fully in the report form the reasons why you contend the information is privileged. The MLRO, in consultation with the Assistant Chief Executive – Legal and Regulatory Services, will then decide whether the information is exempt from the requirement to report suspected money laundering to the National Crime Agency (NCA).
- 8.5 Once you have reported the matter to the MLRO you must follow any directions she may give you. You must NOT make any further enquiries into the matter yourself. Any necessary investigation will be undertaken by the NCA. All employees will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.
- 8.6 At no time and under no circumstances should you voice any suspicions to the person(s) whom you suspect of money laundering or to any other individual without the specific consent of the MLRO. If you do so, you may commit the offence of ‘tipping off’.
- 8.7 Do not make any reference on records held to the fact that you have made a report to the MLRO. If a customer exercises their right to see their record, any such note would obviously tip them off to the report having been made and may render you liable to prosecution. The MLRO will keep the appropriate records in a confidential manner.
- 8.8 In all cases no further action must be taken in relation to the transaction(s) in question until either the MLRO or the NCA (if applicable) has specifically given their written consent to proceed.
- 9. Consideration of disclosure report by the MLRO**
- 9.1 On receipt of a disclosure report, the MLRO will record the date of receipt on the report, acknowledge receipt of it and indicate when she expects to respond.
- 9.2 The MLRO will consider the report and any other available internal information she thinks relevant. This may include:
- Reviewing other transactions, patterns and volumes,
  - The length of any business relationship involved,
  - The number of any one-off transactions and linked one-off transactions,
  - Any identification evidence.

- 9.3 The MLRO will undertake any other inquiries deemed appropriate and will ensure that all available information has been obtained. In doing so, the MLRO will avoid any action which could tip off those involved, or which could give the appearance of tipping them off. Where appropriate, Internal Audit will investigate on behalf of the MLRO.
- 9.4 The MLRO may also need to discuss the report with the employee who reported the case.
- 9.5 The MLRO will then consider all aspects of the case and decide whether a report to NCA is required. He/she must make a timely determination as to:
- Whether there is actual or suspected money laundering taking place,
  - Whether there are reasonable grounds to know or suspect that money laundering is taking place,
  - Whether he needs to seek consent from the NCA for a particular transaction to proceed.
- 9.6 Where the MLRO concludes one or more of the above, he/she will record his/her conclusion (Appendix 3) and disclose the matter as soon as possible to NCA online or submit their standard report form which can be downloaded from the Internet at <http://www.nationalcrimeagency.gov.uk/about-us/what-we-do/specialist-capabilities/ukfiu/how-to-report-sars> but is also attached as Appendix 4.
- 9.7 Once the MLRO has made a disclosure to NCA, their consent will be needed before you can take any further part in the transaction. Consent will be received in the following way:
- Specific consent,
  - Deemed consent if no notice of refusal is received from NCA during the notice period (i.e. 7 working days starting with the first working day after the MLRO makes the disclosure),
  - Deemed consent if refusal of consent is given during the notice period but the moratorium period has expired (31 days starting with the day on which the MLRO receives notice of refusal of consent) has elapsed without any further refusal of consent.
- 9.8 The MLRO should make clear in the report to NCA if such consent is required, and if there are any deadlines for giving such consent, e.g. completion date or court deadline.
- 9.9 Where the MLRO concludes that there are no reasonable grounds to suspect money laundering this will be recorded appropriately and she will give consent for any ongoing or imminent transaction(s) to proceed.
- 9.10 All disclosure reports referred to the MLRO and reports made by her to NCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.
- 9.11 The MLRO commits a criminal offence if she knows or suspects, or has reasonable grounds to do so, through a disclosure being made to her, that another person is engaged in money laundering and she does not disclose this as soon as possible to the NCA.

## **10. Additional requirements for Finance and Legal employees**

- 10.1 Those employees providing certain financial and legal services (i.e. 'relevant persons') must comply with the customer identification procedure, 'due diligence' and the record keeping procedures.
- 10.2 There are various levels of 'due diligence'. The 2007 Regulations require due diligence to be carried out on a risk sensitive basis, so that:
- 'Simplified due diligence' is required where there is a low risk of money laundering. For example if a company is listed on the stock exchange a company search and evidence of the listing would suffice. (Note, for example, a company search is often undertaken / may already have been undertaken for BCBC by the Procurement Section in conjunction with the Accountancy Section – so further inquiry may not need to be undertaken),
  - 'Enhanced due diligence' for those with a high-risk status, for example remote transactions where the customer is not physically present to be identified would require additional appropriate documents to be requested.
  - The 'beneficial owner', the individual that ultimately owns or controls the customer or on whose behalf a transaction or activity is being conducted, should be identified.
  - The business relationship should be scrutinised throughout its existence and not just at the beginning.

You may rely on due diligence undertaken by those regulated by the FSA or supervised by a listed professional regulator e.g. the Solicitors Regulation Authority. Any information obtained may be used as evidence in any subsequent investigation by the relevant enforcement authorities into money laundering.

- 10.3 In all cases, evidence of the customer identification and record of the relationship / transaction should be retained for at least five years from the end of the business relationship of transaction(s). The records that must be kept are:
- A copy of, or references to, the evidence of the identity obtained under the customer due diligence requirements in the Regulations,
  - The supporting evidence and records in respect of the business relationships and occasional transactions which are the subject of customer due diligence measures or ongoing monitoring,
  - A copy of the identification documents accepted and verification evidence obtained,
  - References to the evidence of identity,
  - Transaction and business relationship records should be maintained in a form from which a satisfactory audit trail may be compiled, and which may establish a financial profile of any suspect account or customer.
- 10.4 If satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or one off transaction(s) cannot proceed any further.
- 10.5 The customer identification procedure must be carried out when the Council is carrying out 'relevant business' and:
- Forms a business partnership with a customer,

- Undertakes a one-off transaction (including a property transaction or payment of a debt) involving payment by or to a customer of €15,000 (approximately £12,500) or more,
- Undertakes a series of linked one-off transactions involving total payment by or to the customer(s) of €15,000 (approximately £12,500) or more,
- It is known or suspected that a one-off transaction, or a series of them, involves money laundering. This must be completed before any business is undertaken for that customer in relation to accountancy, procurement, audit and legal services with a financial or real estate transaction.

10.6 In the above circumstances, employees must:

- Identify the person seeking to form the business relationship or conduct the transaction (an individual or company / organisation),
- Verify their identity using reliable, independent sources of information,
- Identify who benefits from the transaction,
- Monitor transactions to make sure they are consistent with what you understand about that person or country,
- Understand the source of their funds,
- Ensure there is a logical reason why they would want to do business with the Council.

10.7 This applies to existing customers, as well as new ones, but identification evidence is not required for matters entered into prior to 1 March 2004.

10.8 The law does not prescribe the precise nature of the records to be retained. However they must be capable of providing an audit trail during any subsequent investigation, for example distinguishing the client and the relevant transaction and recording in what form any funds were received or paid. In practice, the Council will be routinely making records of work carried out in the course of normal business and these should suffice in this regard.

## **11. Training**

11.1 The Council will take appropriate measures to ensure that employees are made aware of the law relating to money laundering and will arrange targeted, ongoing, training to key individuals most likely to be affected by the legislation.

## **12. Conclusion**

12.1 The legislative requirements concerning anti-money laundering procedures are lengthy and complex. This document has been written to enable the Council to meet the legal requirements in a way that is proportionate to the low risk to the Council of contravening the legislation. Should you have any concerns whatsoever regarding any transactions then you should contact the MLRO.

12.2 The policy will be reviewed as and when required e.g. following any legislative changes and reported to Cabinet and the Audit Committee.

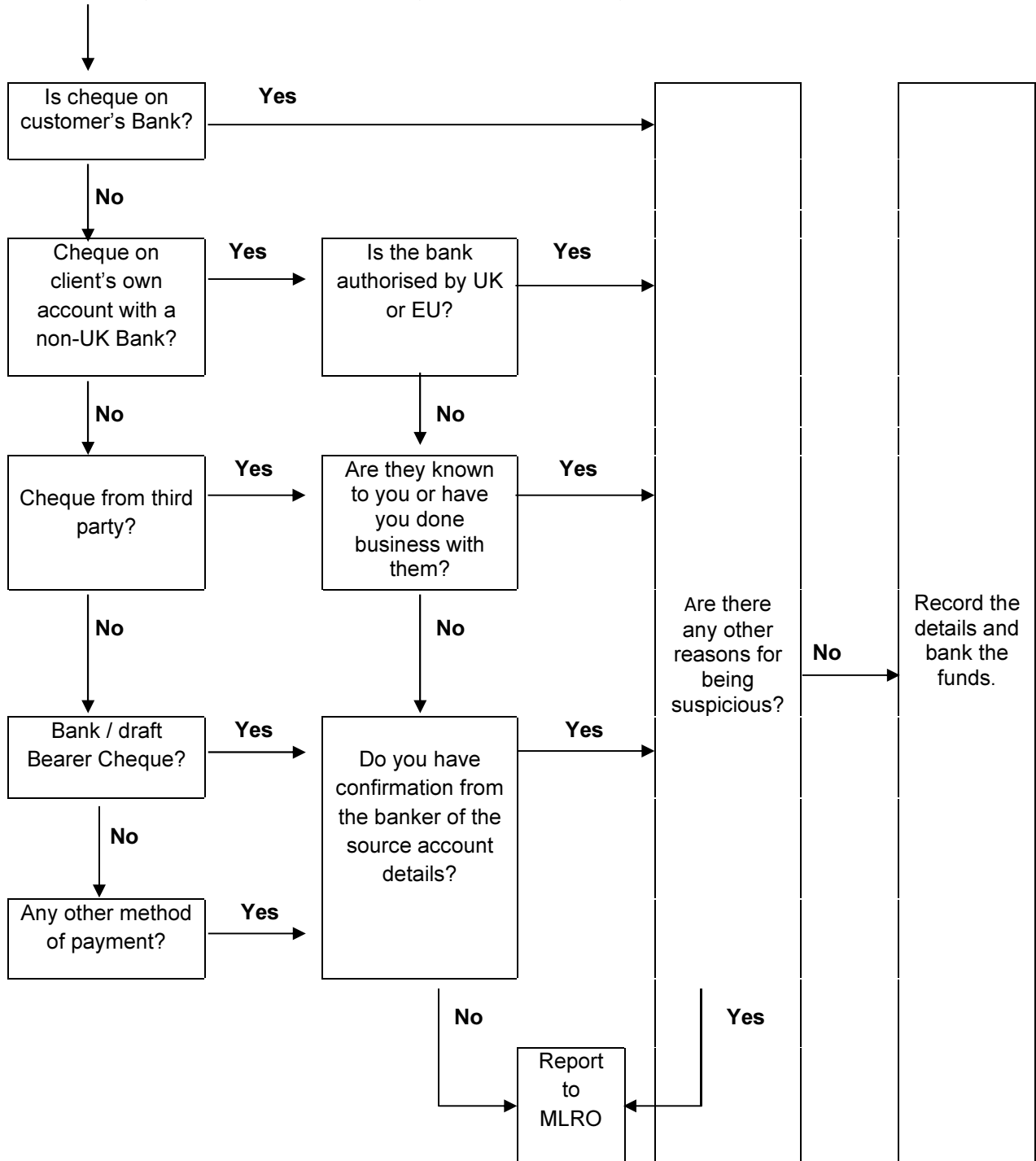
**APPENDIX 1**

**MONEY LAUNDERING CHECKLIST**

- 1 Cash Payment - are you suspicious and / or the cash payment is £5,000 or over? Undertake money laundering checks and verification procedures.

Where the payment exceeds €15,000 (c.£12,500) whether by cash, cheque or any other method of payment, checks are MANDATORY.

- 2 Have you received non-cash payment and / or are you suspicious?



**APPENDIX 2  
CONFIDENTIAL**

**Report to Money Laundering Reporting Officer - Re suspected money laundering activity**

From:

.....  
*[insert name of employee]*

Directorate / section:

.....

Ext/Tel No:.....

Post title and Business Unit

.....

**DETAILS OF SUSPECTED OFFENCE:**

**Name(s) and address(es) of person(s) involved:**

*[if a company/public body please include details of nature of business]*

**Nature, whereabouts, value and timing of activity/property involved:**

*[Please include full details e.g. what, when, where, how. Please also include details of current whereabouts of the laundered property, so far as you are aware. Continue on a separate sheet if necessary]*

**Nature of suspicions regarding such activity (i.e. why are you suspicious?):**

*[Please continue on a separate sheet if necessary]*

**Has any investigation been undertaken (as far as you are aware)?**

*[Please tick the relevant box]*                      Yes / No

**If yes, please include details below:**

**Have you discussed your suspicions with anyone else?**

*[Please tick the relevant box]*                      Yes / No

**If yes, please specify below, explaining why such discussion was necessary:**

**Have you consulted any supervisory body guidance re money laundering? (e.g. the Law Society)**

*[Please tick the relevant box]*

Yes / No

**If yes, please specify below:**

**Do you feel you have a reasonable excuse for not disclosing the matter to NCA? (e.g. are you a lawyer and wish to claim legal professional privilege?)**

*[Please tick the relevant box]*

Yes / No

**If yes, please set out full details below:**

**Are you involved in a transaction which might be a prohibited act (under sections 327-329 of the 2002 Act or section 18 of the 2000 Act) and which requires appropriate consent from NCA?**

*[Please tick the relevant box]*

Yes / No

**If yes, please enclose details in the box below:**



Please set out below any other information you feel is relevant:

Signed:..... Dated:.....

***Please do not discuss the content of this report with anyone you believe to be involved in the suspected money laundering activity described. To do so may constitute a tipping off offence, which carries a maximum penalty of 5 years' imprisonment.***

**APPENDIX 3  
CONFIDENTIAL**

**THE FOLLOWING PART OF THIS FORM IS FOR COMPLETION BY THE MLRO**

**Date report received:** .....

**Date receipt of report acknowledged:** .....

**CONSIDERATION OF DISCLOSURE:**

**Action plan:**

**OUTCOME OF CONSIDERATION OF DISCLOSURE:**

**Are there reasonable grounds for suspecting money laundering activity?**

Does the Authority know the identity of the alleged money launderer or the whereabouts of the property concerned?

**If there are reasonable grounds for suspicion, will a report be made to NCA?**

*[Please tick the relevant box]*                      Yes / No

***If yes, please confirm date of report to NCA:*** .....

and complete the box below:

**If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to NCA, please set out below the reason(s) for non-disclosure:**  
*[Please set out any reasonable excuse for non-disclosure]*

**Details of liaison with NCA regarding the report:**

**Notice Period:** ..... to .....

**Moratorium Period:** ..... to .....

**Is consent required from NCA to any ongoing or imminent transactions which would otherwise be prohibited acts?                      Yes / No**

**If yes, please confirm full details in the box below:**

**Date consent received from NCA:** .....

**Date consent given by you to employee:** .....

**Date consent given by you to employee for any prohibited act transactions to proceed:** .....

**Other relevant information:**

**Signed:** ..... **Dated:** .....

**THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS**

## Appendix 4

Form on next page

Electronic version of the form is available at

<https://www.ukciu.gov.uk/saronline.aspx>

Guidance notes are available at

<http://www.nationalcrimeagency.gov.uk/publications/57-sar-guidance-notes/file>

Further guidance on *Submitting A Suspicious Activity Report (SAR) within the Regulated Sector* is available at

<http://www.nationalcrimeagency.gov.uk/publications/116-submitting-a-sar-within-the-regulated-sector/file>

**DISCLOSURE REPORT DETAILS: STANDARD REPORT:**

Reporting Institution:

Your Ref:  **Disclosure Reason:**

Branch/Office:  PoCA 2002:  Terrorism Act 2000:

Consent Required:

Disclosure Date:  -  -  Type: New  OR Update

D D M M M M Y Y Y Y

Existing Disclosure ID/s:

(where applicable)

**Please use whichever sheets you feel are necessary and indicate below how many of each you are submitting.**

**REPORT SUMMARY:**

Number of 'Subject Details' sheet appended relating to a Main Subject:

Number of 'Additional Details' sheets appended relating to Main Subject:

Number of 'Subjects Details' sheets appended relating to Associated Subject/s:

Number of 'Additional Details' sheets' appended relating to Associated Subject/s:

Number of 'Transaction Detail' sheet/s appended:

Number of 'Reason For Disclosure Sheets' appended:

Once completed please collate your sheets in the above mentioned order and then sequentially number your sheets at the bottom of each page. This will ensure that the information is processed in the correct sequence.

**Total number of pages submitted including this Header:**

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## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO AUDIT COMMITTEE

18<sup>th</sup> June 2014

#### REPORT OF THE CORPORATE DIRECTOR - RESOURCES

##### FORWARD WORK PROGRAMME – 2014-15

### 1. Purpose of Report.

1.1 To present to Members an update on the 2014 – 2015 Forward Work Programme for the Audit Committee.

### 2. Connection to Corporate Improvement Objectives / Other Corporate Priorities.

2.1. Internal Audit's work impacts on all of the Corporate Improvement Objectives /other Corporate Priorities.

### 3. Background

3.1. The core functions of an effective Audit Committee are:-

- To consider the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements.
- Seek assurance that action is being taken on risk-related issues identified by auditors and inspectors.
- Be satisfied that the Council's assurance statements properly reflect the risk environment and any actions required to improve it.
- Oversee the work of internal audit (including the annual plan and strategy) and monitor performance.
- Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- Receive the annual report of the Chief Internal Auditor.
- Consider the reports of external audit and inspection agencies, where applicable.
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- Review the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.

3.2 Effective audit committees help raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors. They enhance public trust and confidence in the financial governance of an Authority.

#### **4. Current situation / proposal**

4.1. In order to assist the Audit Committee in ensuring that due consideration has been given by the Committee to all aspects of their core functions an updated forward work programme is attached at Appendix A.

#### **5. Effect upon Policy Framework& Procedure Rules.**

5.1. None

#### **6. Equality Impact Assessment.**

6.1. There are no equality issues.

#### **7. Financial Implications.**

7.1. None

#### **8. Recommendation.**

8.1. That Members give due consideration to the updated 2014 -15 forward work programme to ensure that all aspects of their core functions are being adequately reported.

**Ness Young**  
**Corporate Director - Resources**  
**18<sup>th</sup> June 2014**

**Contact Officer:** Helen Smith – Chief Internal Auditor

**Telephone:** (01656) 754901

**E-mail:** [internalaudit@bridgend.gov.uk](mailto:internalaudit@bridgend.gov.uk)

**Postal Address**  
Bridgend County Borough Council  
Internal Audit  
Innovation Centre  
Bridgend Science Park  
Bridgend CF31 3NA

#### **Background Documents**

None



**AUDIT COMMITTEE  
SCHEDULE OF MEETINGS AND FORWARD WORK PROGRAMME  
2014 – 2015**

| DATE OF MEETING                  | FORWARD WORK PROGRAMME  | OFFICER RESPONSIBLE                        | UPDATE    |
|----------------------------------|---|--|-----------|
| <b>2014</b>                      |   |  |           |
| <b>18<sup>th</sup> June</b>      | Information and Action Requests (if applicable).  | Chief Internal Auditor (CIA)               | Submitted |
|                                  | Updated Forward Work Programme.   | CIA  | Submitted |
|                                  | Approval of the draft Annual Governance Statement 2013-14.  | Head of Finance & Performance              | Submitted |
|                                  | Pre-audited Statement of Accounts 2013/14.  | Head of Finance & Performance              | Submitted |
|                                  | Complete Audits (if applicable).  | CIA  | Submitted |
|                                  | Head of Audit's Annual Opinion Report 2013/14.  | CIA  | Submitted |
|                                  | External Auditors / Inspection Reports (where applicable).<br><br>WAO Annual Improvement Report                       | Head of Finance & Performance / WAO / KPMG | Submitted |
|                                  | IASS Outturn Report April and May 2014.   | CIA  | Deferred  |
|                                  | Implementation of Recommendations (if applicable).  | CIA  | Deferred  |
| <b>Additional Items</b>          | Anti -Money Laundering Policy.  | Head of Finance & Performance              | Submitted |
|                                  |   |  |           |
| <b>25<sup>th</sup> September</b> | Information and Action Requests   | CIA  |           |
|                                  | Updated Forward Work Programme  | CIA  |           |
|                                  | Final Annual Governance Statement and summary of assurance 2013/14  | Head of Finance and Performance            |           |
|                                  | Statement of Audited Accounts   | Head of Finance and Performance / KPMG     |           |
|                                  | Treasury Management Outturn 2013/14   | Head of Finance and Performance            |           |
|                                  | Internal Audit 5 months Outturn Report April to August 2014.  | CIA  |           |
|                                  | Completed Audits Report (where applicable)  | CIA  |           |
|                                  | Implementation of Recommendations Report (where applicable)   | CIA  |           |
|                                  | External Auditors / Inspection Reports (where applicable). -<br>Audit of Financial Statement Report 2013/14 (ISA 260) | Head of Finance & Performance / WAO / KPMG |           |
|                                  |   |  |           |
| <b>20<sup>th</sup> November</b>  | Up dated Forward Work Programme   | CIA  |           |
|                                  | Information and Action Requests (where applicable)  | CIA  |           |
|                                  | Update on IASS Performance including Client Satisfaction Survey Results.  | CIA  |           |
|                                  | Fraud update  | Benefits Manager                           |           |
|                                  | Corporate Risk Assessment Review 2014/15.   | Head of Finance and Performance            |           |
|                                  | Completed Audits Report (if applicable)   | CIA  |           |
|                                  | Internal Audit Outturn Report – April 2014 to October 2014  | CIA  |           |
|                                  | External Auditors / Inspection Reports (where applicable). –<br>Annual Audit Letter                                   | Head of Finance & Performance / WAO / KPMG |           |

|                                |   |  |  |
|--------------------------------|---|--|--|
| <b>2015</b>                    |   |  |  |
| <b>15<sup>th</sup> January</b> | <b>Up dated Forward Work Programme</b>  | <b>CIA</b>   |  |
|                                | <b>Information and Action Requests (if applicable)</b>  | <b>CIA</b>   |  |
|                                | <b>Internal Audit 9 months Outturn Report April 2014 – December 2014</b>  | <b>CIA</b>   |  |
|                                | <b>Completed Audits (where applicable)</b>  | <b>CIA</b>   |  |
|                                | <b>Implementation of Recommendations Report (if Applicable)</b>   | <b>CIA</b>   |  |
|                                | <b>Report on the work undertaken on School Audits.</b>  | <b>CIA</b>   |  |
|                                | <b>External Auditors / Inspection Reports (where applicable)</b>  | <b>Head of Finance &amp; Performance / WAO/ KPMG</b> |  |
|                                |   |  |  |
| <b>16<sup>th</sup> April</b>   | <b>Information and Action Requests (where applicable)</b>   | <b>CIA</b>   |  |
|                                | <b>Updated Forward Work Programme</b>   | <b>CIA</b>   |  |
|                                | <b>Proposed Forward Work Programme 2015-16.</b>   | <b>CIA</b>   |  |
|                                | <b>Internal Audit proposed Annual Strategy and Audit Plan 2015-2016.</b>  | <b>CIA</b>   |  |
|                                | <b>Governance – Compliance with Public Sector Internal Audit Standards for 2014-15</b>  | <b>CIA</b>   |  |
|                                | <b>Audit Committee – Terms of Reference</b>   | <b>CIA</b>   |  |
|                                | <b>Internal Audit Shared Service Charter and Terms of Reference</b>   | <b>CIA</b>   |  |
|                                | <b>Completed Audits (where applicable)</b>  | <b>CIA</b>   |  |
|                                | <b>Head of Audit’s Annual Opinion Report and outturn for the Year 2014/15</b>   | <b>CIA</b>   |  |
|                                | <b>External Auditors / Inspection Reports (if applicable): -<br/>Financial audit Outline Report 2014-15;<br/>Certification of grants and return 2013/14</b> | <b>Head of finance &amp; Performance / WAO/ KPMG</b> |  |
|                                |   |  |  |