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Bridgend County Borough Council
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Date / Dyddiad: 18 September 2014

Dear Councillor,

AUDIT COMMITTEE

A meeting of the Audit Committee will be held in Committee Rooms 2/3 - Civic Offices Angel Street Bridgend CF31 4WB on **Thursday, 25 September 2014 at 2.00 pm.**

AGENDA

1. Election of Chairperson
2. Election of Vice Chairperson
3. Apologies for Absence
To receive apologies for absence (to include reasons, where appropriate) from Members/Officers.
4. Declarations of Interest
5. Minutes of Previous Meeting 3 - 10
To receive for approval the minutes of a meeting of the Audit Committee held on 18 June 2014.
6. Wales Audit Office Performance Work 2014/15 11 - 20
7. Audited Statement of Accounts 21 - 164
8. Treasury Management Report 2013/14 165 - 184
9. Information and Action Requests 185 - 186
10. Internal Audit - Outturn Report - April to August 2014 187 - 204
11. Implementation of Recommendations 205 - 208
12. Completed Audits 209 - 222

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Cyfnwidi testun: Rhwyh 18001 o flaen unrhyw un o'n rhifau ffon ar gyfer y gwasanaeth trosglwyddo testun

Yours faithfully

P A Jolley

Assistant Chief Executive Legal and Regulatory Services

Distribution:

Councillors:

G Davies
G W Davies MBE
E M Dodd
D K Edwards

Councillors

C A Green
R C Jones
J E Lewis
J R McCarthy

Councillors

M Reeves
C Westwood
H M Williams
R E Young

Co-Opted member

Mrs J Williams

AUDIT COMMITTEE - 18 JUNE 2014

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOM 2/3,
CIVIC OFFICES, ANGEL STREET, BRIDGEND ON THURSDAY, 18 JUNE 2014 AT
2.00PM

Present:

Councillor E Dodd - Chairperson

Councillors

G Davies
G W Davies MBE

Councillors

C A Green
R C Jones

Councillors

J R McCarthy
C Westwood

Councillors

H M Williams
R E Young

Officers:

J Smith - Head of Finance and Performance
H Smith - Chief Internal Auditor
M Arthur - KPMG
M Williams - Chief Accountant
L Griffiths - Legal Officer
M A Galvin - Senior Democratic Services Officer - Committees

117 ANNOUNCEMENT

The Chief Internal Auditor advised Members that prior to electing a Chairperson of the Committee, she understood that Councillor Jones wished to make an announcement.

Councillor Jones proposed that a Chairperson be appointed for this meeting only and that consideration be given to both the importance of this role and the costs associated with it. She was sure that all Members agreed that the role of the Chair was important not only to ensure the probity and performance of the Authority, but also to ensure that the Council's regulators are supported in their role.

As had already been identified in relation to the Democratic Services Committee, there was also a need to be mindful of the costs of the role and the salary that it attracted as provided by the Independent Remuneration Panel for Wales.

Her proposal would allow Members to consider in their own groups whether the present arrangements should stay; there should be a recommendation to Council in relation to the approval of the salary for this role, or for example, whether a Lay Member should be appointed, prior to returning to Committee to debate the matter further and make a determination.

Following this announcement, Members of the Committee by way of a majority decision, agreed that the matter of payment to the Chairperson of the Committee be further considered by political groups that make up the Authority, prior to the next meeting of the Audit Committee.

118 ELECTION OF CHAIRPERSON

RESOLVED: That in light of Minute 117 above, Committee agreed to appoint Councillor E Dodd as Chairperson of the Audit Committee for today's meeting only.

Councillor Dodd then took the Chair.

119 ELECTION OF VICE-CHAIRPERSON

RESOLVED: The Committee agreed to appoint Councillor G Davies as Vice-Chairperson of the Audit Committee for today's meeting only.

120 APOLOGIES FOR ABSENCE

Apologies for absence were received from the following Members:

Councillor J E Lewis	-	Holiday
Councillor D K Edwards	-	Other Council Business
Councillor M Reeves	-	Other Council Business
Mrs J Williams	-	Holiday

121 DECLARATIONS OF INTEREST

None.

122 MINUTES OF PREVIOUS MEETINGS

RESOLVED: That the minutes of the meeting of the Audit Committee held on the 10 April 2014 were approved as a true and accurate record.

123 INFORMATION AND ACTION REQUESTS BY COMMITTEE

The Chief Internal Auditor presented a report that summarised for Members the actions and information requests made by the Audit Committee at its last meeting.

She confirmed to Members that a summary of actions and associated information so provided in relation to requests for further information on the items entitled Anti-Fraud and Bribery Policy and Draft Internal Audit Strategy and Annual Risk Based Audit Plan - March 2015, was provided in Paragraph 4.1 of the report.

RESOLVED: That Committee noted the report.

124 COMPLETED AUDITS

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

The Chief Internal Auditor then gave a resume on each of these audits.

In relation to Purchasing Cards, she confirmed that the Audit Opinion on this work area was deemed as reasonable where nine recommendations had been made as a result of the audit, all of which had been agreed/actioned by the Department.

In terms of the follow-up audit on Shared Lives, which had previously received an Audit Opinion of Limited, she confirmed that progress had been made in this area, but not to such an extent that warranted any improvement in this Opinion. A new Manager was now in place and it was suggested that this person has further time to make the improvements recommended, and in turn, be invited to the Audit

Committee at its October meeting to give feedback on hopefully by then on how the Service has improved.

With regard to the follow-up audit on Supported Living, the Chief Internal Auditor advised that Audit Opinion of the Service was deemed reasonable, and a further report on this area would be presented to Committee in November.

Member Payments, Gifts and Hospitality had been given a Substantial Audit Opinion, as had the audit carried out in respect of the implementation of Job Evaluation.

The audit of Telecare had been categorised as Limited Audit Opinion, with a number of significant recommendations being made in relation to staff training on a specific IT system crucial to client management, and gaining assurance from third party operators as to employees DBS status. She confirmed that a follow-up audit would take place between July - September.

The next audit related to Inter-Authority Placements, and the Chief Internal Auditor confirmed that Audit Opinion in this work area was also classed as Limited with a particular problem in place regarding file management and responsibility. Two files could not be located at the time of the review and this continues to remain the case.. Auditors will maintain a watching brief of this service area.

The audit of the area of Social Media had been assessed as Reasonable as had the audit in respect of Display Screen Equipment (DSE) and eye tests, only in terms of the latter, there was no control in place to ensure the employee claiming the voucher was the same employee having the eye test.

The audit of Communities First had been considered Reasonable, though added the Chief Internal Auditor, the Wales Audit Office had also undertaken their own separate review of this area of work.

The School Balances audit had been given a Substantial Audit Opinion whilst the audit of Taxation had been considered Reasonable with strengths identified, and only two recommendations made by the Internal Audit Shared Service as a result of this audit.

RESOLVED: That Committee noted the report and the findings arising from the audits of the above service areas.

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

The Chief Internal Auditor presented a report to members of the Committee on her (i.e.as Head of Internal Audit) annual opinion on the overall adequacy of the Council's internal control environment.

The report gave a brief description of the role of Internal Audit, the control environment within which Internal Audit operated and a summary of work carried out during the period April 2013 to March 2014. A statement of overall opinion on the internal control environment was also given in support of the Annual Governance Statement which the Council is required to include with the Statement of Accounts.

She explained that Internal Audit was an assurance function that primarily provided 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, including its policies, procedures and operations that were/are in place.

The Chief Internal Auditor stated that one of the main aims of her Section was to provide assurance on the Council's overall system of internal control, which she had deemed to be Reasonable in terms of assurance of the Authority's overall internal control environment.

Attached at Appendices A and B of the report was a detailed report (including the outturn for April 2013 to March 2014) on the work undertaken by Internal Audit during this period, and the Chief Internal Auditor extracted key information from these attachments so as to share with Members.

She further added, that the system of internal control was designed to manage risk to a reasonable level rather than to eliminate the risk of failure to achieving corporate/service policies, aims and objectives, hence her assurance being considered reasonable rather than absolute in terms of effectiveness.

With regard to Appendix A of the report i.e. paragraph 9.13, the Committee raised concerns over the fact that the Section 151 Officer was presently unavailable to undertake her role..

The Head of Finance and Performance (Deputy Section 151 Officer) was shortly leaving the Authority, and though Members recognised that the Chief Executive was in the process of addressing this issue and had given an assurance that certain arrangements would be put in place to ensure the statutory functions of the Section 151 Officer were adequately covered, they felt that a letter should be sent to him from the Audit Committee expressing their concern and advising that it is essential that a suitably experienced Section 151 Officer is in place to cover any period of absence of the above two Officers and prior to the successful recruitment of the newly introduced post of Head of Finance and ICT.

RESOLVED: (1) That Committee noted the Head of Internal Audit's Annual Opinion covering the period April 2013 to March 2014.

(2) That the Committee agreed to send a letter, signed by the Chairperson, to the Chief Executive expressing its concern over the statutory obligations of the Section 151 Officer being fulfilled, for the reasons outlined by the Committee detailed above.

126 ANNUAL GOVERNANCE STATEMENT 2013-14

The Head of Finance and Performance presented a report the purpose of which was 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 had been updated.

By way of background information, she explained that 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.

The CIPFA Code of Recommended Practice (the Code) stated 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 stated that the AGS must be included in the Council's Statement of Accounts.

She explained that there were six core principles of good governance in the CIPFA/SOLACE framework contained within 'Delivering Good Governance in Local Government' which had been adapted for local government purposes. These could be aligned with the principles and values set out by the Welsh Government (WG). These were shown numbered 1 - 6 in paragraph 4.1 of the report.

The Head of Finance and Performance added that each core principle had a number of supporting principles outlining what they meant. The supporting principles in turn translated into a range of specific requirements that should be in place within the Council. The Council's Code of Corporate Governance had been based on these principles. The Council's Code of Corporate Governance was attached at Appendix A to the report. It had been updated to include reference to the revised Anti-Fraud and Bribery Policy.

Good corporate governance required the active participation of Members and officers across the Council. These arrangements were reviewed on an annual basis and the findings used to update the AGS. This helped to ensure the continuous improvement of the Council's corporate governance culture.

The AGS for 2013-14 was attached at Appendix B to the report.

The Head of Finance and Performance then referred to certain key areas included within Appendices A and B for the benefit of Members, particularly in relation to significant governance issues.

RESOLVED: That the Audit Committee:-

- (1) Approved the revised Code of Corporate Governance, shown at Appendix A to the report.
- (2) Reviewed the Annual Governance Statement, shown at Appendix B to the report, and approved its inclusion in the Statement of Accounts 2013-14.

127 STATEMENT OF ACCOUNTS 2013-14

The Chief Accountant submitted a report the purpose of which was to present the unaudited Statement of Accounts for 2013-14 to Audit Committee for noting.

She confirmed that 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.

The Council's Statement of Accounts for the financial year ended 31 March 2014 had been prepared and a copy was attached as Appendix A, and comprised of a number

of different statements relating to financial performance and reserves as well as a statement on corporate governance arrangements.

The Chief Accountant explained that there was a 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, prior to once more being presented to Committee.

The Chief Accountant referred to some key information detailed in the attached Appendix A, particularly on pages 50-53 of the document, which outlined four main Core Financial Statements, as well as the financial performance together with details of Council Reserves and information regarding the Annual Governance Statement.

A Member noted from Page 51 of Appendix 'A' that Council Tax income amounting to £66m in 2012-13, had only increased to just under £69m for 2013-14. As he was aware that further housing had been constructed within parts of the County Borough between these periods, he felt that this increase in income could have been greater.

The Head of Finance and Performance whilst accepting this point, stated that there were compensating reasons why this increase may appear to be smaller than expected, for example because of single person occupier claims, and other factors such as exemptions and discounts, etc. She added that she would look into this further and provide a further explanation to Members of the Committee.

RESOLVED: That the Committee noted the unaudited Statement of Accounts for 2013-14.

129 ANTI-MONEY LAUNDERING POLICY

The Chief Accountant presented a report, the purpose of which was to present Committee with the above draft policy.

She explained that as the Council's existing Anti-Money Laundering Policy had not been updated since 2006, this now needed revising.

The draft Policy, attached at Appendix A to the report, recognised that the Council as a large organisation was at risk of loss, due to money laundering. In adopting the Policy, the Council was seeking to demonstrate clearly that it was firmly committed to dealing with money laundering and that it would deal equally to this end with perpetrators from inside (i.e. Members and Officers) and outside the Authority.

The Chief Accountant confirmed that the draft Policy now included examples of risks which may either alone or cumulatively suggest possible money laundering activity. Appendix 1 of Appendix A also outlined a money laundering checklist.

She finalised her submission by advising that training would be made available in respect of the Policy, which when approved would be placed on the Council's Intranet site.

RESOLVED: That the Committee:-

- (1) Noted the draft Anti-Money Laundering Policy attached at Appendix A to the report.
- (2) Noted that the Policy will in turn be presented to Cabinet for approval.

130 WALES AUDIT OFFICE - ANNUAL IMPROVEMENT REPORT (AIR) ON BRIDEND COUNTY BOROUGH COUNCIL - MAY 2014

The Head of Finance and Performance submitted a report, to introduce the report of the Wales Audit Office (WAO) to the Committee (attached at Appendix 1).

Each year, the WAO, on behalf of the Auditor General, carried out an improvement assessment for each improvement authority in Wales, the annual improvement assessment consisting of two parts as detailed in paragraph 3.1 of the report.

The Head of Finance and Performance added that the attached Annual Improvement Report was informed by the findings of these two assessments.

The report had also drawn on CSSIW's *Annual Review and 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).

She explained that the overall conclusion of the WAO report was positive, reflecting what the Council achieved and the improvement it had made in 2012-13.

The report recognised the Council has effective performance review arrangements in place, which it regards as "good practice", and also recognised the Council's approach to financial management as "positive practice".

The Head of Finance and Performance further added that, based on the findings, the report concluded that the Council was likely to make appropriate arrangements to secure continuous improvement for 2014-15.

The report had not made any statutory recommendations for the Council to consider, nor specific proposals for improvement.

RESOLVED: That the Committee noted the above Annual Improvement Report produced by the Wales Audit Office.

131 FORWARD WORK PROGRAMME - 2013/14

The Chief Internal Auditor presented a report that gave Members an update on the 2014 - 2015 Forward Work Programme (FWP) for the Audit Committee, covering the above period, attached at Appendix A to the report.

RESOLVED: That Members accepted and noted the Forward Work Programme 2014-15, in order to ensure that all aspects of their core functions are being adequately reported.

The meeting closed at 3.40pm.

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

25th SEPTEMBER 2014

REPORT OF THE INTERIM CORPORATE DIRECTOR - RESOURCES

WAO Performance Work 2014/15

1. Purpose of Report

- 1.1 The purpose of this report is to submit the Appointed Auditor's annual letter in respect of the audit performance work and associated fees for 2014/15 and an update on the current status of the planned work.

2. Connection to Corporate Improvement Objectives / Other Corporate Priority

- 2.1 Internal and External Audit's work impacts on the Corporate Improvement Objectives and other corporate priorities.

3. Background

- 3.1 The Appointed Auditor has a duty under the Local Government (Wales) Measure 2009, the Local Government Act 1999 and the Public Audit (Wales) Act 2013 to deliver a programme of performance audit work. In addition to this work, a programme of Local Government Studies will be conducted.

4. Current situation / proposal

- 4.1. Attached to this report (Appendix A) is the annual letter from Wales Audit Office (WAO) which outlines the Improvement Assessment work and Local Government Studies that will be undertaken on the Council in 2014/15 and the fee associated with the undertaking of this work. Appendix B provides an update on the current status of the planned work.

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 The fee for performance audit work for the 2014/15 will be £99,654.

8. Recommendation

- 8.1 That Members give due consideration to the attached documents to ensure that all aspects of their core functions are being adequately reported.

Gill Lewis
Interim Corporate Director - Resources
25th September 2014

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

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Darren Mepham
Chief Executive
Bridgend County Borough Council
Civic Offices
Angel Street
Bridgend
CF31 4WB

Date 19 May 2014
Pages 1 of 3

Dear Darren

2014-15 Performance Audit Work and Fees

I am writing to confirm the programme of performance audit work at Bridgend County Borough Council for 2014-15 and the associated fee for that work. This work is delivered under the Local Government (Wales) Measure 2009 (the Measure), the Local Government Act 1999 and the Public Audit (Wales) Act 2013.

In addition to the Auditor General’s audit and assessment work under the Measure, we will undertake a programme of Local Government Studies as set out in the Auditor General’s letter of 28 April 2014. These and the specific elements of our audit and assessment work are set out in the table below. Please note that each year’s work programme and performance audit fee covers one cycle of Improvement Assessment work. However, as this work does not fit neatly within a period starting on 1 April and ending on 31 March, the delivery of the annual work programme may overlap financial years.

WAO performance audit work 2014-15	
Improvement assessment work	
‘Improvement Plan’ Audit	Audit of discharge of duty to publish an improvement plan.
‘Assessment of Performance’ Audit	Audit of discharge of duty to publish an assessment of performance.

Financial Management	Financial position work focussing on financial health, the effectiveness of budget setting arrangements, financial governance systems and progress/track record in delivering on required savings.
Governance	Local scope to be confirmed
Performance Management	Local scope to be confirmed
Local Government Studies	
Joined up working to address Health and Social Care demand – Independence of Older People.	This study will focus on supporting older people to maintain their independence outside of the health and care system by assessing how effective ancillary services are at supporting them to live independently.
Delivering with less – Leisure Services	This study will track the levels of investment in leisure services over the last few years using the methodology developed for the 2013-14 delivering with less study on environmental health services.
Financial position summary	This study will summarise local work on councils' financial position and give an all-Wales picture of financial resilience.
Local work	The focus and scope of local work will be agreed following further discussion with the Authority and based on an assessment of issues relevant to the Authority's programme of improvement

The table below sets out our fee for performance audit work. The fee for April 2014 to March 2015 will be charged in equal instalments between April 2014 and March 2015. This fee includes performance audit work delivered on my behalf by KPMG. If during the

course of the audit and assessment any additional work is identified as being necessary, this may incur additional fees. Similarly should an issue arise of such importance that we consider a special inspection to be an appropriate response, we will charge an additional fee to conduct such an inspection.

Fee April 2014 to March 2015	£
Fee for performance audit work	99,654

In addition to the programme of work set out above the Wales Audit Office may be undertaking work at local government bodies in the course of our programme of value for money studies laid before the National Assembly for consideration by its Public Accounts Committee. As many of these studies cut across the boundaries between different parts of the Welsh public sector, they will often be relevant to our work in local government. This work is funded separately by the Welsh Government consolidated fund and therefore does not incur a fee.

The Auditor General also has a duty under the Measure in relation to the coordination of the regulatory functions of the Wales Audit Office and relevant regulators, those being the Appointed Auditor; the Care and Social Services Inspectorate Wales (CSSIW); Estyn; and the Welsh Language Commissioner. The range of performance audit work that the Wales Audit Office and relevant regulators will carry out will be set out in more detail in a Work Plan and Timetable (WP&T) which will be reviewed every quarter.

We will publish an Annual Improvement Report for Bridgend County Borough Council summarising our work and that of relevant regulators, and will issue reports (and/or letters) setting out the findings of audit and assessment work. As required by the Measure, these will be copied to Welsh Ministers. We will also provide local feedback on our Studies. As some of our studies are only carried at a selection of authorities, you may not receive a local report: instead we will publish a national report, the recommendations of which will apply to all local authorities. Where appropriate, both our improvement studies and national work may result in shared learning seminars or other outputs.

Should you wish to discuss any element of this work please do not hesitate to contact me or Steve Barry (steve.barry@wao.gov.uk) or Helen Keatley (Helen.keatley@wao.gov.uk).

Yours sincerely

A handwritten signature in cursive script, appearing to read 'Jane Holownia'.

Jane Holownia

WAO Group Director

BRIDGEND COUNTY BOROUGH COUNCIL
Wales Audit Office performance work programme 2014-15

Improvement Assessment 2014-15	Output	Status
Local Study: Cost Reduction - arrangements for identifying and making savings.	Local Report	In progress: Project Brief agreed and proposed on site dates September 2014
Local Study: Arrangements for outsourcing services/seeking alternative service delivery models	Local Report	In progress: Project Brief agreed and proposed on site dates September 2014
Local Study: Ensuring Performance Management drives further improvement	Local Report	In progress: Project Brief agreed and proposed on site dates September 2014
Improvement Planning	Certificate to confirm compliance with LG Measure	Complete. Audit of Council's Improvement Plan undertaken early June. Certificate of compliance issued 27.6.14
Annual Reporting	Certificate to confirm compliance with LG Measure	Scheduled for November 2014 Audit of Council's Annual report to be undertaken following its publication in October
Local Government All Wales /National Studies 2014-15	Output	Status
Financial Position Assessment To assess whether authorities have robust approaches in place to manage the budget reduction to secure a stable financial position, enabling them to continue to operate for the foreseeable future.	National Summary Report and Local Report	In Progress: Local Report in draft – to be published in September 2014
Delivering with less – Leisure Services The focus of the study is on tracking changes	National Report	In Development: A study involving all 22 local authorities to answer the headline question: Are councils effectively delivering their leisure and recreation services with fewer resources?

<p>On leisure service provision in the last decade. For the purpose of this study, the term 'council leisure services' to mean sports and recreation services provided directly or indirectly (under-written by a partnership agreement or contract). The substantial work will be delivered by WAO, PwC and KPMG.</p>		
<p>Independence of older people The focus of the study will be on services provided by councils outside of social care that contribute to supporting older people to live independently.</p>	National Report	In Development: A study involving all 22 local authorities to answer the headline question: Are Councils working effectively to minimise demand for social care and health services for older people and supporting them to live independently at home?
<p>Regional Education Consortia (A VFM Study) Alongside Estyn's 'thematic survey report to evaluate work of regional school improvement service. Purpose of Study is to assess whether 'the Welsh Government's arrangements for regional consortia (are) likely to deliver the intended improvement in support to schools and local authorities.'</p>	National Report	In Development: Site work to take place with visits to Consortium 24-27 November 2014.
Local Government All Wales /National Studies 2013-14	Output	Status
<p>Whistleblowing Whistle blowing relating more to Governance framework and issues.</p>	National Report	In Progress: Draft reporting underway – findings contributing to national summary report. Local feedback (including paragraph for inclusion in national report) to be confirmed
Safeguarding	National Report and Local Summary	In Progress: Anticipated publication date late September/October 2014.

Impact of Welfare Reform on Social Housing	National Report and Shared Learning Event	In Progress: National report anticipated publication September/October 2014.
Delivering with less – the impact on Environmental Health Services and citizens	National Report and Local Summary	In Progress: Anticipated that National Report will be published October 2014; local summaries to be published shortly after.

S Barry Wales Audit Office Manager Local Government South Region

Updated 3rd September 2014

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

THURSDAY 25 SEPTEMBER 2014

REPORT OF THE SECTION 151 OFFICER

FINAL STATEMENT OF ACCOUNTS 2013-14

1. Purpose of the Report

- 1.1 The purpose of this report is to present the final Statement of Accounts for 2013-14 which is now due to be signed off by our external auditors, KPMG and associated Letter of Representation of the Council.
- 1.2 KPMG will update Members on their main findings and summarise the audit work carried out in respect of the financial year 2013-14 and present their Audit of Financial Statements Report which requires the Appointed Auditor to report to those charged with governance these key findings.

2. Connection to Corporate Improvement Objectives and 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 unaudited Statement of Accounts for 2013-14 was signed by the responsible financial officer before the 30 June 2014 in accordance with the Accounts and Audit (Wales) (Amendment) Regulations 2010. During the intervening period, the external audit has taken place resulting in a small number of amendments being made to the financial statements.
- 3.2 The audited Statement of Accounts 2013-14 is attached at Appendix A and is due to be signed off as presenting a true and fair view of the financial position of the Council at 31 March 2014 by 30 September 2014.

4. Current Situation / Proposal

- 4.1 The Council Fund balance as at 31 March 2014 presented in the pre-audit Statement of Accounts was £7.395 million. There were no audit adjustments that impacted on this figure. However, there were some

amendments resulting from the reclassifications of two of the Council's assets.

4.2 A Final Letter of Representation is required by the External Audit Manager, KPMG, and the Appointed Auditor, the Wales Audit Office to complete the process and enable the accounts to be signed off. This is included as Appendix B.

4.3 Under International Auditing Standards (ISA) 260, the External Auditor is required to communicate relevant matters relating to the audit of the financial statements to "those charged with governance". These matters are incorporated into the Audit of Financial Statements Report, which is included as Appendix C.

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 These are reflected in the body of the report.

8. Recommendations

8.1 It is recommended that Members:-

- Note the audited Statement of Accounts 2013-14 (Appendix A)
- Note and agree the Final Letter of Representation to the Wales Audit Office (Appendix B)
- Note the Appointed Auditors Audit of Financial Statements Report (Appendix C)

**Gill Lewis CPFA
Deputy Section 151 Officer
Interim Corporate Director-Resources**

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Background Documents:

Bridgend County Borough Council Statement of Accounts 2013-14
The Accounts and Audit (Wales) (Amendment) Regulations 2010

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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 2013-14. This is in accordance with International Financial Reporting Standards (IFRS). The main changes include guidance on the revisions necessary to Pensions disclosures as a result off IAS19(R), and the associated adjustments necessary to the Comprehensive Income and Expenditure Statement.

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 £22.118 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 £159.444 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**

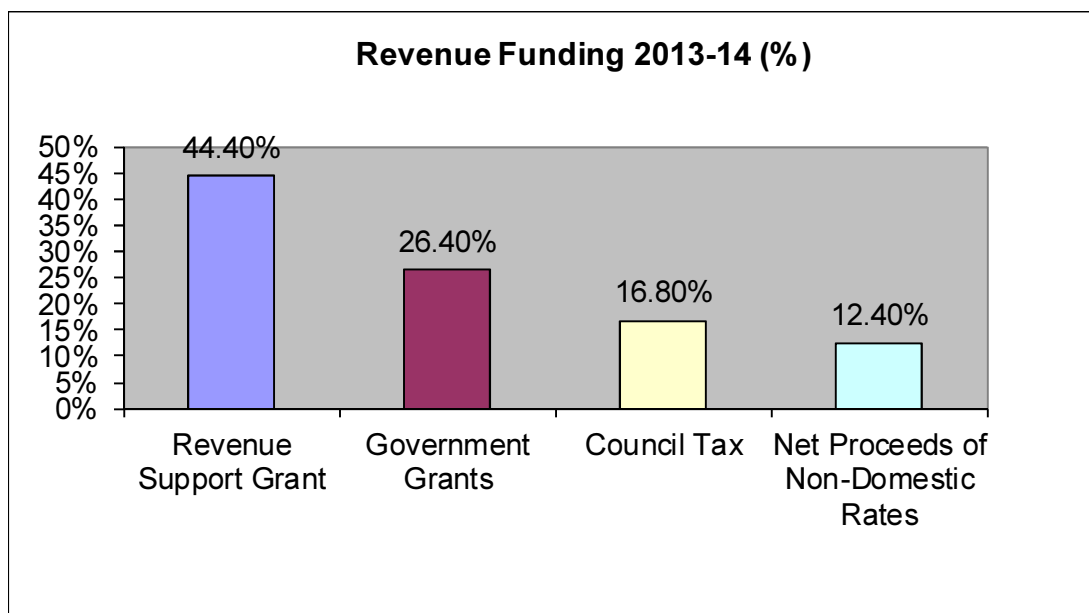
The Council incurs two types of expenditure – revenue expenditure and capital expenditure.

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.

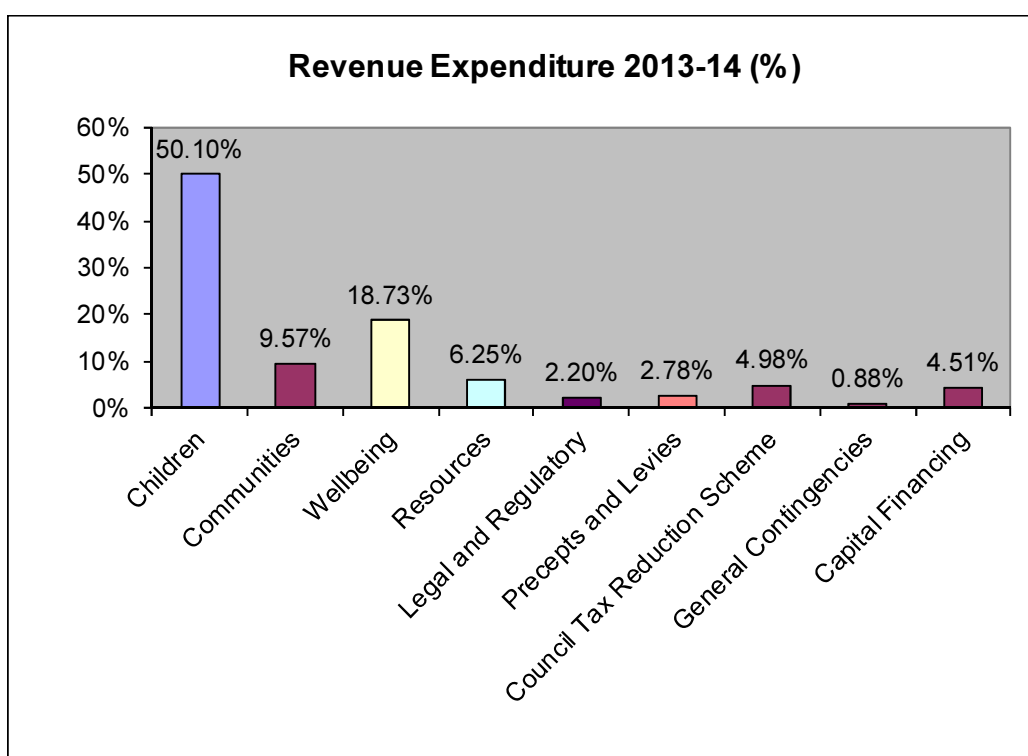
Capital expenditure covers spending on assets such as roads, new schools, redevelopment and the major renovation of buildings. These assets will provide benefits to the community for several years and the expenditure is mainly financed by borrowing and capital grants.

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

	Original Budget 13-14 £'000	Budget Transfers In Year £'000	Revised Budget 13-14 £'000	Actual 13-14 £'000	Variance 13-14 £'000
Directorates					
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)
Total Directorate Budgets	216,502	5,933	222,435	220,777	(1,658)
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)
Net Expenditure	257,648	(1,832)	255,816	252,988	(2,828)
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
Net Budget	254,730	-	254,730	256,199	1,469
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)
Net (Under)/Overspend on Services	-	-	-	(75)	(75)

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:

BRIDGEND C.B.C	Net Budget £,000	Outturn £,000	Variance Over/(under) budget £'000	% Variance
CHILDRENS DIRECTORATE				
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 £113,000 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 £451,000, 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 £66,000 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 £,000	Outturn £,000	Variance Over/ (under) budget £'000	% Variance
WELLBEING DIRECTORATE				
Older People Residential Care	8,279	7,889	(390)	-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	(202)	-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 (£62,000) 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:

BRIDGEND C.B.C	Net Budget £,000	Outturn £,000	Variance Over/(under) budget £'000	% Variance
COMMUNITIES DIRECTORATE				
Development Control/Planning and Building Control	455	669	214	47%
Housing and Community Regeneration	1,566	1,224	(342)	-21.8%
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:

BRIDGEND C.B.C	Net Budget £'000	Outturn £'000	Variance Over/(under) budget £'000	% Variance
RESOURCES DIRECTORATE				
Financial Services	4,575	4,321	(254)	-5.6%
Human Resources & Organisational Development	2,800	2,724	(76)	-2.7%
ICT & Customer Care	5,810	5,530	(280)	-4.8%
Property & Building Services	3,020	2,743	(277)	-9.2%
Chief Executive	659	580	(79)	-12.0%

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 £280,000 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 £278,000 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**

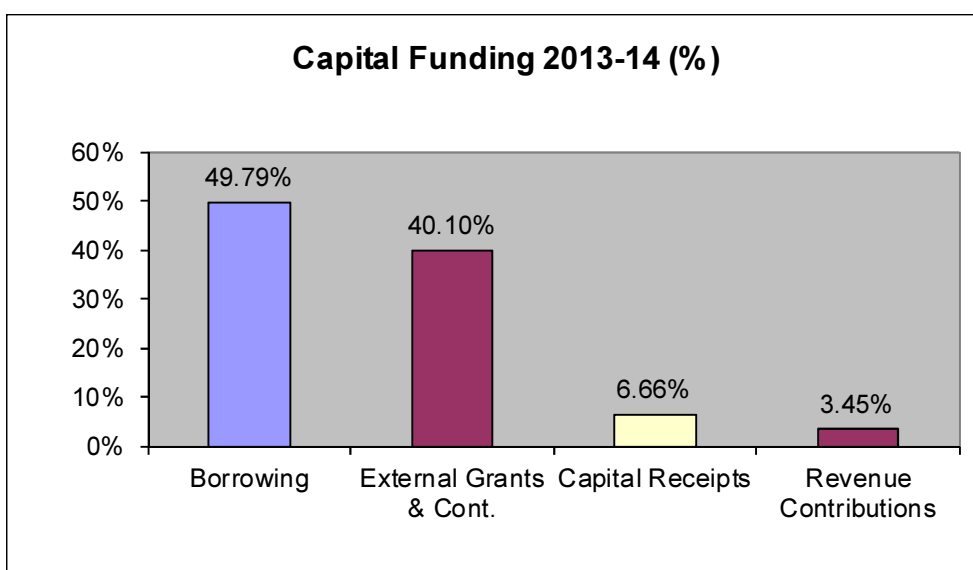
Council Wide budgets include an underspend of £272,000 on the capital financing budgets which was due to a combination of reduced financing costs because of timing differences between borrowing and repayments and enhanced investment income. There were also underspends on the central contingency, building 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

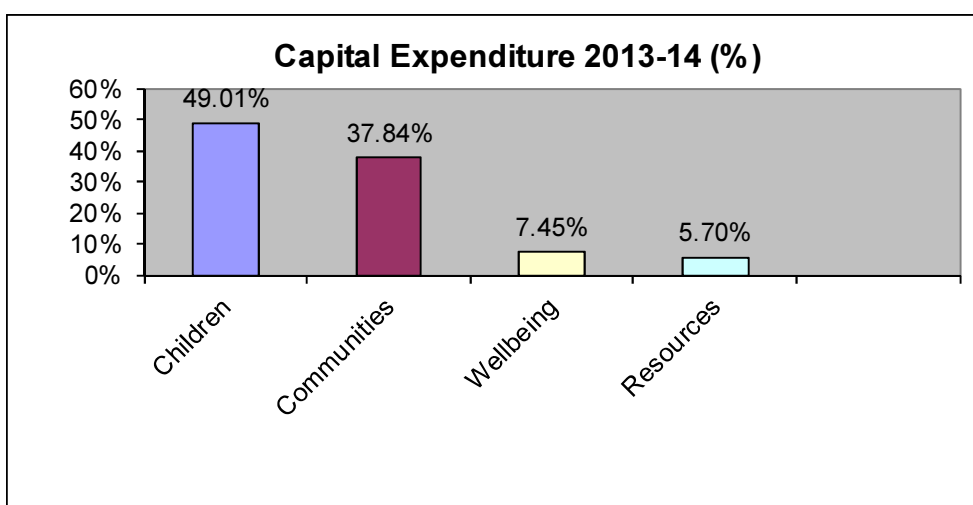
In addition to spending money on providing services on a day to day basis, the Council also spends money on providing new facilities, improving assets and the infrastructure, enhancing assets or providing capital grants to others. The total capital spending in 2013-14 was £36.853 million. Assets created, 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 £m
Authorised limit for external debt	
Borrowing	146
Other long term liabilities	30
Total	176
Operational Boundary	
Borrowing	115
Other long term liabilities	24
Total	139

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

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.

Chair of Audit Committee Certificate

Signed :

Date:

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 ensuring that the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). 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 and the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). 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.
- 10.10 In 2013-14 the Council's financial management arrangements were found to be conforming with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 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 was reported to the Audit Committee in June 2014, for the period April 2013 to March 2014. It stated that based on the work undertaken “a satisfactory assurance level can be applied to standards of internal control at Bridgend CBC for the period stated.” However, the Opinion raised a concern over the retirement of the deputy Section 151 Officer at the end of July 2014 and that the Section 151 Officer was unavailable to perform her duties as a significant governance issue. This issue has now been addressed with interim arrangements put in place by the Chief Executive to cover this statutory role in the short term and the Council has now been successful in attracting an external candidate to undertake the combined role of Head of Finance and ICT. The successful candidate will take up his post at the end of September 2014. The Corporate Director - Resources has also recently returned to resume her duties.
- 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 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 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 AssetsProvisions

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 LessorOperating 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.

This year's pension related disclosures have been calculated under the revised IAS 19 (IAS19R), which has required a re-stating of the 2012-13 figures. The key changes of IAS19R are:-

- The interest cost and expected return on asset items have been replaced by a single 'net interest' item, and
- Changes have been made to where scheme expenses are recognised in the Comprehensive Income and Expenditure Statement.

The changes to where scheme expenses are recognised resulted in a movement of £5.68m in 2012-13 from 'Other Comprehensive Income and Expenditure', to the 'Surplus or Deficit on the Provision of Services' line in the Comprehensive Income and Expenditure Statement. The resultant impact on each of this change on the statements is shown in the tables below.

	As previously stated 2012-13 £'m	Restated 2012-13 £'m	Adjustment 2012-13 £'m
Pensions Disclosure Note			
Service cost comprising:			
current service cost	15.05	15.82	0.77
past service costs	2.5	2.50	0.00
(gain)/loss from settlements	-1.16	(1.16)	0.00
Financing & Investment Income & Expenditure :-			
Net interest expense	8.38	13.29	4.91
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	24.77	30.45	5.68
Total Post-employment Benefits charged to 'Other Comprehensive Income and Expenditure'	24.74	19.06	(5.68)

Effect on Comprehensive Income and Expenditure Statement	As previously stated 2012-13 £'m	Restated 2012-13 £'m	Adjustment 2012-13 £'m
Surplus on the Provision of Services	9.009	3.329	(5.680)
Other Comprehensive Income and Expenditure	(25.55)	(19.87)	5.680
Total Balances Unchanged			
Movement in Reserves Statement			
Usable Reserves			
Surplus on provision of Services	9.009	3.329	(5.680)
Adjustments between accounting basis and funding basis under regulations	(1.691)	3.989	5.680
Unusable reserves			
Other Comprehensive Income and Expenditure	(25.579)	(19.899)	5.680
Adjustments between accounting basis and funding basis under regulations	(1.691)	3.989	(5.680)
Total Balances Unchanged			

Effect on Cashflow Statement			
Net Surplus on the Provision of Services	9.009	3.329	(5.680)
Adjustments to net deficit on the provision of services for non-cash movements	(5.307)	(10.987)	5.680
Totals unchanged			
Non-cash items			
Pension Fund Adjustments	(6.310)	(11.990)	(5.680)
Adjustment to net deficit on the provision of services for non-cash movements	(5.307)	(10.987)	(5.680)

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	
Movement in Reserves during 2012/13 - Restated								
Surplus or (deficit) on provision of services	3,329	-	-	-	3,329	-	3,329	
Other Comprehensive (Expenditure) and Income	-	-	26	-	26	(19,899)	(19,873)	
Total Comprehensive Expenditure and Income	3,329	-	26	-	3,355	(19,899)	(16,544)	
Adjustments between accounting basis & funding basis under regulations	3,989		166	68	4,223	(4,223)	-	
Net Increase/(Decrease) before Transfers to Earmarked Reserves	7,318	-	192	68	7,578	(24,122)	(16,544)	
Transfers to Earmarked Reserves	(7,197)	7,197	-	-	-	-	-	
Increase/(Decrease) in 2012/13	121	7,197	192	68	7,578	(24,122)	(16,544)	
Balance at 31 March 2013 carried forward - Restated	7,320	35,601	12,505	176	55,602	34,940	90,542	
Balance at 31 March 2013 carried forward	7,320	35,601	12,505	176	55,602	34,940	90,542	
Movement in Reserves during 2013/14								
Surplus or (deficit) on provision of services	(22,118)				(22,118)		(22,118)	
Other Comprehensive (Expenditure) and Income					-	91,020	91,020	
Total Comprehensive Expenditure and Income	(22,118)	-	-	-	(22,118)	91,020	68,902	
Adjustments between accounting basis & funding basis under regulations	24,491		(2,260)	333	22,564	(22,564)	-	
Net Increase/(Decrease) before Transfers to Earmarked Reserves	2,373	-	(2,260)	333	446	68,456	68,902	
Transfers to Earmarked Reserves	(2,298)	2,298	-	-	-	-	-	
Increase/(Decrease) in 2013/14	75	2,298	(2,260)	333	446	68,456	68,902	
Balance at 31 March 2014 carried forward	7,395	37,899	10,245	509	56,048	103,396	159,444	

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	173,727	(35,364)	138,363	
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	
389,008	(158,711)	230,297	Cost Of Services	403,707	(144,137)	259,570	
			Other Operating Expenditure				
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	
16,863	(117)	16,746	Other Operating Expenditure	23,535	-	23,535	
			Financing and Investment Income and Expenditure				
4,760		4,760	Interest payable on debt	4,625		4,625	
16		16	Interest element of finance leases (lessee)	104		104	
1,537		1,537	Interest payable on PFI unitary payments	1,505		1,505	12
13,290		13,290	Net Interest on Net Defined Benefit Liability	13,580		13,580	
	(522)	(522)	Investment Interest & Other Interest Receivable		(607)	(607)	
	(123)	(123)	Changes in fair value of investment properties	410		410	
7,934	(8,040)	(106)	(Gain) / loss on trading accounts (not applicable to a service)	6,736	(6,756)	(20)	6
27,537	(8,685)	18,852	Financing and Investment Income and Expenditure	26,960	(7,363)	19,597	
			Taxation and Non-Specific Grant Income				
	(143,198)	(143,198)	RSG		(154,722)	(154,722)	7
	(66,265)	(66,265)	Council tax		(68,987)	(68,987)	9
	(36,350)	(36,350)	NNDR		(43,026)	(43,026)	10
	(22,026)	(22,026)	Recognised capital grants and contributions		(11,310)	(11,310)	8
	(1,385)	(1,385)	Non service related government grants		(2,539)	(2,539)	8
-	(269,224)	(269,224)	Taxation and Non-Specific Grant Income	-	(280,584)	(280,584)	
433,408	(436,737)	(3,329)	(Surplus) or Deficit on Provision of Services	454,202	(432,084)	22,118	
			(Surplus) or deficit on revaluation of Property, Plant and Equipment		(278)	(278)	
		813	Impairment losses on non-current assets charged to the Revaluation reserve		248	248	
		19,060	Actuarial (gains) / losses on pension liabilities		(90,990)	(90,990)	
		19,873	Other Comprehensive Income and Expenditure			(91,020)	
		16,544	Total Comprehensive Income and Expenditure			(68,902)	

Balance Sheet for Years Ended 31 March 2013 and 2014

31 March 2013		31 March 2014	Notes
£'000		£'000	
	Property, Plant & Equipment		21
379,309	- other land and buildings	398,102	
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	16,115	
9,953	- surplus assets not held for sale	10,669	
51	Heritage Assets	51	23
	Investment Property		
3,421	- Investment property	3,011	22
	Long Term Debtors		
56	Housing Advances	29	24
503	Finance Leases	384	
522,899	Long Term Assets	526,759	
	Short Term Investments	4,005	37
5,354	Assets held for sale	6,721	26
454	Inventories	433	
32,257	Short Term Debtors	27,063	25
14,690	Cash and Cash Equivalents	4,469	
52,755	Current Assets	42,691	
	Short Term Borrowing	(1,543)	37
(3,289)	Short Term Creditors	(38,901)	27
(37,361)			
(40,650)	Current Liabilities	(40,444)	
(5,273)	Provisions	(4,900)	28
(97,474)	Long Term Borrowing	(97,451)	37
	Other Long Term Liabilities		
(20,661)	PFI & Other Long Term Liabilities	(20,923)	29
(318,170)	Net pensions liability	(243,900)	31b
(2,884)	Capital Grants Receipts in Advance	(2,388)	
(444,462)	Long Term Liabilities	(369,562)	
90,542	Net Assets	159,444	
	Usable reserves		30
7,320	- Council Fund	7,395	
35,601	- Earmarked reserves	37,899	30b
12,505	- Capital Receipts Reserve	10,245	30a
176	- Capital Grants Unapplied	509	
	Unusable Reserves		31
101,985	- Revaluation Reserve	98,804	31a
(318,170)	- Pensions Reserve	(243,900)	31b
260,687	- Capital Adjustment Account	257,644	31c
(5,526)	- Financial Instruments Adjustment Account	(5,320)	31d
(4,036)	- Short-term Accumulating Compensated Absences Account	(3,832)	31e
90,542	Total Reserves	159,444	

Cash Flow Statement as at 31 March 2013 and 2014

2012-13 (Re-stated) £'000		2013-14 £'000	Notes
(3,329)	Net (surplus)/deficit on the Provision of Services	22,118	
(10,987)	Adjustments to net deficit on the provision of services for non-cash movements	(41,063)	39
22,026	Adjustments for Items included in the net deficit on the provision of services that are investing and financing activities	11,476	
7,710	Net Cash Flows from Operating Activities	(7,469)	40
26,493	Investing Activities	37,649	41
(26,399)	Financing Activities	(19,959)	42
7,804	Net increase in Cash & Cash Equivalents	10,221	
(22,494)	Cash & Cash Equivalent at the beginning of the Reporting Period	(14,690)	
(14,690)	Cash & Cash Equivalent at the end of the Reporting Period	(4,469)	



Notes to the Core Financial Statements 2013-14

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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.

IFRS 13 – Fair Value Measurement - is a further Accounting standard that has been issued, but CIPFA / LASAAC has deferred its adoption until 2015-16, while they reviews its application for local government circumstances. This new standard defines fair value and sets out a single IFRS framework for measuring fair value. It also requires significant disclosures about fair value measurements. It is only once CIPFA / LASAAC have incorporated this standard into the Code will its impact on the Council's Statement of Accounts be clear.

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
Adjustments between accounting basis & funding basis under regulations										
Adjustments Primarily Involving the Capital Adjustment Account										
Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement										
Charges for Depreciation & Impairment of Non-Current Assets	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	683			683			(683)			(683)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	568			568	(460)		(108)			(568)
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.					(1,251)		1,251			-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement										
Statutory Provision for the financing of capital investment	(6,593)			(6,593)			6,593			6,593
Capital expenditure charged against the Council Fund balance	(862)			(862)			862			862
Adjustments primarily involving the Capital Grants Unapplied Account :										
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(151)		151	-						-
Application of grants to capital financing transferred to the Capital Adjustment Account			(83)	(83)			83			83
Adjustments primarily involving the Capital Receipts Reserve										
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(685)	685		-						-
Use of Capital Receipts Reserve to finance new capital expenditure		(519)		(519)			519			519
Adjustments primarily involving the Financial Instrument Adjustment Account										
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(205)			(205)				205		205
Adjustments primarily involving the Pensions Reserve										
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	30,450			30,450		(30,450)				(30,450)
Employer's contributions to pension schemes	(18,460)			(18,460)		18,460				18,460
Adjustments primarily involving the Accumulated Absences Account										
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	46			46					(46)	(46)
Total Adjustments 2012/13 (Restated)	3,988	166	68	4,222	(1,711)	(11,990)	9,320	205	(46)	(4,222)

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
Adjustments between accounting basis & funding basis under regulations										
Adjustments Primarily Involving the Capital Adjustment Account										
Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement										
Charges for Depreciation & Impairment of Non-Current Assets	21,887			21,887			(21,887)			(21,887)
Revaluation losses on Property, Plant & Equipment	228			228			(228)			(228)
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.					(1,921)		1,921			-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement										
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
Adjustments primarily involving the Capital Grants Unapplied Account :										
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
Adjustments primarily involving the Capital Receipts Reserve										
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(166)	166		-						-
Use of Capital Receipts Reserve to finance new capital expenditure		(2,453)		(2,453)			2,453			2,453
Other Amounts (including Mortgage Repayments)		27		27			(27)			(27)
Adjustments primarily involving the Financial Instrument Adjustment Account										
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(205)			(205)				205		205
Adjustments primarily involving the Pensions Reserve										
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	34,060			34,060		(34,060)				(34,060)
Employer's contributions to pension schemes	(17,340)			(17,340)		17,340				17,340
Adjustments primarily involving the Accumulated Absences Account										
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(204)			(204)					204	204
Total Adjustments 2013/14	24,491	(2,260)	333	22,564	(3,211)	(16,720)	(3,043)	205	204	(22,564)

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 £'000		2013-14 £'000
8,419	Precepts Police and Crime Commissioner for South Wales	9,078
1,480	Community Councils	1,512
9,899	Sub total	10,590
6,582	Levies 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
6,964	Sub total	7,063
16,863	Total	17,653

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 Income £'000	2012-13 Exp. £'000	2012-13 Deficit/ (Surplus) £'000	Activity	2013-14 Income £'000	2013-14 Exp. £'000	2013-14 Deficit/ (Surplus) £'000	Target £'000	Variance £'000
(3,383)	3,355	(28)	Building Maintenance	(2,681)	2,747	66	(34)	100
(1,192)	1,097	(95)	Building Cleaning	(1,175)	1,094	(81)	(26)	(55)
(3,465)	3,482	17	Fleet Services	(2,900)	2,895	(5)	61	(66)
(8,040)	7,934	(106)	Transfer to I & E Account	(6,756)	6,736	(20)	1	(21)

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	-
8,323	DCELLS Post 16 Grant	6,717
4,352	Foundation Phase Grants	4,187
2,149	PFI Grant	1,681
5,549	Other Children	3,041
712	Other Wellbeing	434
3,110	Others	5,071
5,088	Supporting People	6,101
1,805	Resettlement Grant	-
910	Substance Misuse Action Plan	-
2,686	Concessionary Fares Grant	2,920
1,661	Flying Start	2,486
3,020	Sustainable Waste Grant	2,960
1,219	Housing/Council Tax Benefit Administration	1,104
426	Local Transport Services	357
957	Communities First	952
1,847	Families First	1,913
103,955	Total	87,872

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
23,411	Total	13,849
127,366		101,721

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 £'000		2013-14 £'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)
(190)	Provision for non-payment of Council Tax (Decrease)	68
56,176	Net Proceeds from Council Tax	58,465

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 2013 £'000		31 March 2014 £'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 2013 £'000		31 March 2014 £'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
100	Minimum lease payments	43
57	Not later than one year	43
43	Later than one year	-
100	Total	43

Operating Leases

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

31 March 2013 £'000		31 March 2014 £'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
14,385	Total	13,489

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 2013 £'000		31 March 2014 £'000
220	Not later than one year	171
389	Later than one year	182
814	Later than five years	851
1,423	Total	1,204

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 £'000	Unitary Charge	2013-14 £'000
583	Service Charge Element	589
1,537	Interest Element	1,505
410	Finance Lease Liability	442
2,530	Total	2,536

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 £'000	2015-16 to 2019-20 £'000	2020-21 to 2024-25 £'000	2025-26 to 2029-30 £'000	2030-31 to 2033-34 £'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
Total	2,449	12,245	12,245	12,245	8,477

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 £3.051 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 £'000	Purpose of Partnership	Trust Expenditure £'000	BCBC Expenditure £'000	Total Expenditure 2013-14 £'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
2,030	Total	936	1,280	2,216

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 £'000	Gross Expenditure of Partnership £'000	Authority's Contribution £'000			Gross Income Of Partnership £'000	Gross Expenditure of Partnership £'000	Authority's Contribution £'000
523	523	267	Abertawe Bro-Morgannwg 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 Merthyr Tydfil CBC Cwm Taf LHB Abertawe Bro Morgannwg 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 £'000		2013-14 £'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 Borrowing Adj	(12,368)
130,616	Adjusted CFR	131,830
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
6,592	Total MRP	7,840

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 Number of Employees inc Redundancy Costs (re- stated)	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 Redun- dancy	Number of Non- Teachers inc in Figures exc Redun- dancy
12	£60,000 - £64,999	3	15	15	15	-
13	£65,000 - £69,999	-	13	13	12	1
5	£70,000 - £74,999	(2)	3	3	3	-
10	£75,000 - £79,999	(4)	6	6	1	5
2	£80,000 - £84,999	-	2	2	1	1
2	£85,000 - £89,999	(1)	1	1	1	-
2	£90,000 - £94,999	1	3	2	2	-
1	£95,000 - £99,999	3	4	3	2	1
1	£100,000 - £104,999	-	1	1	-	1
1	£105,000 - £109,999	-	1	1	-	1
1	£110,000 - £114,999	-	1	1	-	1
-	£115,000 - £119,999	-	-	-	-	-
-	£120,000 - £124,999	-	-	-	-	-
-	£125,000 - £129,999	1	1	1	-	1
-	£130,000- £134,999	-	-	-	-	-
-	£135,000 - £139,999	-	-	-	-	-
-	£140,000 - £144,999	-	-	-	-	-
-	£145,000 - £149,999	-	-	-	-	-
-	£235,000 - £239,999	-	-	-	-	-
50		1	51	49	37	12

The 2012-13 figure has been restated. Whilst the total number is the same, there has been an adjustment to restate the numbers between the bandings.

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 (see note 4 below)		Benefits in Kind (see note 4 below)		Pension Contributions (see note 3 below)		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 (see Note 1 below)										
Previous Post Holder until 31 July 2012	-	43,345	-	-	-	2,893	-	9,014	-	55,252
Current Post Holder from 17 September 2012	125,246	65,918	-	243	-	-	26,051	13,711	151,297	79,872
Corporate Director - Children										
Previous Post Holder until 31 August 2013	43,362	104,068	-	-	2,275	5,428	9,019	21,646	54,656	131,142
Current Post Holder from 1 September 2013	56,837	-	-	-	-	-	11,822	-	68,659	-
Corporate Director - Communities										
Previous Post Holder until 28 March 2013	-	103,229	-	-	-	8,724	-	21,472	-	133,425
Current Post Holder from 29 March 2013	98,620	-	-	-	13,066	-	20,513	-	132,199	-
Corporate Director - Wellbeing										
Previous Post Holder until 30 April 2014	5,368	35,084	-	-	-	9,242	-	8,525	5,368	52,851
Current Post Holder Interim from 1 September 2013 and formally appointed from 1 November 2013	56,837	-	-	-	10,089	-	11,822	-	78,748	-
Corporate Director - Resources & s151 Officer (see Note 2 below)										
Previous Post Holder until 31 May 2012	-	19,340	-	-	-	1,875	-	7,215	-	28,430
Current Post Holder from 1 April 2012	104,068	104,068	-	-	-	-	21,004	17,796	125,081	121,864
Assistant Chief Executive - Legal & Regulatory Services	92,360	88,458	-	-	16,060	10,687	19,211	18,399	127,631	117,544

Notes

Note 1 : The Chief Executive Officers Salary excludes payment for Election Duties. These amounted to £300 for two elections

Note 2 : The post of Corporate Director - Resources was created following Council approval on 3 April 2013, replacing the post of Assistant Chief Executive - Performance. The (then) Assistant Chief Executive - Performance, was appointed to this role on 1 June 2013. Effectively, therefore, the post of Assistant Chief Executive (Performance) was replaced by the position of Corporate Director - Resources, on 1 June 2013

Note 3 : Pension Contributions relate to actual payments made

Note 4 : Following discussion with the Council's External Auditors, the content of the 'Expenses' and 'Benefits in Kind' columns have been adjusted so that they exclude non-taxable reimbursements. This also required a similar adjustment to the 2012-13 figures.

Table 3: Exit Packages Disclosure

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

Exit Package Cost Band (including Special Payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	13-14	12-13	13-14	12-13	13-14	12-13	13-14 £	12-13 £
£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	-
	63	35	47	19	110	54	1,924,809	951,968

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 £'000		2013-14 £'000
190	Financial Statement Audit	197
135	Performance Audit	135
325	External Audit Services	332
-	Statutory Inspection	
82	Grant Claims and Returns	82
407	Total	414

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. Financial statements for this Joint Committee are available on the Cardiff CC website (www.cardiff.gov.uk)

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. Financial statements for this Joint Committee are available on the Bridgend CBC website (www.bridgend.gov.uk).

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. Financial statements for this Joint Committee are available on the Bridgend CBC website (www.bridgend.gov.uk).

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

Directorate Income and Expenditure 2013-14	Children £'000	Wellbeing £'000	Communities £'000	Other Services £'000	Total £'000
Fees, charges & other service income	(19,205)	(16,250)	(13,270)	(17,394)	(66,119)
Government grants	(22,962)	(1,865)	(14,748)	(49,793)	(89,368)
Total Income	(42,167)	(18,115)	(28,018)	(67,187)	(155,487)
Employee expenses	110,889	28,729	16,169	22,232	178,019
Other operating expenses	55,405	37,002	36,178	66,437	195,022
Total operating expenses	166,294	65,731	52,347	88,669	373,041
Net Cost of Services	124,127	47,616	24,329	21,482	217,554

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 £'000	2012-13 £'000
Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement		
Cost of Services in Service Analysis	217,554	209,726
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)
Net Cost of Services in Comprehensive Income and Expenditure Statement	259,570	230,297

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 :-

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Reconciliation to Subjective Analysis 2012-13	Directorate Analysis £'000	Services not in Analysis £'000	Not reported to mgmt £'000	Not included in I & E £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(64,985)			8,040	(56,945)	(8,040)	(64,985)
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)
Total Income	(169,764)	(8,753)	-	8,040	(170,477)	(277,786)	(448,263)
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
Gain or Loss on Disposal of Fixed Assets					-	(240)	(240)
Total Expenditure	379,490	10,930	19,762	(9,408)	400,774	44,160	444,934
Surplus or deficit on the provision of services	209,726	2,177	19,762	(1,368)	230,297	(233,626)	(3,329)

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Reconciliation to Subjective Analysis 2013-14	Directorate Analysis £'000	Services not in Analysis £'000	Not reported to mgmt £'000	Not included in I&E £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(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)
Total Income	(155,487)	(4,048)	-	6,756	(152,779)	(287,947)	(440,726)
Employee expenses	178,019	1,050	2,935		182,004	13,580	195,584
Other service expenses	195,022	19,324		(6,736)	207,610	6,735	214,345
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
Gain or Loss on Disposal of Fixed Assets					-	6,292	6,292
Total Expenditure	373,041	20,374	27,199	(8,265)	412,349	50,495	462,844
Surplus or deficit on the provision of services	217,554	16,326	27,199	(1,509)	259,570	(237,452)	22,118

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 £'000		2013-14 £'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
28,551	Total	6,780

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

Category	Number as at 31 March 2013	Number as at 31 March 2014
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	28
Bus stations	2	2
Sports pavilions	41	41
Recreation grounds & parks	17	17
Recreation & entertainment centres	12	12
Community centres	16	16
Swimming pools	6	6
Industrial estates	23	23
Civic offices	2	2
Other offices	5	5
Depots	8	8
Vehicles	48	55
Vehicles on Finance Leases	27	4
Miscellaneous assets	23	23
	421	407

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c) Summary of Property, Plant & Equipment (PPE)	Other Land and Buildings £'000	Vehicle, Plant and Equipment £'000	Infra-Structure £'000	Comm-unity Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE Assets £'000	PFI Assets Included In PPE £'000	Finance Leases In PPE £'000
Cost or Valuation									
At 1 April 2012	419,484	20,755	175,285	3,322	14,955	18,288	652,089	22,744	1,180
Additions	2,877	716	6,827	51	-	22,295	32,766	-	161
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,550)	-	-	-	1,009	-	(541)	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	625	-	-	-	(595)	(905)	(875)	-	-
Derecognition - Disposals	(60)	(8,878)	-	-	-	-	(8,938)	-	-
Assets reclassified (to)/from Held for Sale	(95)	-	-	-	(4,505)	-	(4,600)	-	-
Assets reclassified (to)/from Investment Property	75	-	-	-	-	-	75	-	-
Other Movements in Cost or Valuation	243	-	969	1,201	(409)	(3,531)	(1,527)	-	-
At 31 March 2013	421,599	12,593	183,081	4,574	10,455	36,147	668,449	22,744	1,341
Accumulated Depreciation and Impairments									
At 1 April 2012	(34,286)	(16,706)	(87,499)	(37)	(867)	-	(139,395)	(717)	(946)
Depreciation Charge for 2012/13	(7,255)	(1,291)	(9,372)	-	(14)	-	(17,932)	(239)	(146)
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	(274)	-	-	-	-	-	(274)	-	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(1,685)	(60)	(703)	-	-	-	(2,448)	-	-
Derecognition - disposals	60	8,878	-	-	-	-	8,938	-	-
Assets reclassified (to)/from Held for Sale	2	-	-	-	-	-	2	-	-
Other Movements	1,148	-	-	-	379	-	1,527	-	-
At 31 March 2013	(42,290)	(9,179)	(97,574)	(37)	(502)	-	(149,582)	(956)	(1,092)
Balance Sheet as at 1 April 2012	385,198	4,049	87,786	3,285	14,088	18,288	512,694	22,027	234
Balance Sheet as at 31 March 2013	379,309	3,414	85,507	4,537	9,953	36,147	518,867	21,788	249

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c) Summary of Property, Plant & Equipment (PPE)	Other Land and Buildings £'000	Vehicle, Plant and Equipment £'000	Infra-Structure £'000	Comm-unity Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE Assets £'000	PFI Assets Included In PPE £'000	Finance Leases In PPE £'000
Cost or Valuation									
At 1 April 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	33,918	-	943
Revaluation increases/(decreases) recognised in the Revaluation Reserve	48	-	-	-	-	-	48	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(282)	-	-	-	53	-	(229)	-	-
Derecognition - Disposals	(6,825)	(399)	-	-	-	-	(7,224)	-	-
Derecognition - other	(84)	-	-	-	-	-	(84)	-	-
Assets reclassified (to)/from Held for Sale	(1,401)	-	-	-	(53)	-	(1,454)	-	-
Assets reclassified (to)/from Investment Property	-	-	-	-	-	-	-	-	-
Other Movements in Cost or Valuation	34,639	-	6,109	-	811	(41,593)	(34)	-	-
At 31 March 2014	449,969	15,110	196,356	4,574	11,266	16,115	693,390	22,744	2,284
Accumulated Depreciation and Impairments									
At 1 April 2013	(42,290)	(9,179)	(97,574)	(37)	(502)	-	(149,582)	(956)	(1,092)
Depreciation Charge for 2013/14	(9,059)	(1,050)	(9,729)	-	(27)	-	(19,865)	(239)	(51)
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	(18)	-	-	-	-	-	(18)	-	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(1,550)	(78)	(394)	-	-	-	(2,022)	-	-
Derecognition - other	41	-	-	-	-	-	41	-	-
Derecognition - disposals	907	399	-	-	-	-	1,306	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-	-
Other Movements	102	-	-	-	(68)	-	34	-	-
At 31 March 2014	(51,867)	(9,908)	(107,697)	(37)	(597)	-	(170,106)	(1,195)	(1,143)
Balance Sheet as at 1 April 2013	379,309	3,414	85,507	4,537	9,953	36,147	518,867	21,788	249
Balance Sheet as at 31 March 2014	398,102	5,202	88,659	4,537	10,669	16,115	523,284	21,549	1,141

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

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 £'000		2013-14 £'000
4,055	Revenue Expenditure Funded from Capital under Statute	3,879
4,055	Total	3,879

g) Capital financing requirement and the financing of capital expenditure

2012-13 £'000	Capital Financing Requirement	2013-14 £'000
162,178	Opening Capital Financing Requirement	165,581
	Capital Investment	
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
	Sources of Finance	
(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)
165,581	Closing Capital Financing Requirement	177,033
	Explanation for Movements in Year	
(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)
3,403	Increase/(Decrease) in Capital Financing Requirement	11,452

h) Capital Grants Received in Advance

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

2012-13 £'000		2013-14 £'000
2,875	Developers' Contributions - capital element	2,388
9	Other Capital Grants & Contributions	
2,884	Total	2,388

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 £'000		2013-14 £'000
483	Rental Income from Investment Property	526
(145)	Direct Operating Expenses arising from Investment Property	(152)
338	Net gain/(loss)	374

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

2012-13 £'000		2013-14 £'000
3,374	Balance at 1 April	3,421
123	Net gain / (loss) from fair value adjustments	(410)
(76)	Transfers to Property, Plant and Equipment	-
3,421	Balance as at 31 March	3,011

23. Heritage Assets

2012-13 £'000		2013-14 £'000
51	Civic Regalia	51
51	Balance as at 31 March	51

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 £'000		2013-14 £'000
56	Mortgages	29
503	Finance Leases	384
559	Balance as at 31 March	413

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 £'000	Short-term Debtors	2013-14 £'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
32,257	Balance as at 31 March	27,063

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

27. Short Term Creditors

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

2012-13 £'000	Short Term Creditors	2013-14 £'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)
(37,361)	Balance as at 31 March	(38,901)

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
5,273	Balance as at 31 March	(1,315)	942	4,900

Insurance Provision(Self-funding / MMI)

Self-Fund

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

This provision dates back to a 2008 payment dispute linked to the waste disposal contract. Elements of this dispute have been settled, but there are elements of the provision that remain outstanding.

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 £'000		Additions in Year £'000	Moved to Short Term Creditors £'000	2013-14 £'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
20,661	Balance as at 31 March	943	(681)	20,923

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 £'000		2013-14 £'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)
12,505	Balance as at 31st March	10,245

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

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 Closing Balance £'000		2013-14 Over spends £'000	2013-14 Under spends £'000	2013-14 Closing Balance £'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
3,737	Total	(1,885)	615	2,467

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 £'000	Maesteg School PFI Accounts	2013-14 £'000
2,639	Maesteg PFI Equalisation Fund	3,051
2,639	Balance as at 31 March	3,051

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 £'000		2013-14	
		£'000	£'000
104,510	Balance at 1 April		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	(248)	
(814)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of services		30
(1,251)	Difference between fair value depreciation and historical cost depreciation	(1,921)	
(460)	Accumulated gains on assets sold or scrapped	(1,290)	
(1,711)	Amount written off to the Capital Adjustment Account		(3,211)
101,985	Balance as at 31 March		98,804

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 £'000		2013-14 £'000
(287,120)	Balance at 1 April	(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
(318,170)	Balance as at 31 March	(243,900)

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 £'000		2013-14	
		£'000	£'000
251,393	Balance at 1 April		260,687
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :		
(20,380)	Charges for depreciation and impairment of non-current assets	(21,887)	
(815)	Revaluation losses on Property, Plant and Equipment	(228)	
(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)	Adjusting amounts written out to the Revaluation Reserve	(27,505)	
1,711		1,921	
(20,761)	Net written out amount of the cost of non-current assets consumed in the year		(25,584)
	Capital financing applied in the year:		
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	
29,932			22,951
123	Movement in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement		(410)
260,687	Balance as at 31 March		257,644

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 £'000		2013-14	
		£'000	£'000
(5,731)	Balance at 1 April		(5,526)
198	Premiums / Discounts Adjustments	199	
7	Loans / Investments Adjustments	7	
(5,526)	Balance as at 31 March		(5,320)

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 £'000		2013-14	
		£'000	£'000
(3,990)	Balance at 1 April		(4,036)
3,990	Settlement or cancellation of accrual made at the end of the preceding 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
(4,036)	Balance as at 31 March		(3,832)

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 £'000		2013-14 £'000
81	Social Services Home For The Elderly	328
52	Education	53
47	Nantymoel Workmans Hall	48
1	Other	1
181	Balance as at 31 March	430

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 £'000		2013-14 £'000
746	Replacement facilities account	546
217	Replacement site account	88
53	Bocam Park	57
123	Wind Farm	130
1,139	Balance as at 31 March	821

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 2013	Income	Expenditure	31 March 2014
	£'000	£'000	£'000	£'000
Redrow - Marlas Farm - Enlargement of Afon y Felin Primary School	177	(177)	0	0
Llanmoor Homes - Maesteg Rd Tondu – additional education facilities	181	0	(29)	152
Broadlands Consortium – Newbridge fields - provision of playing fields facilities	147	0	(16)	131
Redrow – Lock's Lane, Porthcawl –ongoing maintenance of playing field and pavilion	107	0	(26)	81
Redrow - Brackla Park & Ride – upgrade B4181	313	0	0	313
Rockwool - Pencoed	96	0	(13)	83
Parc Derwen Primary School Design fees - Persimmon Homes	580	0	(365)	215
Land at Tyn Y Coed Farm (Maendy Farm), Bryncethin - Sports Provision	565	4	0	569
Land at Tyn Y Coed Farm (Maendy Farm), Bryncethin - 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
Total	3,369	444	(952)	2,861

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 Taf 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 (Restated)	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13 (Restated)
Cost of Services :								
Service cost comprising:								
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)
Financing & Investment Income & Expenditure :-								
Net interest expense	13.01	12.69	0.30	0.32	0.27	0.28	13.58	13.29
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	33.45	29.73	0.30	0.33	0.31	0.39	34.06	30.45
Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement								
<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)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(90.05)	17.95	0.59	0.59	(1.53)	0.52	(90.99)	19.06
Movement in Reserves Statement:-								
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)
Actual amount charged against the Council Fund Balance for pensions in the year :-								
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)
Net liability arising from defined benefit obligation	230.86	303.86	7.94	7.55	5.10	6.76	243.90	318.17

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

	Local Govt Pension Scheme	
	£m 2013-14	£m 2012-13
Opening fair value of scheme assets	351.06	303.13
Interest income on assets	15.47	14.34
Remeasurement gain/(loss):		
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)
Balance as at 31 March	383.45	351.06

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

	Local Govt Pension Scheme		LGPS Unfunded Benefits		Teachers' Unfunded Benefits		Total	
	£m	£m	£m	£m	£m	£m	£m	£m
	2013-14	2012-13 (Restated)	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13 (Restated)
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)
Balance as at 31 March	614.31	654.92	7.94	7.55	5.10	6.76	627.35	669.23

Local Government Pension Scheme assets comprised:

	Fair Value of Scheme Assets 2013-14 £'m	Asset Split 2013-14 %	Fair Value of Scheme Assets 2012-13 £'m	Asset Split 2012-13 %
Cash and cash equivalents	11.527	3.01	11.781	3.36
Equity Instruments:				
<i>by industry type (FTSE Sector)</i>				
Oil & Gas	14.342	3.74	14.703	4.19
Basic Materials	9.091	2.37	9.714	2.77
Industrials	31.840	8.30	26.642	7.59
Consumer Goods	30.762	8.02	30.671	8.74
Health Care	20.558	5.36	20.831	5.93
Consumer Services	32.397	8.45	30.255	8.62
Telecommunications	2.719	0.71	4.291	1.22
Utilities	1.309	0.34	1.097	0.31
Financials	46.615	12.16	38.513	10.97
Technology	17.110	4.46	10.986	3.13
Pooled Equity Investment Vehicles	65.214	17.01	53.690	15.29
Sub-total equity	271.957	70.92	241.393	68.76
Bonds:				
<i>By Sector</i>				
Corporate	32.780	8.55	40.092	11.42
Government	44.713	11.66	37.202	10.60
Sub-total bonds	77.493	20.21	77.294	22.02
Property:				
<i>By Type</i>				
Retail	6.853	1.79	6.919	1.97
Office	3.428	0.89	2.615	0.74
Industrial	3.409	0.89	2.142	0.61
Other Commercial	8.784	2.29	8.917	2.54
Sub-total property	22.474	5.86	20.593	5.87
Total assets	383.451	100.00	351.061	100.00

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 % pa	2012-13 % pa
Discount rate	4.3	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 £m	Decrease in Assumption £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 £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:

Short Term Borrowing & Other Short Term Financial Liabilities	31 March 2014 £'000	31 March 2013 £'000
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
Short Term Borrowing	1,543	3,289
Short Term Trade Payables(Creditors)	3,546	4,877
Other Short Term Financial Liabilities(Creditors)	1,301	1,418
Total Current Financial Liabilities	6,390	9,584

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 Other Long Term Liabilities	31 March 2014 £'000	31 March 2013 £'000
Maesteg School PFI Lease Liability	476	442
Innovation Centre Financial Liability	47	28
Finance Lease Liability	41	54
HALO Financial Liability	117	117
Total	681	641

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

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 Sheet	Fair Value	Balance Sheet	Fair 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
Total Other Long Term Liabilities	20,923	29,388	20,661	29,785

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:

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

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+	5years	
	AA	4years	
	AA-	3years	
	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
	BBB	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-subsidiary 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 £'000	Deposits Maturing Within 1 Month £'000	Deposits Maturing Within 6 Months £'000	Total £'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
Total		6,000	500	4,000	10,500

* 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 Past Due but not impaired	31 March 2014 £'000	31 March 2013 £'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
Total	1,933	1,588

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 £'000
	2013-14	2013-14	31/03/2014	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
Total			100.00%	96,883

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 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
Total Financial Liabilities	125,742	128,360

* The £19.250 million (19.87%) and £19,834 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:-

	Upper Limit TMS 2013-14 £m	Actual Principal Outstanding 31-03-14 £m
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
Net Principal Outstanding	96.88	86.38
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:

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

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 (Restated) £'000		2013-14 £'000
(21,194)	Depreciation & Impairment of Assets	(22,116)
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	(410)
117	Gain/loss on disposal of Non Current Asset	(6,048)
5,986	Minimum Revenue Provision	7,201
862	Revenue Contribution to Capital	1,271
(10,987)	Adjustments to net deficit on the provision of services for non-cash movements	(41,063)

40. Operating Activities

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

2012-13 £'000		2013-14 £'000
2,068	Cash Flow on Revenue Activities	(14,775)
4,673	Interest Paid	6,304
1,553	Interest element of finance lease and PFI rental payments	1,609
(584)	Interest Received	(607)
7,710	Net Cash Flows from Operating Activities	(7,469)

41. Investing Activities

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

2012-13 £'000		2013-14 £'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)
26,493	Net Cash Flows from Investing Activities	37,649

42. Financing Activities

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

2012-13		2013-14
£'000		£'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 outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	641
(26,399)	Net Cash Flows from Financing Activities	(19,959)

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.

Bridgend County Borough Council

Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr



Civic Offices, Angel Street, Bridgend, CF31 4WB / Swyddfeydd Dinesig, Stryd yr Angel, Pen-y-bont, CF31 4WB

Direct line / Deialu uniongyrchol: (01656) 643307
Ask for / Gofynnwch am: Gill Lewis

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

Date / Dyddiad: 25 September 2014

Anthony Barrett
Appointed Auditor
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Cardiff Bay
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Dear Sirs,

Representations regarding the 2013-14 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Bridgend County Borough Council for the year ended 31 March 2014 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14; in particular the financial statements give a true and fair view in accordance therewith.

We acknowledge our responsibility for the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Bridgend County Borough Council and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. There have been no uncorrected misstatements identified during the audit.

The carrying amounts of property, plant and equipment assets carried at revalued amounts do not differ materially from those which would be determined using the fair value at the end of the reporting period.

Representations by the Audit Committee

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Bridgend County Borough Council on 25 September 2014.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Section 151 Officer
Date:

Signed by:

Chair of Audit Committee
Date:

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Audit of Financial Statements Report

Bridgend County Borough Council

Audit year: 2013-14

Issued: September 2014

Document reference: BCBCAFSRA2014

Status of report

This document has been prepared for the internal use of Bridgend County Borough Council as part of work performed in accordance with the statutory functions.

No responsibility is taken by the Auditor General, the staff of the Wales Audit Office or, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales, the Wales Audit Office and, where applicable, the appointed auditor are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@wao.gov.uk.

This audit was delivered by KPMG LLP on behalf of the Appointed Auditor. The audit team comprised Darren Gilbert (Director), Matthew Arthur (Manager) and Sian Redwood (Assistant Manager).

Contents

Anthony Barrett, as Appointed Auditor, intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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Summary Report

Introduction

1. Anthony Barrett, as Appointed Auditor, is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Bridgend County Borough Council at 31 March 2014 and its income and expenditure for the year then ended.
2. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
3. The quantitative levels at which we judge such misstatements to be material for Bridgend County Borough Council is £4.5m. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
4. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
5. This report sets out for consideration the matters arising from the audit of the financial statements of Bridgend County Borough Council, for 2013-14, that require reporting under ISA 260.

Status of the audit

6. We received the draft financial statements for the year ended 31 March 2014 on 12 June 2014, 18 days prior to the deadline of 30 June 2014, and we have now substantially completed the audit work.
7. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Interim Director of Resources and the Chief Accountant.

Proposed audit report

8. It is the Appointed Auditor's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
9. The proposed audit report is set out in [Appendix 2](#).

Appendix 1

Significant issues arising from the audit

Uncorrected misstatements

10. There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

11. There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

Other significant issues arising from the audit

12. In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were no issues arising in these areas this year:
 - **We have no concerns about the qualitative aspects of your accounting practices and financial reporting although we have identified the need to review the approach to the valuation of the Council's property portfolio.** Generally, we found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear. However, there is a need to consider the frequency of the Council's valuation of its property portfolio to ensure that the processes followed ensure, and can demonstrate, that the carrying value of assets is not materially different to fair value (see recommendation in [Appendix 4](#) for further detail).
 - **We did not encounter any significant difficulties during the audit.** We received information in a timely and helpful manner and were not restricted in our work.
 - **There were no significant matters discussed and corresponded upon with management which we need to report to you.** Key financial statement audit risks identified in the audit strategy, presented to Audit Committee by KPMG on 10 April 2014 and our related findings, are shown in the table below.

Key financial statement audit risk	Findings
Management override of controls	<ul style="list-style-type: none">• We used a risk based approach to select journals made throughout the year and tested these back to supporting documentation.

Appendix 1

Key financial statement audit risk	Findings
	<ul style="list-style-type: none">• We reviewed accounting estimates including provisions and depreciation to assess if there were any management biases.• We did not identify any significant transactions which were outside of the normal course of business.
Triennial valuation of the Local Government Pension Scheme for Rhondda Cynon Taf CBC, of which Bridgend CBC is a member	<ul style="list-style-type: none">• We have reviewed the information provided by the pension scheme actuary and confirmed that the Statement of Accounts appropriately reflected this information.• We reviewed the data provided by the Council to the actuary to confirm its accuracy.• We liaised with the Appointed Auditor for the pension scheme to gain assurance over the data and process undertaken by the scheme on the Council's behalf• We concluded that the pension liability was fairly stated at the year-end with no adjustments proposed to the balance.
Accounting and reporting changes	<ul style="list-style-type: none">• We reviewed the amendments made to the presentation of Other Comprehensive Income on the Comprehensive Income and Expenditure Statement to assess if they were in line <i>with IAS 1 Presentation of Financial Statements</i>.• We reviewed the recognition and disclosure of adjustments to pension postings in line with <i>IAS19 Employee Benefits</i> and the related aspects of the Code.• We suggested some minor presentation amendments in both areas which have been made in the final version of the accounts.

- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
- **We did not identify any material weaknesses in your internal control.** We report any significant control deficiencies where you are not already aware of them or where they may be symptomatic of broader weaknesses in the overall control environment, in [Appendix 4](#). Several non-material weaknesses and potential areas for improvement regarding internal controls have been identified here.
- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

Independence and objectivity

13. As part of the finalisation process, we are required to provide you with representations concerning our independence.
14. We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office or KPMG LLP and Bridgend County Borough Council that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

Anthony Barrett
Appointed Auditor
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

KPMG LLP
3 Assembly Square
Britannia Quay
Cardiff Bay
CF10 4AX

25 September 2014

Representations regarding the 2013-14 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Bridgend County Borough Council for the year ended 31 March 2014 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14; in particular the financial statements give a true and fair view in accordance therewith.

We acknowledge our responsibility for the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Bridgend County Borough Council and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. There have been no uncorrected misstatements identified during the audit.

The carrying amounts of property, plant and equipment assets carried at revalued amounts do not differ materially from those which would be determined using the fair value at the end of the reporting period.

Representations by the Audit Committee

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Bridgend County Borough Council on 25 September 2014.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Officer who signs on behalf of management

Date:

Signed by:

Chair of Audit Committee

Date:

Appendix 2

Proposed audit report of the Appointed Auditor to Bridgend County Borough Council

Independent auditor's report to the Members of Bridgend County Borough Council

I have audited the accounting statements and related notes of Bridgend County Borough Council for the year ended 31 March 2014 under the Public Audit (Wales) Act 2004.

Bridgend County Borough Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement, and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the independent auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 17, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Bridgend County Borough Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of Bridgend County Borough Council

In my opinion the accounting statements and related notes:

-
- give a true and fair view of the financial position of Bridgend County Borough Council as at 31 March 2014 and of its income and expenditure for the year then ended; and
 - have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

Opinion on other matters

In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Bridgend County Borough Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales.

Anthony Barrett
Appointed Auditor
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

xx September 2014

Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of the Audit Committee

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Value of correction £000	Nature of correction	Reason for correction
DR Land & Buildings £33,342,000 CR Assets Under Construction £33,342,000	Transfer of Gateway to the Valleys School from Assets Under Construction to Land & Buildings	Although the whole project is not completed, the School has pupils and has been in use since July 2013. As such, the elements of the project which are in use have been transferred out of Assets Under Construction to reflect they are operational. Although material in value, this simply reflects a categorisation change within Property, Plant & Equipment on the Balance Sheet.
DR Land & Buildings £5,101,000 CR Revaluation Reserve £1,184,000 CR Capital Adjustment Account £3,917,000 CR I&E Service Cost £3,224,000 DR MIRS Service Capital Charges £3,224,000	Correction of erroneous revaluation of Ysgol Bryn Castell and acceleration of depreciation in line with 2015 closure plan.	This adjustment relates to the closure of the Ysgol Bryn Castell school site, which is already partially closed and due to close fully in April 2015. Within the draft accounts all buildings were impaired to nil, with all land impaired to £1m and transferred to assets held for sale. This is incorrect as only 4.4 of 13 acres of land was actually available for sale in the year, with the remainder of the land and buildings being in use until April 2015. Correction proposed is the net impact of: 1. Re-instating the element of land and the buildings still in use to Land & Buildings, reversing both an impairment charge and a revaluation reserve charge. 2. Accelerating the depreciation of the buildings still in use to reduce their net book value to nil by the time of closure in April 2015.

There are also a small number of minor presentational and disclosure amendments which have been incorporated into the final version of the accounts.

Appendix 4

Internal Control Weaknesses and Recommendations

We report any significant control deficiencies where you are not already aware of them or where they may be symptomatic of broader weaknesses in the overall control environment. We have not identified any significant control deficiencies during the 2013/14 audit.

During our audit we identified the following internal control deficiency that was not deemed material, but we consider should be drawn to your attention as follows:

Observation	Recommendation	Management Response
<p>Valuation of Capital</p> <p>During the year, CIPFA issued a clarification to the Code around the need to ensure capital assets are not materially misstated at each year-end date.</p> <p>This means that all Councils need to reconsider if their processes for revaluing their property, plant and equipment are sufficient to allow the Council to conclude on the material accuracy of its value at year-end.</p> <p>The Council's current approach is to revalue all of its property portfolio once every five years as a single exercise (other than investment properties and assets held for sale which are revalued annually). This means that for the four years within this cycle where no revaluation takes place, there is a risk that a material difference between carrying value and fair value might occur.</p> <p>At 31 March 2014, the assets had not been revalued since 1 April 2009, and the Council had difficulties in demonstrating that the carrying amount did not differ materially from that which would be determined using the fair value at the end of the reporting period.</p> <p>While we eventually reached a conclusion that the balances were not materially misstated in the context of movements in construction costs and the overall impact on the reader, there is risk that this may not be the case in future years.</p>	<p>Consider how best to gain assurance that property valuations are not materially misstated on an annual basis. This could include:</p> <ul style="list-style-type: none"> • Performing an annual valuation on 20% of property, to ensure any changes in valuation are highlighted and can be applied elsewhere if required; • Revaluing assets with high carrying amounts more regularly than five years; or • Identifying an appropriate indices or set of indices against which to benchmark the value of property annually and assess whether a formal valuation of certain assets are required. 	<p>The Council will be revaluing its full property portfolio during 2014-15 so that all assets will have a new valuation as at 1 April 2014.</p> <p>A working group of both finance and property staff will be established to review the way property, plant and equipment will be revalued going forward to ensure that capital assets are not materially misstated at the end of each financial year. This will complement the existing practices of annual impairment and enhancement reviews and annual revaluation of investment assets.</p>

Observation	Recommendation	Management Response
<p>Bank Reconciliation</p> <p>During the year, the Council was advised to maintain reduced balances with the Co-op bank, and as a result implemented a sweep to minimise the number of accounts with credit balances. School bank accounts were also swept, and there was a lack of consistency within the school bank reconciliations, which were prepared using a mixture of pre- and post-sweep balances. These two factors made it more difficult to audit the year end bank reconciliation.</p> <p>In addition, the bank reconciliation includes opening balances, transactions in the year and closing balances, making it complicated to follow from an audit perspective.</p>	<p>Banking arrangements are in the process of being changed, and a sweep may not be required by the 2014/15 audit.</p> <p>If a sweep is still required, the Council should ensure that all schools perform their reconciliations consistently, and appropriately document the impact of the sweep on the ledger.</p> <p>In addition, the bank reconciliation for audit could be simplified by including only the year-end balance, and excluding the opening balance and in year transactions.</p>	<p>A new banking contract will be in place by the 1 January 2015 so the sweeping of bank accounts will not be an issue for the 2014-15 audit of the accounts.</p> <p>The bank reconciliation and associated working papers for 2014-15 will exclude the opening balance and in-year transactions.</p>
<p>Remuneration Note: Banding and Senior Officers' pay</p> <p>Several errors were noted when reviewing the banding disclosure and the Senior Officers' remuneration tables in the Notes to the Accounts.</p> <p>Whilst these have been corrected, they occurred because the note is not taken directly from a report but manually typed up from several sources, meaning transcription and transposition errors can occur.</p>	<p>Develop a less manual way to compile the disclosures to reduce the risk of error in the future.</p> <p>If a less manual way is not possible, implement a review process to ensure the notes are checked for accuracy prior to inclusion in the Statement of Accounts.</p>	<p>Agreed. The compilation of these disclosures notes will be reviewed and a system generated report will be examined.</p>

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

THURSDAY 25 SEPTEMBER 2014

REPORT OF THE SECTION 151 OFFICER

ANNUAL TREASURY MANAGEMENT REPORT 2013-14

1. Purpose of the Report

- 1.1 The purpose of the report is to update Audit Committee on the outturn position for Treasury Management activities, Treasury Management and Prudential Indicators for 2013-14 and to highlight the compliance with the Council's policies and practices before they are reported to Cabinet and Council.

2. Connection to Corporate Improvement Objectives/Other Corporate Priorities

- 2.1 The work of the Audit Committee supports corporate governance and assists in the achievement of all corporate and service objectives. Prudent treasury management arrangements will ensure that investment and borrowing decisions made by officers on behalf of the Council make best use of financial resources and hence assist achievement of Corporate Priorities.

3. Background

- 3.1 Audit Committee is responsible for ensuring effective scrutiny of the treasury management strategy and policies as stated in the Treasury Management Strategy.
- 3.2 The Council's Treasury Management activities are regulated by the Local Government Act 2003 which provides the powers to borrow and invest as well as providing controls and limits on this activity. The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 as amended, develops the controls and powers within the Act. This requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities and to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services.
- 3.3 The Council formally adopted the Code in April 2004 (and subsequently also adopted the changes to the Code in the 2011 revised edition) and works

within the regulatory requirements which limit the level of risk associated with its treasury management activities. Its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management Strategy 2013-14 means that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrate a low risk approach.

- 3.4 A primary requirement of the Code is the formulation and the agreement by the Council of a Treasury Management Policy Statement which sets out the Council's and Chief Financial Officer's responsibilities, delegation, and reporting arrangements. Council approved the Treasury Management Strategy 2013-14 which contained the Treasury Management Policy Statement 2013-14 on 27 February 2013 prior to the start of the financial year. Treasury management in this context is defined as:

“The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

- 3.5 To ensure effective scrutiny of treasury management in accordance with the Treasury Management Strategy, Audit Committee has been nominated to be responsible for ensuring effective scrutiny of the treasury management strategy and policies. Audit Committee and the Cabinet Member Resources received training in March 2013 to assist them in their function of scrutinising treasury management, which included the Treasury Management Strategy 2013-14. During the 2013-14 financial year, in addition to the regular treasury management reports to Cabinet and Council, the Annual Treasury Management Report 2012-13 and the Treasury Management Strategy 2014-15 were presented to Audit Committee in November 2013 and January 2014 respectively.

4. Current Situation

- 4.1 The Council has complied with its legislative and regulatory requirements during 2013-14. The Treasury Management Strategy 2013-14 and the Half Yearly Outturn were reported to Council on 27 February 2013 and 13 November 2013 respectively and the Annual Report will be reported to Cabinet and Council in October 2014. In addition, quarterly monitoring reports were presented to Cabinet during 2013-14.

- 4.2 A detailed summary of the Treasury Management Activities for 2013-14 is shown in **Appendix A**. No long or short term borrowing was taken in 2013-14 and no debt rescheduling was undertaken as there were no significant savings to be made, however, the loan portfolio will be reviewed during 2014-15. Favourable cash flows have provided surplus funds for investment and the balance on investments at 31 March 2014 was £10.50 million with an

average rate of interest of 0.59%. This was a reduction from the start of the financial year where investments were £15.70 million but the actual average rate of interest has increased from a rate of 0.51%.

4.3 In 2013-14, the Council operated within the treasury limits and Treasury Management and Prudential Indicators as set out in the agreed Treasury Management Strategy 2013-14 and also complied with its Treasury Management Practices. Details of all these indicators are shown in the attached Appendix A in section 8.

4.4 The Co-operative Bank is currently the Council's bank following a competitive tender exercise in 2012. They are currently rated below the minimum credit rating identified in the Investment Strategy however a bank retendering exercise is currently being done with a view to starting contract implementation from 1 October 2014 with new banking services effective from 1 January 2015. The Council operates a pooling system on all accounts and the balance is kept as close to zero as possible and does not currently place any investments with them so this mitigates any potential risk associated with their drop in credit ratings.

Also, contingency arrangements were put in place in December 2013 with Barclays bank to ensure that the Council could continue making and receiving payments if the Co-Operative bank had ceased operations but the threat of this seems to have weakened. Also as a precautionary measure a "sweeping" process has been in operation since March 2014 in order to mitigate risk to ensure that no one account in the pool of accounts had a high value credit balance at close of business each Friday as a weekend is the most likely time for regulatory action to occur.

4.5 The Treasury Management function was reviewed by the Council's External Auditors, KPMG, during the 2013-14 annual audit. In addition to the External Audit work, Internal Audit undertook an audit of Treasury Management during 2013-14 and the audit identified "the response to the control risk self-assessment and follow up in selected areas demonstrated strengths and areas of good practice in all of the areas examined. The key positives noted included experienced staff, adherence to policies and procedures and an evidenced 'cautious' approach to treasury management. No areas of concern were identified during the current review". The audit opinion issued was one of 'substantial assurance' and of the areas selected for examination, no control weaknesses were identified therefore no recommendations were made.

4.6 The Council's Treasury Management Advisers are currently Arlingclose and the services provided to the Council include:-

- advice and guidance on relevant policies, strategies and reports,

- advice on investment decisions,
- notification of credit ratings and changes,
- other information on credit quality,
- advice on debt management decisions,
- accounting advice,
- reports on treasury performance,
- forecasts of interest rates, and
- training courses.

5. Effect upon Policy Framework & Procedure rules

5.1 As required by Financial Procedure Rule 17.3, all investments and borrowing transactions have been undertaken in accordance with the Treasury Management Strategy 2013-14 as approved by Council.

6. Equality Impact Assessment

6.1 There are no equality implications.

7. Financial Implications

7.1 The financial implications are reflected within the report.

8. Recommendation

8.1 It is recommended that Members:

- Note the Annual Treasury Management Activities for 2013-14

Gill Lewis
Section 151 Officer
Interim Corporate Director Resources
5 September 2014

Contact Officer: Karin Thomas
 Loans & Investment Officer

Telephone: 01656 643312

E-mail: Karin.Thomas@bridgend.gov.uk

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 Financial Services

Raven's Court
Brewery Lane
Bridgend
CF31 4AP

Background documents:

Treasury Management Strategy 2013-14
Treasury Management Strategy 2014-15

SUMMARY OF TREASURY MANAGEMENT ACTIVITIES 2013-14

1. The treasury position for 2013-14:

		Principal as at 01-04-13	Average Rate	Principal as at 31-03-14	Average Rate
		£m	%	£m	%
Fixed rate long term funding	PWLB*	77.65	4.70	77.63	4.70
	Market	-	-	-	-
Variable rate long term funding	PWLB*	-	-	-	-
	Market LOBO**	19.25	4.65	19.25	4.65
Total External Borrowing***		96.90	4.69	96.88	4.69
Other Long Term Liabilities*** (including PFI)		21.30		21.60	
TOTAL GROSS DEBT		118.20		118.48	
Fixed rate investments		6.70	0.32	4.50	0.63
Variable rate investments		9.00	0.66	6.00	0.55
TOTAL INVESTMENTS****		15.70	0.51	10.50	0.59
TOTAL NET DEBT		102.50		107.98	

* Public Works Loan Board (PWLB)

** Lender's Option Borrower's Option (LOBO)

*** Long term borrowing/liabilities include all instruments with an initial term of 365 days or more so includes the short term Liability relating to long term borrowing/liabilities included as "Current Liabilities" in the Council's balance sheet in the Statement of Accounts.

**** The investment totals include instant access deposit accounts which are included as "Cash" in the Council's balance sheet in the Statement of Accounts and also investments shown as "Cash Equivalents" in the Council's balance sheet that mature in one 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. A breakdown of the movement during the year is shown in Section 5.

Fixed rate in the above table includes instruments which are due to mature in the year

It should be noted that the accounting practice required to be followed by the Council requires financial instruments in the accounts (debt and investments)

to be measured in a method compliant with International Financial Reporting Standards (IFRS). The figures shown in the above table and throughout the report are based on the actual amounts borrowed and invested and so may differ from those in the Statement of Accounts which include accrued interest or are stated at fair value in different instances.

The £19.25 million showing as maturing in 2054, relates to Lender's Option Borrower's Option (LOBO) loans which may be re-scheduled in advance of this maturity date. 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 January 2015) and therefore, the Council being given the option to accept the increase or to repay the loan without incurring a penalty.

The long term liabilities figure of £21.60 million at 31 March 2014 includes £19.78 million for the Council's Private Finance Initiative (PFI) arrangement (for the provision of a Secondary School in Maesteg). Included in this figure is the short term liability of £0.68 million which is included as current financial liabilities in the Council's balance sheet in the Statement of Accounts.

2. Borrowing and Debt Strategy 2013-14

The interest rate views, incorporated in the Council's Treasury Management Strategy for 2013-14, were based upon officers' views supported by a selection of City forecasts provided by Arlingclose, our Treasury Management Advisers. This view was seeing the Bank Rate remaining at 0.50% for 2013-14 which it did and it was considered that it could be 2016 before official UK interest rates rise. The Council assumed long term borrowing rates of 5.00% in the Treasury Management Strategy for 2013-14.

The agreed strategy approved by Council based on the above forecast was that due to the growing uncertainty over interest rates, the risks associated with treasury activity were increased. As a result, the Council took a cautious approach to its treasury strategy and with short-term interest rates currently much lower than long term rates, it was decided that during 2013-14 it would be more cost effective in the short term to either borrow short term loans, variable rate loans or to not borrow and reduce the level of investments held.

The Council's primary objective for the management of its debt is to ensure its long term affordability. The majority of its loans have therefore been borrowed from the Public Works Loan Board at long term fixed rates of interest. No long or short term borrowing was taken in 2013-14 or any loan rescheduling as in conjunction with Arlingclose the loan portfolio was reviewed for any potential savings and there were no significant savings to be made.

3. Investment Strategy & Outturn 2013-14

The purpose of the Annual Investment Strategy incorporated in the Council's Treasury Management Strategy 2013-14 is to set out the policies for giving priority to the security (protecting the capital sum from loss) and liquidity (keeping the money readily available for expenditure when needed) of the Council's investments. The Strategy deals with the credit ratings defined for each category of specified investments, the prudential use of non-specified investments and the liquidity of investments. The Council has regard to the Welsh Government's Guidance on Local Government Investments 2010 and CIPFA's Treasury Management in Public Services: Code of Practice and Cross Sectoral Guidance Notes ("CIPFA TM Code") 2011 Edition.

The Council uses credit ratings published by Fitch Ratings Ltd, Standard & Poor's and Moody's Investors Service to assess the risk of investment default. The lowest available credit rating will be used to determine credit quality. In the current climate, relying mainly on credit ratings is considered to be inappropriate and the selection of suitable counterparties includes other factors, for example whether the counterparty has any explicit or implicit government support. This has been endorsed by the revised edition of the CIPFA TM Code and the Welsh Government's Guidance on Local Authority Investments which states that authorities should not place an over-reliance on credit ratings. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the above criteria.

The Council's primary objective for the management of its investments is to give priority to the security and liquidity of its funds before seeking the best rate of return. The majority of its surplus cash is therefore held as short term investments with the UK Local Authorities and highly rated banks and building societies. Other investments are also placed with the UK Debt Management Office (DMO - Executive Agency of UK Government) but only for very short term deposits. The interest rates offered by this facility are usually lower than some other counterparties but this is commensurate with the high level of security and reduced risk offered. It provides another option when examining potential investments and ensures compliance with the Council's investment objective that security takes priority over yield. This has therefore resulted in more of the investment portfolio being moved into investment instruments with lower rates of return but higher security and liquidity.

On a day to day basis the Council potentially has surplus cash balances arising from the cash-flow e.g. timing differences between grants being

received and making various payments. These are invested on the market via brokers, direct with the institution or held in instant access business reserve accounts. The Council usually invests for a range of periods dependent on cash flow requirements and the interest rates on offer having regard to the Investment Strategy. There were no long term investments (duration of 12 months or more) in 2013-14 as all the investments were short term and the table below details these investments by counterparty type:

Investment Counterparty Category	Balance 01-04-13	Investments Raised	Investments Repaid	Balance 31-03-14	Average Rate for Whole year 2013-14
	£m	£m	£m	£m	%
UK Government (DMO)	0.50	163.15	163.15	0.50	0.25
UK Local Authorities	6.20	110.10	116.30	0.00	0.30
Building Societies Short Term	0.00	29.50	27.50	2.00	0.43
Banks Call Accounts (Instant Access)	9.00	65.56	68.56	6.00	0.59
Banks Short Term	0.00	17.50	15.50	2.00	0.61
Total	15.70	385.81	391.01	10.50	0.43

Favourable cash flows have provided surplus funds for investment and the balance on investments at 31 March 2014 was £10.50 million made up of £4 million short term investments and £6.50 million Cash and Cash Equivalents. The table below summarises the credit risk exposures of the Council's investment portfolio by credit rating, (based on the lowest long term rating) maturity profile and counterparty type. Included in this figure is £0.60 million invested on behalf of Bridgend Football club to provide alternative facilities which is held in an Escrow account (money held in trust pending the fulfilment of conditions in a contract).

Counterparty Category	Credit Rating 31 March 2014	Instant Access Deposit Accounts	Deposits Maturing Within 1 Month	Deposits Maturing Within 6 Months	Total
		£m	£m	£m	£m
Bank (Sweden) *	AA-	3.00	0.00	0.00	3.00
Banks (UK registered)	A	3.00	0.00	2.00	5.00
Building Societies	A	0.00	0.00	2.00	2.00
Central Govt (DMO)	AAA**	0.00	0.50	0.00	0.50
Total		6.00	0.50	4.00	10.50

* Bank incorporated in the European Economic Area (EEA) but entitled to accept deposits via a branch in the UK

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

4. Reporting Arrangements 2013-14

CIPFA's Code of Practice for Treasury Management requires that the Council reports on its treasury management as an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close all to Full Council. The Council also produces quarterly monitoring reports that go to Cabinet as Information Reports. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the Council's Treasury Management Strategy and CIPFA's Standard of Professional Practice on Treasury Management.

In addition to the Code of Practice, the Welsh Government has issued Guidance on Local Government Investments which require local authorities to report their Annual Investment Strategy.

To ensure effective scrutiny of treasury management in accordance with the Treasury Management Strategy, Audit Committee has been nominated to be responsible for ensuring effective scrutiny of the treasury management strategy and policies. Audit Committee and the Cabinet Member Resources received training in March 2013 to assist them in their function of scrutinising treasury management, which included the Treasury Management Strategy 2013-14. In addition to the regular treasury management reports to Cabinet and Council, the Annual Treasury Management Report 2012-13 and the

Treasury Management Strategy 2014-15 were presented to Audit Committee in November 2013 and January 2014 respectively.

5. Review of 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 not deemed necessary to make any major changes to the main parts of the Treasury Management Strategy 2013-14, however, it was beneficial for the Council to make some minor revisions to the Investment Strategy included within this Statement. This was done to enable increased flexibility in an ever changing financial market and increase the investment opportunities available to the Council whilst still maintaining security. A minor revision was also made to the Treasury Management Roles of Officers within Financial Services and all these changes were approved by Council on 13 November 2013.

6. Treasury Risk Management

The Council's overall treasury risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice Treasury Management in the Public Services and the Welsh Government's Guidance on Local Government Investments. The Council formally adopted the Code in April 2004 (and the changes to the Code in the 2011 revised edition) and the regulatory requirements which limit the level of risk associated with its treasury management activities.

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

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

The Council's primary objective for the management of its investments is to give priority to the security and liquidity of its funds before seeking the best rate of return. The majority of its surplus cash is therefore mainly placed for shorter periods in suitably rated financial institutions and government entities as detailed above in section 3. This has therefore resulted in more of the investment portfolio being moved into investment instruments with lower rates of return but higher security and liquidity.

The Council's primary objective for the management of its debt is to ensure its long term affordability. The majority of its loans have therefore been borrowed from the Public Works Loan Board at long term fixed rates of interest.

7. Performance Measurement

The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators as opposed to the Treasury Management and Prudential Indicators (shown below in section 10) which are predominantly forward looking.

One debt performance indicator is where the average portfolio rate of interest is compared to an appropriate average available. The average long term borrowing rate for 2013-14 and at 31 March 2014 was 4.69% and at 31 March 2014, 80% of this was made up of Public Works Loan Board (PWLB) loans with an average rate of 4.70%. Comparable performance indicators are shown below:

Bridgend CBC Average Rate of PWLB Debt at 31-03-14	Welsh Unitary Local Authorities Average Rate for outstanding PWLB Debt at 31-03-14	All UK Authorities Average Rate for outstanding PWLB Debt at 31-03-14
4.70%	5.58%	4.53%
	-0.88%	+0.17%

The average rate on investments for 2013-14 was 0.43% and at 31 March 2014 was 0.59%. Comparable performance indicators for benchmarking purposes are the average 7 day, 1 month and 3 month LIBID (London Inter Bank Bid) rates and also the average Bank Rate. The tables below shows the investments average interest rate for 2013-14 and the actual rate as at 31 March 2014 against the four benchmarking rates:

Bridgend CBC Average Rate of Return on Investments 2013-14	Average 7 day LIBID (London Inter-Bank Bid rate) 2013-14	Average 1 month LIBID (London Inter-Bank Bid rate) 2013-14	Average 3 month LIBID (London Inter-Bank Bid rate) 2013-14	Average Bank Rate 2013-14
0.43%	0.41%	0.41%	0.45%	0.50%
	+0.02%	+0.02%	-0.02%	-0.07%

Bridgend CBC Average Rate of Return on Investments as at 31-03-14	7 day LIBID (London Inter- Bank Bid rate) as at 31-03-14	1 month LIBID (London Inter-Bank Bid rate) as at 31-03-14	3 month LIBID (London Inter- Bank Bid rate) as at 31-03-14	Bank Rate as at 31-03-14
0.59%	0.39%	0.42%	0.46%	0.50%
	+0.20%	+0.17%	+0.13%	+0.09%

8.0 Treasury Management & Prudential Indicators 2013-14

The Treasury Management Code and Prudential Code require the Council to set and report on a number of Treasury Management and Prudential Indicators. Details are shown below of the estimated indicators for 2013-14 as detailed in the Treasury Management Strategy (TMS) 2013-14 approved by Council 27 February 2013, the revised projection (where applicable) as set out in the Treasury Management Strategy 2014-15 approved by Council 19 February 2014, and the actual indicators for 2013-14.

During the financial year 2013-14, the Council operated within the treasury limits and prudential indicators set out in the Council's Treasury Management Strategy 2014-15.

8.1 Treasury Management Indicators 2013-14

The following indicators (which are forward looking parameters) form part of the CIPFA Code of Practice on Treasury Management. They enable the Council to measure and manage its exposure to Treasury Management risks.

The Council needs to set the upper limits to its **Interest Rate Exposure** for the effects of changes in interest rates. There are two treasury management indicators that relate to both fixed interest rates and variable interest rates. These limits have been calculated with reference to the net outstanding principal sums and are set to control the Council's exposure to interest rate risk and are shown in the table below.

The Section 151 Officer managed interest rate exposure between these limits during the year and as shown above the net borrowing position for fixed and variable rates was within the limits set.

No.		Treasury Management Strategy 2013-14 Upper £m	Actual Outstanding 31-03-14 £m
	Total Projected Principal Outstanding on Borrowing 31 March 2014	108.88	96.88
	Total Projected Principal Outstanding on Investments 31 March 2014	12.00	10.50
	Net Principal Outstanding	96.88	86.38
1.	Upper Limit on fixed interest rates (net principal) exposure	131.00	
2.	Upper Limit on variable interest rates Exposure (net principal) exposure	45.00	
	Fixed interest rate Exposure (net principal) 31-03-14		73.13
	Variable interest rate Exposure (net principal) 31-03-14		13.25

A further indicator for Treasury Management measures the **Maturity Structure of Borrowing** and 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. The Code requires the maturity of LOBO loans to be shown as the earliest date on which the lender can require payment, i.e. the next call date of July 2014 and January 2015 (which is shown below), however it is not expected that the loans will repaid on that date.

No.	Maturity structure of fixed rate borrowing during 2013-14	Treasury Management Strategy 2013-14 Upper limit	Treasury Management Strategy 2013-14 Lower limit	Actual Outstanding 31-03-14
3.	Under 12 months	50%	0%	20%
	12 months and within 24 months	25%	0%	0%
	24 months and within 5 years	50%	0%	0%
	5 years and within 10 years	60%	0%	0%
	10 years and above	100%	40%	80%

The **Upper Limit for Total Principal Sums invested over 364 days** indicator controls the amount of longer term investments which mature beyond the period end. This is set to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments.

No.		Treasury Management Strategy 2013-14 £m	Actual Principal Invested During 2013-14 £m
4.	Upper Limit for Total Principal Sums Invested for more than 364 days	15	0

The actual for all three treasury management indicators above are within the accepted range.

8.2 Prudential Indicators 2013-14

The Prudential Indicators are required to be set and approved by Council. Council is also required to formally adopt CIPFA's Treasury Management Code and the revised edition of the 2011 Code was adopted by Council on 22 February 2012.

Prudential Indicators for Prudence

The following Prudential Indicators are based on the Council's capital programme which is subject to change. The Council's capital expenditure plans are summarised below and this forms the first prudential indicator for Prudence. The total capital expenditure was funded from capital grants and contributions, capital receipts and revenue with the remainder being the **Net Financing Need for the Financial Year** to be met from borrowing.

No.	Prudential indicators For Prudence 2013-14	Estimate Treasury Management Strategy 2013-14 £'000	Revised Projection £'000	Actual 2013-14 £'000
1	Estimates of Capital Expenditure (Non-HRA)	39,183	42,462	37,795
	Total Capital Expenditure	39,183	42,462	37,795
	Financed by :-			
	Capital Grants and Contributions	14,681	14,935	14,778
	Capital Receipts	9,375	6,245	2,453
	Revenue	300	820	1,271
	Net Financing Need for Year	14,827	20,462	19,293

The capital expenditure figures have changed from the Treasury Policy Statement 2013-14 as the capital programme approved by Council on 27 February 2013 has been amended to incorporate slippage of schemes

identified as part of the capital monitoring and a change in the profile of prudential borrowing.

The second Prudential Indicator is the **Capital Financing Requirement (CFR)** for the Council and is shown in the table below. This shows the total outstanding capital expenditure that has not been funded from either revenue or other capital resources. It is derived from the actual Balance Sheet of the Council. It is essentially a measure of the underlying need to finance capital expenditure and forms the basis of the charge to the General Fund under the Prudential Code system.

The process for charging the financing of capital expenditure to revenue is a statutory requirement and is called the Minimum Revenue Provision (MRP). The actual MRP charge needs to be prudent - the Council deemed this to be set at 4% of the opening Capital Financing Requirement after adjustments for 2013-14. The MRP requirement for the PFI Scheme, Finance Leases, Innovation Centre and Halo Leisure Contract will be equivalent to the write down of the liability for the year and is met from existing budgets. In addition to this, for all unsupported borrowing exercised under the Prudential Code (used to fund the purchase of assets for directorates) the MRP policy is based on the Asset Life Method. The Voluntary Revenue Provision (VRP) will be at equal annual instalments over the life of the asset which is again met from existing revenue budgets. The first charge will be delayed until the asset is operational.

No.	Prudential indicators For Prudence	Est. Treasury Management Strategy 2013-14 £'000	Revised Projection TMS 2014-15 £'000	Actual 2013-14 £'000
2	Capital Financing Requirement (CFR)			
	Opening CFR (1 April 2013) excluding PFI	148,906	144,279	144,279
	Opening PFI CFR	20,217	20,218	20,218
	Opening Finance Lease CFR	95	95	95
	Opening Innovation Centre	845	845	845
	Opening HALO	-	144	144
	Total Opening CFR	170,063	165,581	165,581
	Movement in CFR excluding PFI & other liabilities	8,805	12,812	11,150
	Movement in PFI CFR	(442)	(442)	(442)
	Movement in Finance Lease CFR	(54)	(54)	(54)
	Movement in Innovation Centre CFR	(28)	(28)	(28)
	Movement in HALO CFR	-	1,123	826
	Total Movement in CFR	8,281	13,411	11,452
	Closing CFR (31 March 2013)	178,344	178,992	177,033
	Movement in CFR represented by :-			
	Net Financing Need for Year (above)	14,827	20,462	19,293
	Minimum and Voluntary Revenue Provisions	(6,546)	(7,051)	(7,841)
	Total Movement	8,281	13,411	11,452

Limits to Borrowing Activity

The Council's borrowing at the 31 March 2014 was £96.88 million as detailed above in section 1, the Treasury Position. External Borrowing can arise as a result of both capital and revenue expenditure and timing of cash flows. Because the Council has an integrated Treasury Management Strategy there is no association between individual loans and particular types of expenditure. Therefore, the Capital Financing Requirement and actual external borrowing can be very different.

The **Gross Debt** position (Borrowing and Long Term Liabilities) is shown in the table below. The reason for the reduction from the estimated indicator is because there was no new borrowing taken during 2013-14.

No.	Prudential indicators For Prudence Gross Debt 2013-14	Estimate Treasury Management Strategy 2013-14 £'000	Revised Projection (as per Treasury Management Strategy 2014-15) £'000	Actual 2013-14 £'000
3	External Borrowing	108,883	96,883	96,883
	Long Term Liabilities	20,633	21,900	21,604
	Total Gross Debt	129,516	118,783	118,487

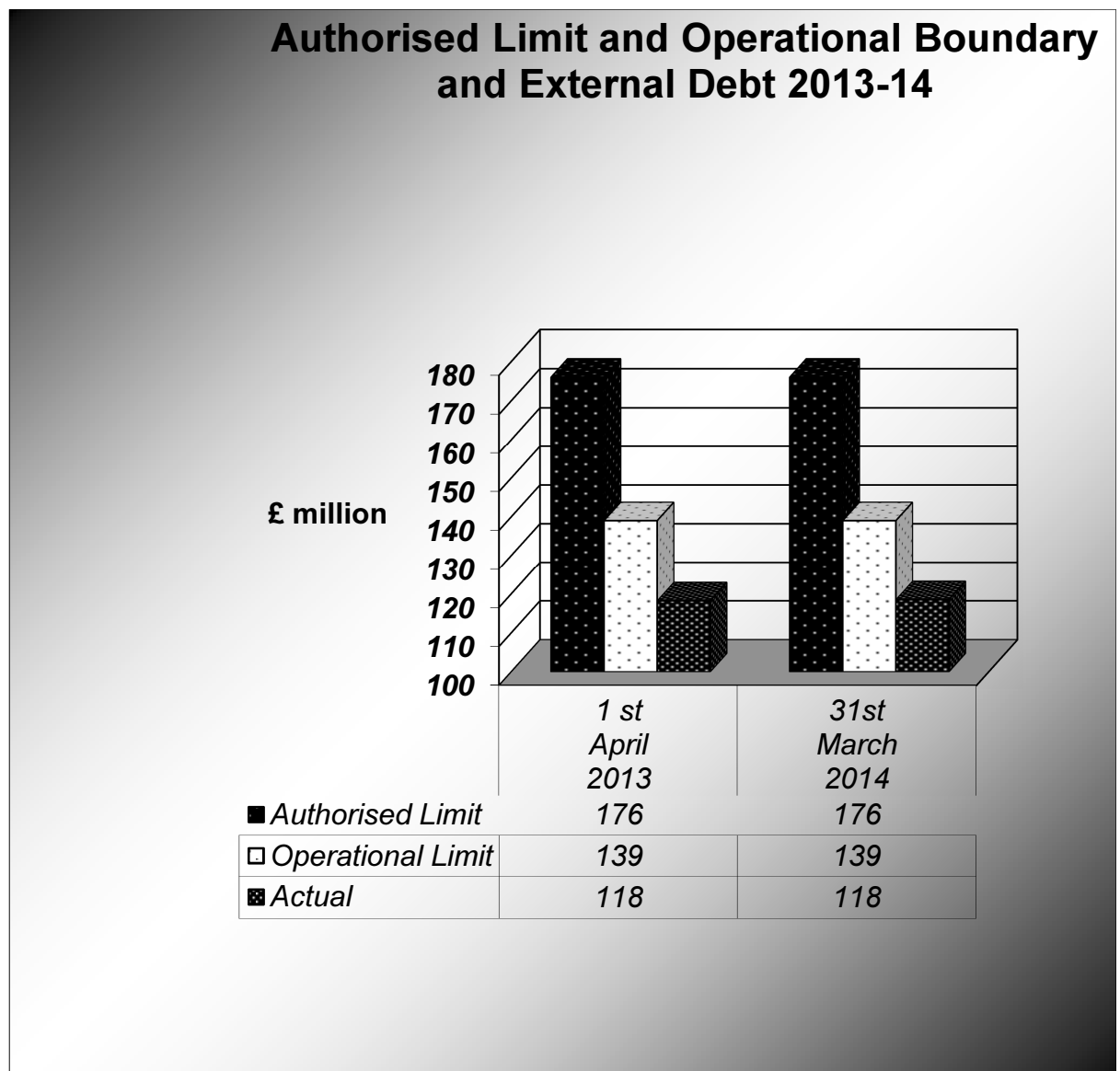
Within the Prudential Indicators, there are a number of key indicators to ensure the Council operates its activities within well-defined limits. One key control is to ensure that over the medium term, debt will only be for a capital purpose. The Council needs to ensure that the external debt does not, except in the short term, exceed the Capital Financing Requirement for 2013-14. The table below shows that the Council has complied with this requirement.

No.	Prudential indicators For Prudence 2013-14	Estimate Treasury Management Strategy 2013-14 £'000	Revised Projection (as per Treasury Management Strategy 2014-15) £'000	Actual 2013-14 £'000
4	Gross Debt & the CFR			
	Total Gross Debt	129,516	118,783	118,487
	Closing CFR (31 st March)	178,344	178,992	177,033

A further two Prudential Indicators control the Council's overall level of debt to support Capital Expenditure. **The Authorised Limit** for External Debt– this represents the limit beyond which borrowing is prohibited. It reflects a level of

borrowing that could not be sustained even though it would be affordable in the short term. It needs to be set and approved by Members. **The Operational Boundary** for External Debt – this is not an actual limit and actual borrowing can vary around this boundary during the year. It is based on the probable external debt during the course of the year.

The chart below details the actual level of debt (borrowing and long term liabilities) at the 1 April 2013 and 31 March 2014 in comparison to the Authorised Limit and Operational Boundary for External Debt set when the Treasury Management Strategy 2013-14 was prepared. As shown the Council remained well within both limits.



Prudential Indicators for Affordability

The Prudential Code Indicators Numbered 1 to 6 above cover the overall controls on borrowing and financing of capital expenditure within the Council. The second suite of indicators detailed below assesses the affordability of capital investment plans and the impact of capital decisions on the Council's overall finances.

The indicator **Ratio of Financing Costs to Net Revenue Stream** demonstrates the trend in the cost of capital against the Total Revenue amount to be met from local taxpayers and the amount provided by the Assembly in the form of Revenue Support Grant. The estimates of capital financing costs include interest payable and receivable on Treasury Management activities and the Minimum Revenue Provision charged to the Comprehensive Income and Expenditure Statement. The revenue stream is the amount to be met from government grants and local taxpayers.

No.	Prudential Indicators for Affordability 2013-14	Estimate Treasury Management Strategy 2013-14 %	Revised Projection Treasury Management Strategy 2014-15 %	Actual 2013-14 %
7.	Ratio of Financing Costs to Net Revenue Stream			
	Ratio	5.00	5.02	5.39

The indicator of the **Incremental Impact of Capital Investment Decisions on Council Tax** identifies the estimate of the incremental impact to the Council Tax from the capital expenditure proposals, particularly changes in borrowing requirements that have occurred since the Capital Programme was approved for the year. This is a purely notional calculation designed to show the effect of changes in capital investment decisions.

No.	Incremental Impact of Capital Investment Decisions on Council Tax	Estimate Treasury Management Strategy 2013-14 £	Revised Projection Treasury Management Strategy 2014-15 £	Actual 2013-14 £
8.	Increase in Band D Council Tax as per Capital Programme	1.64	1.65	1.61

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

25thSeptember 2014

REPORT OF THE INTERIM 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 18th June 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
18 th June 2014	When discussing the Head of Audits Annual Opinion concerns were raised regarding the role of the Section 151 Officer during periods of absence / recruitment. The Committee requested that a letter signed by the Chairperson be sent to the Chief Executive expressing their concerns over the statutory obligations of the Section 151 Officer being fulfilled.	CIA	Letter has been sent to the Chief Executive expressing the Committee’s concerns.	Already sent - Complete

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.

Gill Lewis
Interim Corporate Director - Resources
25th September 2014

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

25th September 2014

REPORT OF THE INTERIM CORPORATE DIRECTOR - RESOURCES

INTERNAL AUDIT – OUTTURN REPORT – APRIL TO AUGUST 2014

1. Purpose of Report.

1.1 The purpose of this report is to inform the Audit Committee of actual Internal Audit performance against the five months of the audit plan year April 2014 to August 2014.

2. Connection to Corporate Improvement Plan / Other Corporate Priority.

2.1. The work of audit is intended to assist in the achievement of all corporate and service objectives.

3. Background

3.1. The 2014/15 Internal Audit Plan was submitted to the Audit Committee for consideration and approval on the 10th April 2014. The Plan outlined the assignments to be carried out and their respective priorities.

3.2. The Plan provided for a total of 1,310 productive days to cover the period April 2014 to March 2015.

4. Current situation / proposal

4.1. A summary of audits commenced / ongoing and completed during the period April to August 2014 are detailed in Appendix A and the Head of Audit's ongoing opinion is attached in Appendix B.

4.2. The following table shows an analysis of work done in relation to the plan (1,310 available days).

Directorate	2014-15 Full Year Plan Days	Proportion of Plan Days available for April to Aug 2014	2014-15 April to Aug. Actual Days
Resources	365	152	214
Legal and Regulatory Services	85	35	30
Children's (Including Schools)	215	90	39
Communities	125	52	94

Wellbeing	125	52	34
Cross Cutting	255	106	112
External	20	8	9
Contingency - Unplanned	70	29	11
Contingency – Fraud and Error	50	21	8
TOTAL PRODUCTIVE DAYS	1,310	545	551

4.3. The figures show that 551 actual days have been achieved, which exceeds that expected by 6 days.

4.4. At the end of the period 15 reviews / jobs have been completed and closed, 12 of which have provided management with an overall audit opinion on the internal control environment for each of the systems examined. So far to date, no significant weaknesses in the system of internal control have been identified. Of the 15 reviews closed; the effectiveness of the internal control environment in 6 were deemed good and therefore substantial assurance was provided in 6 reviews the control environment was deemed to be satisfactory and therefore the assurance provided was reasonable.

4.5. As can be seen from paragraph 4.3, the Section is achieving the number of productive days as anticipated. However, the Section has been affected by long term sickness at the beginning of the year and continuing maternity leave. This being said, overall productivity has increased which has compensated for these absences.

5. Effect upon Policy Framework & Procedure Rules.

5.1. There is no effect upon the policy framework and procedure rules

6. Equality Impact Assessment.

6.1. There are no equality issues.

7. Financial Implications.

7.1. Effective audit planning and monitoring are key contributors in ensuring that the Council's assets and interests are properly accounted for and safeguarded.

8. Recommendation.

8.1. That Members give due consideration to the Internal Audit Outturn Report covering the period April 2014 to August 2014 to ensure that all aspects of their core functions are being adequately reported.

Gill Lewis
Interim Corporate Director - Resources
25th September 2014

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Background Documents

None

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BCBC Outturn Report April 2014 to August 2014

<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>Date Closed</u>
ASSURANCE							
	Directorate	RESOURCES					
	390 BCBC - DBS		31.36	30.00	01/04/2014		
	391 BCBC - Agency Contract		16.81	15.00	04/04/2014	19/08/2014	Reasonable
	418 BCBC - COA Business Continuity C/Fwd		6.49	5.00	01/04/2014		
	439 BCBC - Debtors		17.69	25.00	24/06/2014		
	441 BCBC - Staff Expenses		1.87	10.00	24/06/2014		
	447 BCBC - Cash Control		2.97	10.00	21/07/2014		
	451 BCBC - Main Accounting		2.87	15.00	21/07/2014		
	452 BCBC - Treasury Mgt		2.74	10.00	21/07/2014		
	453 BCBC - Capital Financing and Leasing		1.99	10.00	28/07/2014		
Total	Directorate	RESOURCES	84.80	130.00			
	Directorate	RESOURCES - ICT & PROPERTY					
B	396 BCBC - CRC Return		16.72	15.00	01/04/2014	22/08/2014	Reasonable
	397 BCBC - Lone Worker Monitoring		17.16	15.00	02/04/2014		
	398 BCBC - Microsoft Enterprise Agreement		1.01	15.00	28/04/2014	02/07/2014	N/A
	404 BCBC - Building Maintenance		22.26	20.00	01/04/2014	10/07/2014	Reasonable
	415 BCBC - CRM Application		4.73	5.00	01/04/2014		
	416 BCBC - EDRM Application		6.93	7.00	01/04/2014		
	417 BCBC - SIMS Application		5.27	5.00	01/04/2014		
	420 BCBC - Info Governance Board		3.04	5.00	01/04/2014		
	423 BCBC - Non Operative Estates		14.22	15.00	05/05/2014		
	430 BCBC - CAAT's		5.95	20.00	26/05/2014		
	437 BCBC - Electoral System		11.49	15.00	09/06/2014		
	438 BCBC - ICT Asset Mgt		17.70	15.00	27/06/2014		
	442 BCBC - IT Health Checks		1.15	10.00	02/06/2014		
	454 BCBC - UK Mail		1.49	5.00	07/07/2014		
Total	Directorate	RESOURCES - ICT & PROPERTY	129.12	167.00			
	Directorate	LEGAL & REGULATORY SERVICES					
B	429 BCBC - Taxi Licensing		12.74	10.00	26/05/2014	19/08/2014	Substantial
	444 BCBC - Legal Expenditure		9.83	10.00	01/07/2014		
	445 BCBC - Purchasing Cards		6.72	15.00	10/07/2014		
	456 BCBC - Management Consultants Spend		0.27	20.00	11/08/2014		
Total	Directorate	LEGAL & REGULATORY SERVICES	29.56	55.00			

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	Directorate	CHILDREN					
B	409 BCBC Brynmenin Primary		3.31	4.00	01/04/2014	12/05/2014	Substantial
	410 BCBC Coety Primary		4.22	4.00	01/04/2014	02/06/2014	Substantial
	411 BCBC St Roberts Primary		1.96	4.00	01/04/2014	07/05/2014	Substantial
	421 BCBC - School Summary Report		4.83	5.00	01/04/2014		
	431 BCBC - Archdeacon John Lewis Primary		5.20	4.00	11/06/2014	11/07/2014	Substantial
	432 BCBC - Newton Primary		6.14	4.00	02/06/2014		
	434 BCBC Schools CRSA		0.95	9.00	02/06/2014		
	436 BCBC Pen y Bont PS		3.24	4.00	25/06/2014		
	446 BCBC School Uniform Grant		2.57	5.00	24/07/2014		
Total	Directorate	CHILDREN	32.42	43.00			
	Directorate	COMMUNITIES					
B	394 BCBC - Waste Management		14.82	15.00	08/04/2014		
	405 BCBC - Park Income		12.09	12.00	21/04/2014	19/08/2014	Substantial
	406 BCBC - Highway Maintenance Potholes		17.97	18.00	07/04/2014		
	408 BCBC - Sign Shop		12.60	10.00	07/04/2014		
	424 BCBC - Supporting People Pol /Proc Audit		14.56	20.00	12/05/2014		
	425 BCBC - Home to School Transport		12.53	12.00	01/05/2014	26/08/2014	Reasonable
	427 BCBC - Houses to Homes Grant		4.66	5.00	19/05/2014		
	449 BCBC Supptng People Grant Verification		4.16	10.00	14/07/2014		
Total	Directorate	COMMUNITIES	93.40	102.00			
	Directorate	WELLBEING					
B	407 BCBC - Section 117 Process		20.20	20.00	01/04/2014		
	414 BCBC - SEWTA Grant Verification		6.66	4.00	01/04/2014	01/07/2014	Reasonable
Total	Directorate	WELLBEING	26.86	24.00			
	Directorate	BCBC CROSS CUTTING					
B	389 BCBC - Audit Committee Qtr 1 and 2		18.65	25.00	01/04/2014		
	392 BCBC - Close Down 2013-14		23.10	15.00	01/04/2014		
	399 BCBC - Advice & Guidance Resources		7.13	4.00	01/04/2014		
	400 BCBC - Advice & Guidance Legal & Reg		1.89	4.00	01/04/2014		
	401 BCBC - Advice & Guidance - Communities		0.78	4.00	01/04/2014		
B	402 BCBC - Advice & Guidance Children		0.84	4.00	01/04/2014		
	403 BCBC - Advice & Guidance Wellbeing		0.47	4.00	01/04/2014		
	443 BCBC - Telecare F/Up		4.16	5.00	09/07/2014		
Total	Directorate	BCBC CROSS CUTTING	57.02	65.00			
	Directorate	EXTERNAL					

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B	440 BCBC - County Borough Supplies	9.27	10.00	24/06/2014		
Total	Directorate EXTERNAL	9.27	10.00			

Total	Function	ASSURANCE	462.44	596.00		
ANTI-FRAUD & CORRUPTION						

B	Directorate BCBC CROSS CUTTING					
	413 BCBC - National Fraud Initiative NFI	5.34	15.00	01/04/2014		
	448 BCBC - Home Improvement Grant allegation	3.14	3.00	30/07/2014		
Total	Directorate BCBC CROSS CUTTING	8.48	18.00			

Total	Function	ANTI-FRAUD & CORRUPTION	8.48	18.00		
GOVERNANCE						

B	Directorate CHILDREN					
	426 BCBC - Learner Transport Project	6.25	10.00	01/05/2014	22/08/2014	Reasonable
Total	Directorate CHILDREN	6.25	10.00			

B	Directorate COMMUNITIES					
	412 BCBC - Section 106 Agreements	0.41	15.00	07/04/2014	12/05/2014	N/A
Total	Directorate COMMUNITIES	0.41	15.00			

B	Directorate WELLBEING					
	455 BCBC - Referral Mgt Social/Health Care	7.13	15.00	01/08/2014		
Total	Directorate WELLBEING	7.13	15.00			

B	Directorate BCBC CROSS CUTTING					
	395 BCBC - Business Continuity Management	1.42	10.00	08/04/2014		
	433 BCBC - Corporate Management Board	4.63	5.00	01/04/2014		
Total	Directorate BCBC CROSS CUTTING	6.05	15.00			

Total	Function	GOVERNANCE	19.83	55.00		
RISK & PERFORMANCE MANAGEMENT						

B	Directorate BCBC CROSS CUTTING					
	393 BCBC - Capital Projects	49.19	40.00	01/04/2014		
Total	Directorate BCBC CROSS CUTTING	49.19	40.00			

Total	Function	RISK & PERFORMANCE MAN	49.19	40.00		
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CONTINGENCY

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	Directorate	LEGAL & REGULATORY SERVICES					
B	419 BCBC - Data Protection C/Fwd		7.13	5.00	01/04/2014		
Total	Directorate	LEGAL & REGULATORY SERVICES	7.13	5.00			
	Directorate	BCBC CROSS CUTTING					
B	428 BCBC - Internal Audit PI's		2.15	3.00	29/05/2014	04/07/2014	N/A
	435 BCBC - School Buildings		1.28	5.00	09/06/2014		
Total	Directorate	BCBC CROSS CUTTING	3.43	8.00			
Total	Function	CONTINGENCY	10.56	13.00			
		Grand Total	550.50				

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BRIDGEND COUNTY BOROUGH COUNCIL**THE CHIEF INTERNAL AUDITOR (AS THE HEAD OF INTERNAL AUDIT) – ONGOING
OPINION REPORT FOR THE PERIOD APRIL TO AUGUST 2014****1. Introduction**

- 1.1 This report details the work undertaken by the Internal Audit Shared Service for the period April to August 2014 in accordance with the Annual Risk-Based Plan presented to the Audit Committee on 10th April 2014. It summarises the work performed by internal audit for the period stated and highlights any issues identified if applicable.
- 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 adequacy of control observed from completing a selection of audit reviews as documented in the annual Audit Plan and other advice work completed on control systems. The results of our investigation work and the work of other internal reviews with Bridgend County Borough Council also informs my opinion.
- 1.3 This report constitutes the first overall outturn for the year 2014/15 and will continue to be used and updated as the year progresses. An overall opinion on the adequacy and effectiveness of the system of internal control has been provided within the body of the report. The sections to be covered in this report where applicable are as follows:
- A summary of the role of the Internal Audit Shared Service;
 - An account of Internal Audit resourcing for 2014/15;
 - An update on the Partnership arrangement;
 - A summary of the effectiveness of the Internal Audit Shared Service – Quality assurance and Performance;
 - Statement on the continued conformance with the Public Sector Internal Audit Standards;
 - Confirm the organisational independence and objectivity of Internal Audit;
 - A summary of the performance / outturn during the year 2014/15;
 - An opinion on the adequacy of management responses to Internal Audit advice and recommendations made during the year;
 - A summary of the issues the Head of Audit judges particularly relevant to be included in the Annual Governance Statement;
 - An opinion on the overall adequacy and effectiveness of the Council's internal control environment (where appropriate).

2. The Role of the Internal Audit Shared Service at the Council

- 2.1 Internal Audit is an independent assurance function that provides objective opinion to the Council on the control environment comprising risk management, internal control and governance, by evaluating its effectiveness in achieving the organisation's objectives. It independently and objectively examines, evaluates and

reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

2.2 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.

2.3 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 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 Chief Executive as Head of Paid Service and the Corporate Director of Resources as the Section 151 Officer in discharging their statutory duties.

2.4 Internal Audit Shared Service also investigates any potential or identified internal frauds and irregularities that may arise within the Shared Service.

2.5 The service is delivered by the Bridgend and Vale Internal Audit Shared Service (IASS) which is part of a joint collaboration between Bridgend County Borough Council (BCBC) and the Vale of Glamorgan Council (VOG) under a partnership agreement. The Vale of Glamorgan Council is the host authority which provides an internal audit service to Bridgend. This gives the service an opportunity to network, benchmark and discuss best practice to ensure the service can provide the Councils with the best advice.

3. An Account of Internal Audit Resourcing for 2014/15 and Going Forward

3.1 The Vale of Glamorgan Council leads the Bridgend and Vale Internal Audit Shared Service and provides all internal audit services to its partner Bridgend County Borough Council. As at the 1st April 2014 the staffing structure is listed in the table 1 below.

Table 1

2014-15 Staffing Structure	FTE
Chief Internal Auditor (Head of Audit)	1
Principal Auditor	2
Group Auditor	2
Group Auditor (Information Systems)	1
Auditor	10
Trainee Auditor	1

Trainee Auditor (Information Systems	1
Administrative Assistant	0.5
Total	18.5

- 3.2 The total resource of 18.5 Full Time Equivalent (FTE's) provides for a comprehensive Internal Audit Service. The Head of Audit aims to achieve best practice but continues to take account of the issues of affordability at a time when both Councils are looking to make substantial reductions in costs. The service has already been vastly streamlined and continues to apply lean auditing risk based methodologies to its plan of work.
- 3.3 During the latter part of 2013/14 and the early part of 2014/15; the team has been affected by long term sickness absence and maternity leave. In addition, one member of the team will be leaving on the 19th September to take up a position in London. Despite the above, the Section has managed to sustain a high level of coverage of the Plan for the five months of this Financial Year with 101% of the overall planned productive time available being achieved for BCBC.
- 3.4 Resources will be monitored during the year and reports provided to the Audit Committee, Corporate Management Board and the Section 151 Officer as required; ensuring that Internal Audit resources remain adequate and effective.

4. Update on the Internal Audit Shared Service Arrangements

- 4.1 2013-14 proved to be a successful year for both Internal Audit Partners. The Partnership has enabled each Council to call upon a far wider base of skills and knowledge and provides audit staff with a unique opportunity to use their particular expertise at both Councils and to assist their professional development and broaden their knowledge and skills base.
- 4.2 2013-14 proved to be another year of achievements, particularly in terms of the annual audit plans. Overall the Section met its expectation with 101% of the Vale's Plan being achieved and 99% of Bridgend's.
- 4.3 For 2014/15 both Risk Based Plans have been presented to and approved by the relevant Audit Committees with a commitment to deliver 1,478 productive days for the Vale and 1,310 for Bridgend.
- 4.4 In relation to the period covered by this report, the Section has achieved 97.5% of the Vale's expected plan days and 101% of Bridgend's. The Internal Audit Shared Service (IASS) formal Partnership Agreement has been in effect since February 2013 and therefore the Service has been fully operational for 18 months. The IASS Board oversee the governance arrangement of the Partnership and meet regularly to ensure an efficient and effective service delivery is being provided.

5. The Effectiveness of Internal Audit Services (Quality Assurance and Improvement Programme).

- 5.1 During 2013/14 both Audit Committees endorsed the adoption of the new Quality Assurance and Improvement Programme (QAIP); the aim of which is to:-

Drive Improvements;
 Ensure that the activities of Internal Audit are in accordance with Public Sector Internal Audit Standards (PSIAS);
 Assess the efficiency and effectiveness of Internal Audit;
 Provide for a mechanism by which the performance of staff can be measured;
 Identification of Training needs.

5.2 The assessment process included within the QAIP has been in operation for nine months; the results of which are listed below in Table 2:

Table 2

Definition	Score	No of Assessments Completed
All key criteria met and exceeded expectation by identifying areas of improvement in terms of efficiency and effectiveness and has identified measurable savings for the client (VFM).	5	7
Achieved key criteria, budget achieved or reduced and report issued in a timely manner.	4	86
Achieved key criteria but budget exceeded for no valid reason and/or report untimely.	3	21
Elements of the key criteria have been met but significant number of review points.	2	1
None of the key criteria have been achieved. Scope and objectives either not understood by the Auditor or not met, Over budget, poor quality working papers, insignificant testing and poor feedback from client.	1	0
TOTAL		115

5.3 As can be seen from the table above, the majority of post audit assessments completed (representing 75%) have identified that staff are producing work of a high standard whereby:- the scope and objectives of the review have been met; working papers and evidence are of a good standard and relevant; testing supports the findings and conclusion drawn; the report produced is of a good standard, timely and accurate and finally the appropriate assurance level has been applied.

5.4 It is also pleasing to note that 7 assessments (6%) have scored 5 whereby the Auditor(s) have, as a result of their work, also identified areas of improvement in terms of efficiency and effectiveness resulting in measurable savings for the client.

6. Organisational Independence and Objectivity of the Internal Audit Shared Service.

6.1 In accordance with the Public Sector Internal Audit Standards (PSIAS) the internal audit activity must be independent and internal auditors must be objective in performing their work. An interpretation of independence can be described as the freedom from conditions that threaten the ability of the internal audit activity to carry

out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the Head of Audit has direct and unrestricted access to senior management and the Audit Committee.

- 6.2 The Council's Constitution, Financial Procedure Rules, Audit Charter and the positioning of the Internal Audit Shared Service within the Council demonstrates the independence of the Service along with the practical application of its independence within the organisation.

7. A Summary of the Performance / Out-turn 2014/15

- 7.1 The 2014/15 Internal Audit Strategy and Annual Risk Based Plan was submitted to the Audit Committee and approved on 10th April 2014. The Plan outlined the assignments to be carried out, their respective priorities, an estimate of resources needed and differentiated between assurance work and other work.
- 7.2 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. Inevitably, changes have occurred since preparing the original plan, these changes focus around the increase in unplanned work.
- 7.3 The actual position for the five months compared against the Plan is detailed in table 3 below:

Table 3

Directorates	2014-15 Full Year Plan Days	Proportion of Plan Days Available for April to Aug. 2014.	2014-15 April to Aug. Actual Days
Resources	365	152	214
Legal and Regulatory Services	85	35	30
Children's (Including Schools)	215	90	39
Communities	125	52	94
Wellbeing	125	52	34
Cross Cutting	255	106	112
External	20	8	9
Contingency - unplanned	70	29	11
Contingency - Fraud & Error	50	21	8
TOTAL PRODUCTIVE DAYS	1,310	545	551

- 7.4 The figures show that 551 actual productive days have been achieved, which equates to 101% of the overall planned productive time available for the period.
- 7.5 Detailed reports are issued to the relevant service managers on the results of individual audits and where significant weaknesses are identified these will be

followed up to ensure high priority recommendations are implemented. To date, there have been no significant issues identified and Management are continuing to respond positively to the recommendations made.

8. Audit Client Satisfaction Questionnaires

- 8.1 At the completion of each audit, all recipients of our 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 so far this Financial Year are summarised in table 4 below.

Responses to Questionnaires

No.	Question	Average Score of responses April to August 2014	Average Score of responses 2013/14
1.	Where appropriate, briefing of client and usefulness of initial discussion.	1.130	1.420
2.	Appropriateness of scope and objectives of the audit.	1.220	1.450
3.	Timeliness of audit.	1.440	1.490
4.	Response of Officer to any requests for advice and assistance.	1.110	1.300
5.	General helpfulness and conduct of auditor (s).	1.000	1.150
6.	Discussion of findings / recommendations during or at the conclusion of audit.	1.000	1.000
7.	Fairness and accuracy of report.	1.110	1.600
8.	Practicality and usefulness of recommendations.	1.330	1.570
9.	Standard of report.	1.110	1.380
10.	Client agreement with overall audit opinion.	1.110	1.560

Table 4

- 8.2 The survey results are excellent and we hope to sustain this level of customer satisfaction throughout the year. In addition to the above, a number of clients have commented separately on the professionalism and helpfulness of the Auditors they dealt with.
- 8.3 The overall response rate of 74% for Client Satisfaction Surveys (CSS) is pleasing, particularly when compared with other authorities. The 22 Welsh Authorities participate in an annual benchmarking exercise which is co-ordinated via the Welsh Chief Auditors Group. One of the Performance Indicators captured is the percentage of CSS's returned, with the average for those authorities who responded being 54%.

9. Performance

- 9.1 As stated in 8.3 above the Section participates annually in the Welsh Chief Auditors Group benchmarking exercise. The results for 2013/14 have just been released

and the table below provides a comparison of performance with the overall average for the responding authorities.

Performance Indicator	IASS Performance For BCBC 2013/14	Overall Average Performance 2013/14
% of planned audits completed	96%	80%
Number of Audits completed	133	126
% of audits completed within planned time	92%	71%
% of directly chargeable time, Actual versus planned	99%	94%
Average number of days from audit closing meeting to issue of draft report.	10 days	9.5 days
% of directly chargeable time Versus total available.	68%	68%
% of staff leaving during the Financial Year	0%	22%

Table 5

9.2 As can be seen from the table above, the Section is performing well. This, together with our overall performance indicators for the service provided to the Vale places us in the top quartile.

10. Qualifications and Experience

10.1 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 BCBC's governance arrangements. The Internal Audit Annual Plan was presented to the Audit Committee in April 2014; based on a provision of 1,310 productive days.

10.2 In accordance with the Public Sector Internal Audit Standards (PSIAS); 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 below demonstrates the experience and qualification mix for the Internal Audit Shared Service.

Table 6

Auditing Experience	All Auditing	%	In Local Government Auditing	%
Up to 1 year	1	5.5%	1	5.5%
1 to 2 years	2.5	13.5%	0	0%
2 to 5 years	5	27%	5	27%
5 to 10 years	5	27%	6.5	35%
Over 10 years	5	27%	6	32.5%

Total Staff	18.5		18.5	
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Qualifications

Accountants (CIPFA; FCCA; ICAEW)	3
Certified Information Systems Auditor (CISA)	1
Institute of Internal Auditors – full membership	0
Institute of Internal Auditors – part qualified or audit certificate	3
Association of Accounting Technicians (AAT)	4
Studying (AAT, IIA, CIPFA etc.)	4
Total	15

- 10.3 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.

11.0 Financial and Governance Implications

- 11.1 Internal Audit recommendations and advice strive to support a robust corporate governance framework. Delivering the Internal Audit Risk Based Annual Plan in addition to any reactive work performed during the year, are essential elements in mitigating the risk of losses arising from error, irregularity and fraud. The work of the Internal Audit Shared Service represents a fundamental function in delivering the Council's Corporate Governance responsibilities.
- 11.2 For the 2013/14 year, the Head of Internal Audit's Annual Opinion stated that reasonable assurance could be placed upon the adequacy and effectiveness of the Council's internal control environment. The report also highlighted the significant governance issue surrounding the unavailability of the Council's Section 151 Officer and the imminent departure of the Deputy Section 151 Officer. Interim arrangements were put in place by the Chief Executive to cover this statutory role in the short term and the Council has now been successful in attracting an external candidate to undertake the combined role of Head of Finance and ICT. The successful candidate will take up his post at the end of September 2014. It is also understood that the Director of Resources /Section 151 Officer will be returning to resume her duties imminently.

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE 25th September 2014

REPORT OF THE INTERIM CORPORATE DIRECTOR - RESOURCES

AUDIT COMMITTEE – RECOMMENDATIONS MADE

1. Purpose of Report.

1.1 To present to Members the report on the recommendations made since 1st April 2014, in accordance with the Audit Committee's Forward Work Programme.

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 primary purpose of Internal Audit reporting is to communicate to management within the organisation information that provides an independent and objective opinion on the control environment and risk exposure and to prompt management to implement agreed recommendations for improvement.

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 a summary of the recommendations made by Internal Audit since 1st April 2014 prioritised according to risk is detailed in table 1 below.

4.2. Merits Attention recommendations are made where it is deemed appropriate to do so; by their very nature they relate specifically to an action that is considered desirable but does not necessarily have an impact on the control environment. To this end, these recommendations are not included on the Management Implementation Plan or logged on the Internal Audit Management Information system. Therefore a formal written response is not required from the client or included in the table below.

Table 1

Description	No of Recommendations Made	No of Management Responses Received	No of Recommendations Awaiting Response
Fundamental – action imperative to ensure that the Authority is not exposed to high risks;	0	0	0
Significant – action necessary to avoid exposure to significant risks;	16	16	0
Total	16	16	0

4.3 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.

4.4 Table 2 below details the number of recommendations made grouped by risk.

Table 2

Risk Category Description	No of Fundamental Recommendations	No of Significant Recommendations
A – Accomplishment Of Objectives	0	1
C – Compliance	0	8
E – Value for Money	0	0

R – Reliability and Integrity of Information	0	7
S – Safeguarding Assets	0	0
X – Governance	0	0
Y – Corporate Impact	0	0
Z – Self Assessment	0	0
Total	0	16

4.5 Table 3 below provides further analysis of the 16 significant recommendations. It provides details of the number of recommendations closed; the number of recommendations not yet implemented and the number of recommendations awaiting a response as at the time the data was extracted from the APACE system.

Table 3

Risk	Awaiting Response	No Closed	No not yet Implemented	Target Dates for Implementation
A	0	1	0	
C	0	4	4	October / November 2014
E	0	0	0	
R	0	1	6	October / November 2014
S	0	0	0	
X	0	0	0	
Y	0	0	0	
Z	0	0	0	
	0	6	10	

4.6 The table shows that 10 recommendations have not yet been implemented, although it is acknowledged that the target date set for all non- implemented recommendations is between October and November 2014 and therefore are not as yet overdue.

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 Implementation of Recommendations report to ensure that this aspect of their core functions is being adequately reported.

Gill Lewis
Interim Corporate Director - Resources
25th September 2014

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Background Documents

None

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

25th SEPTEMBER 2014

REPORT OF THE INTERIM 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 as per the out-turn report are summarised in Appendix A attached to this report. Appendix B summaries those finalised audits carried forward from 13/14.

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.

Gill Lewis
Interim Corporate Director - Resources
25th September 2014

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Chief Internal Auditor

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Background documents

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

2014/15 Completed Audits

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
Agency Contract	<p>Under the direction of Cardiff County Council, Newport City Council carried out a procurement exercise on behalf of the Authority and other member Authorities in accordance with the Welsh Purchasing Consortium arrangement for the provision of Agency staff. Randstad were awarded the contract which commenced in July 2012. Since the commencement of the contract expenditure on agency costs is £3,235,765.</p> <p>Two significant recommendations were made in the report.</p>	August 2014	17 days	<p>Issues were identified and recommendations made in relation to ensuring that appropriate checks are carried out on Agency staff. The agency management form (AMF) should be updated to include specific information regarding qualifications, licenses and DBS requirements applicable to the role. The stated DBS requirement should be confirmed by HR as part of the AMF approval process.</p> <p>Managers should be issued with a guidance note outlining their responsibility in relation to ensuring all necessary checks have been completed by the agency prior to the worker commencing employment.</p> <p>Management has confirmed implementation of the above recommendations.</p>	Reasonable	Implemented
CRC Energy Management Return	The Energy Management section has the responsibility for developing and delivering long term energy and carbon management plans to improve the authority's performance across a	August 2014	17 days	Management should ensure that there is adequate segregation of duties for staff using the Energy Management System (Systems Link). This should include retention of evidence that management have reviewed and authorised the work	Reasonable	December 2014

	<p>wide range of environmental and energy sustainability. In 2012/13 the department reported that Bridgend County Borough Council spent £5.2 million on their energy costs.</p> <p>A key part of the section's role is the completion of a CRC Annual Report that is submitted externally as part of the UK mandatory Carbon Reduction Commitment Energy Efficiency Scheme. The submission also requires that adequate evidence is maintained to support the data submitted within the CRC Annual Report.</p>			of the Energy Assistant.		
Building Maintenance	<p>The Building Maintenance Service (BMS) sits within the Resources Directorate, under Technology, Property and Customer Services. The Resources Business Plan for 2013/14 clearly sets out how the directorate's priorities link into the Council's Corporate Improvement Plan.</p> <p>In order to achieve the required budget savings and rationalisation of systems, BMS performed a review of the structure of the service area with particular reference to the Direct Labour Organisation (DLO). This review</p>	July 2014	22 days	<p>The process for out of hours calls is over complicated due to the unnecessary involvement of the Highways Section resulting in duplication and differing recorded details. It was also noted that a number of jobs had been inaccurately recorded on the system. It was recommended that:</p> <ul style="list-style-type: none"> • The Highways Officer is removed from the call out process. • The Duty Officer ensures that all out of hours jobs are raised correctly on the OPEN Contractor system. <p>Over a period of 3 months, the DLO had attended 7 calls. In view of this level of demand, the number of staff currently on</p>	Reasonable	To be agreed

	<p>resulted in a considerable reduction in the size of the DLO. This audit focused on the Client Agent and DLO. A number of recommendations were made in order to simplify processes with associated resource savings.</p>			<p>standby is considered excessive. Additionally, the Council has a 24/7/365 Customer Service Centre which provides an out of hours call service for other areas and has confirmed the capacity to handle calls on behalf of the Building Maintenance Service.</p> <p>It was recommended that:</p> <ul style="list-style-type: none"> • The number of Officers on standby is reduced. • Out of hours calls are directed to the Customer Service Centre. 		
Taxi Licensing	<p>The Bridgend County Borough Council Licensing Section processes applications for a range of licensed activities predominantly taxi drivers and vehicles. This process involves confirming adequate insurance cover, vehicle checks, medicals and DBS checks for drivers. There are 580 drivers, 438, vehicles and 24 Operators currently registered with the Authority.</p>	August 2014	13 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"> • Procedures in all instances tested are being followed. • Good and open communication between Officers of the team and lead Officers was observed during the audit testing and queries where raised or identified were seen to be actioned immediately. <p>No significant recommendations were made.</p>	Substantial	No significant recommendations
Park Income	<p>The Parks and Playing Fields Department are part of the Communities Directorate. In addition to the grounds maintenance aspect of the service provision, they take bookings for the use and hire of</p>	August 2014	12 days	<p>A review of all leases should be undertaken to ensure they are still relevant. Leases should be introduced where none currently exist.</p> <p>Guidelines regarding the period after which facilities are withdrawn following</p>	Substantial	End of August 2014

	any pitches and/or pavilions.			non-payment of invoices should be included in the new policy. Management have agreed to implement the recommendations.		
Home to School Transport	<p>Home to School Transport is an area highlighted for potential savings in the medium term financial strategy.</p> <p>Due to a reduction in the school transport budget for 2014/15, savings were achieved by a combination of the introduction of E.tendering and E.auction processes and the rationalization of existing routes.</p> <p>Review of the overall cost of the tenders received for bus contracts for 2014/15 indicates a projected saving of £845,743.88 for the period commencing September 2014.</p>	August 2014	12 days	<p>Recommendations raised include:</p> <ul style="list-style-type: none"> To identify instances where operators are tendering for more routes than they have the capacity to fulfil as determined by the operator's licence, management should liaise with neighbouring authorities regarding the number of routes allocated. Also, as part of the tendering process, operators should be required to provide details of the existing contract commitments to ensure that the award of any new contracts does not result in contractors exceeding their capacity. Any quotes for transport contracts which are not part of the formal tendering process administered by Procurement, should either be returned to Procurement, or to a member of staff independent of the School Transport Unit. <p>There is currently an issue with the sharing of information between the Licensing section and the School Transport section regarding information relating to arrests of drivers and escorts and insurance details. It has been recommended that a protocol is introduced in this area.</p> <p>It has also been recommended that the</p>	Substantial	End of August 2014

				draft service level agreement between the Children's Directorate and the School Transport Unit should be formalised to provide details of requirements.		
SEWTA Grant Verification	Due to the transition from the Bus Service Operators Grant to the Regional Transport Services Grant managed by the South East Wales Transport Alliance (SEWTA), Internal audit reviewed (on a quarterly basis) the grant claim made to SEWTA to ensure that the method of calculating the claim complied with the Terms and conditions. Each quarter SEWTA hold back 10% of the grant funding to allow for any errors made over the preceding 12 months. The grant is claimable for the 12 months between April 2013 and March 2014.	July 2014	7 days	Despite receiving varying information from SEWTA, no issues requiring action were noted, though some calculations did have to be re-performed.	Reasonable	N/A
Learner Transport Project	A report to Council on 27th February 2013 provided an outline of the issues faced by BCBC as a result of predicted reduced financial settlements over the forthcoming four years. The report refers to an integrated transport review including Home to School and Home to College Transport arrangements in the list of potential budget savings. Following on from this report a	July 2014	6 days	This is an on-going review and will be revisited following completion of the consultation phase of the project to review progress. At this point in the project no issues were identified.	Reasonable	No Recommendations

	<p>project board was established, individual work streams assigned and a project initiation document produced The target is to make financial savings by rationalisation of services, implementing statutory qualifying distances and exploring other areas of savings such as increased cycling facilities and the review of safe routes to schools.</p> <p>A review was undertaken of the progress of the project to date.</p>					
Porthcawl Harbour Project	<p>The Porthcawl Harbour Project forms part of a wider plan to regenerate Porthcawl as part of the Swansea Bay Water sports Centre of Excellence Programme.</p> <p>An audit review of the Porthcawl Harbour Project was initiated at the request of the Corporate Director for Resources following a report to Cabinet in February 2014 which provided details of an estimated overspend to be addressed by allocation from the Strategic Regeneration Fund (SRF) or elsewhere in the capital programme. At the time, there was an underspend on the Maesteg Regeneration project resulting in speculation regarding the re-allocation of this</p>	August 2014		<p>Key findings of the audit review related generally to aspects of project management:</p> <ul style="list-style-type: none"> • The lack of documentation relating to decisions made. • The lack of accurate financial information being shared between the parties. • Continuity of staff. • Lack of a contingency budget. • Risk identification process led by the contractors and risks not financially quantified. <p>The Audit found no evidence to suggest that funding specifically earmarked for Maesteg Regeneration project had been allocated to the Porthcawl Harbour Project.</p> <p>A number of recommendations relating</p>	Reasonable	N/A – as and when projects take place.

	<p>underspent funding.</p> <p>The audit review commenced as the project was approaching completion. Consequently the findings and recommendations should be viewed from a lessons learned perspective.</p>			<p>to future project management have been made.</p>		
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2013/14 Carry Forward Completed Audits

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
Appointeeship and Deputyship accounts	The Safeguarding Finance Team provide an appointee and deputy service to clients who lack the capacity to deal with their own finances and where there is no one else suitable to take on this role. At present the team deals with 28 appointee accounts, 43 deputyship accounts and 6 deceased accounts. The Authority receives a fee for dealing with deputyship accounts.	May 2014	27 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"> • Clear internet banking instructions with secure access. • Reconciliations undertaken every month. • All files are securely stored with limited access. • Petty cash records are well maintained. <p>The following issues were identified during the Audit which need to be addressed:</p> <ul style="list-style-type: none"> • Policy & Procedures require reviewing and updating. • No division of duties within the petty cash process. 	Reasonable	April 2015
Assurance from External Inspections	Adult Social Care and Safeguarding & Family Support operate in excess of 30 establishments across the county borough. These establishments cover a range of service areas including children's residential and	May 2014	12 days	<p>The Auditor was pleased to note that where previous recommendations had been made that these have been followed through in most instances.</p> <p>However, only a relatively small number of Member ROTA visits are still being</p>	Substantial	Autumn 2014

	<p>respite care, homes for the elderly, elderly day centres, supported living, learning disability day centres and mental health support units. The establishments are subject to review by other bodies such as the CSSIW, BCBC Members and statutory visits carried out by independent officers within BCBC.</p> <p>On an annual basis, the Internal Audit Section reviews the work carried out by the above inspection bodies / programmes to determine whether reliance can be placed upon them by the Chief Internal Auditor when preparing the annual opinion on the overall adequacy of the Council's internal control environment.</p>			undertaken.		
COA Feeder Systems	<p>Authorised departments are able to send payment data in the form of a feeder file to the Purchase Ledger team for upload into the financial system to facilitate creditor payments. It is an efficient method of uploading large amounts of payment data providing there are adequate initial controls in place.</p> <p>There are 11 Purchase Ledger feeder file in operation with 5 more currently in</p>	June 2014	20 days	<p>One significant issue was raised regarding the feeder file process relating to election fees. It was established that there are no authorisation controls at the feeder file level or at COA level. Assurance has been received from the Central Payments Manager that this issue is being addressed.</p> <p>Recommendations regarding the removal of certain authorisation controls were also made as this was seen to be a duplication of effort.</p>	Reasonable	Autumn 2014

	development/being considered. The review focused on controls surrounding these feeders to ensure they are appropriate and not excessive.					
Gifts and Hospitality	<p>BCBC's Constitution includes specific reference to the Code of Conduct for Council employees, Members and Co-opted Members. The Code requires each chief officer to maintain a record of hospitality received.</p> <p>The acceptance of gifts and hospitality by BCBC employees in the course of their official duties requires them to notify a Chief Officer where the value of a gift and / or hospitality received exceeds £20. The principle behind these codes is to maintain the reputation of the Authority by ensuring that the highest standards of conduct apply to its elected members and employees.</p>	June 2014	11 days	<p>It was found that there was a lack of consistency throughout the Authority. The Head of Democratic Services advised that there is only one central register maintained. However, testing undertaken revealed that there were multiple departmental registers within certain directorates, for example Resources and on occasion an overall directorate register, for example Wellbeing.</p> <p>It was recommended that a decision be made regarding the method of recording gifts and hospitality and that a template should be introduced for registers to ensure consistency.</p> <p>Management has confirmed acceptance of the audit recommendations.</p>	Reasonable	July 2014

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

25th September 2014

REPORT OF THE INTERIM 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.

Gill Lewis

Interim Corporate Director - Resources

25th September 2014

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Background Documents

None

**AUDIT COMMITTEE
SCHEDULE OF MEETINGS AND FORWARD WORK PROGRAMME
2014 – 2015**

DATE OF MEETING	FORWARD WORK PROGRAMME	OFFICER RESPONSIBLE	UPDATE
2014			
18 th June	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). 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
Additional Items	Anti -Money Laundering Policy.	Head of Finance & Performance	Submitted
25 th September	Information and Action Requests	CIA	Submitted
	Updated Forward Work Programme	CIA	Submitted
	Final Statement of Accounts 2013/14	Chief Accountant / KPMG	Submitted
	Treasury Management Outturn 2013/14	Chief Accountant	Submitted
	Internal Audit 5 months Outturn Report April to August 2014.	CIA	Submitted
	Completed Audits Report (where applicable)	CIA	Submitted
	Implementation of Recommendations Report (where applicable)	CIA	Submitted
	External Auditors / Inspection Reports (where applicable). - Performance Audit Programme	Chief Accountant / WAO / KPMG	Submitted
20 th November	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.	Insurance and Risk Manager	
	Completed Audits Report (if applicable)	CIA	
	Internal Audit Outturn Report – April 2014 to October 2014	CIA	
	External Auditors / Inspection Reports (where applicable). – Annual Audit Letter	Chief Accountant / WAO / KPMG	
2015			
15 th January	Up dated Forward Work Programme	CIA	
	Information and Action Requests (if applicable)	CIA	
	Internal Audit 9 months Outturn Report	CIA	

	April 2014 – December 2014		
	Completed Audits (where applicable)	CIA	
	Implementation of Recommendations Report (if Applicable)	CIA	
	Treasury Management Strategy 2015/16	Chief Accountant	
	Report on the work undertaken on School Audits.	CIA	
	External Auditors / Inspection Reports (where applicable)	Chief Accountant / WAO/ KPMG	
16th April	Information and Action Requests (where applicable)	CIA	
	Updated Forward Work Programme	CIA	
	Proposed Forward Work Programme 2015-16.	CIA	
	Internal Audit proposed Annual Strategy and Audit Plan 2015-2016.	CIA	
	Governance – Compliance with Public Sector Internal Audit Standards for 2014-15	CIA	
	Audit Committee – Terms of Reference	CIA	
	Internal Audit Shared Service Charter and Terms of Reference	CIA	
	Completed Audits (where applicable)	CIA	
	Head of Audit’s Annual Opinion Report and outturn for the Year 2014/15	CIA	
	External Auditors / Inspection Reports (if applicable): - Financial audit Outline Report 2014-15; Certification of grants and return 2013/14	Chief Accountant / WAO/ KPMG	