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



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Legal and Regulatory Services /
Gwasanaethau Cyfreithiol a Rheoleiddiol
Direct line / Deialu uniongyrchol: 01656 643387
Ask for / Gofynnwch am: Sarah Daniel

Date / Dyddiad: Thursday, 17 September 2015

Dear Councillor,

AUDIT COMMITTEE

A meeting of the Audit Committee will be held in Committee Rooms 2/3 on **Thursday, 24 September 2015 at 2.00 pm.**

AGENDA

1. Apologies for Absence
To receive apologies for absence (to include reasons where appropriate) from Members/Officers
2. Declarations of Interest
To receive declarations of personal and prejudicial interest (if any) from Members/Officers in accordance with the provisions of the Members' Code of Conduct adopted by Council from 1 September 2014
3. Approval of Minutes 3 - 10
To receive for approval the minutes of the Audit Committee of 25th June 2015
4. Audited Statement of Accounts 11 - 166
5. Treasury Management 167 - 184
6. Information and Action Request 185 - 188
7. Completed Audits Report 189 - 198
8. IASS Outturn Report - April to August 2015 199 - 218
9. Update on Forward Work Programme 219 - 222
10. Urgent Items
To consider any other items(s) of business in respect of which notice has been given in accordance with Rule 4 of the Council Procedure Rules and which the person presiding at the meeting is of the opinion should by reason of special circumstances be transacted at the

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meeting as a matter of urgency.

Yours faithfully

P A Jolley

Assistant Chief Executive Legal and Regulatory Services

Distribution:

Councillors:

GW Davies MBE

RC Jones

JR McCarthy

JE Lewis

Councillors

M Reeves

C Westwood

D Sage

CL Jones

Councillors

DK Edwards

G Davies

CA Green

E Dodd

Lay Member:

Mrs J Williams

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOMS 2/3
ON THURSDAY, 25 JUNE 2015 AT 2.00 PM

Present

Councillor E Dodd – Chairperson

GW Davies MBE
C Westwood
CA Green

JR McCarthy
CL Jones

JE Lewis
DK Edwards

M Reeves
G Davies

Officers:

Randal Hemingway	Head of Finance & ICT
Helen Smith	Chief Internal Auditor
Joan Davies	Principal Auditor
Mary Williams	Chief Accountant

188. ELECTION OF CHAIRPERSON

RESOLVED: That Councillor E Dodd was elected Chairperson of the Audit Committee.

Councillor Dodd then took the Chair.

189. ELECTION OF VICE CHAIRPERSON

RESOLVED: That the Committee agreed to appoint Councillor C Green as Vice-Chairperson of the Audit Committee.

190. APOLOGIES FOR ABSENCE

Apologies for absence were received from the following Officers/ Members:

Councillor C Green
Councillor RC Jones
Steve Barry (WAO)
John Herninan (WAO)
Darren Gilbert (KPMG)

191. DECLARATIONS OF INTEREST

None

192. APPROVAL OF MINUTES

The minutes of the meeting of 16 April 2015 were approved as a true and accurate record

193. WAO REPORT

The Head of Finance and ICT presented a report to Committee on the recent Wales Audit Office report on the Financial Resilience of Councils in Wales

He stated that the report does not make specific observations or recommendations in relation to individual Councils but concludes that Councils in Wales are under significant financial stress and have been active in meeting the challenge. However, he explained that the next few years will see increasing financial pressures and Councils will need to improve strategic financial planning in order to effect transformation and protect their financial resilience.

He referred members to the recommendations contained in the report and stated that it is imperative that Welsh Councils focus on developing their future model of delivery and revise their service delivery structures to reflect this model. Failure to do so will increase the risk of Councils being unable to deliver their statutory responsibilities and remain financially viable.

Members highlighted that one of the recommendations in the report states that Councils should have a comprehensive reserves strategy that outlines the specific purpose of accumulated reserves as part of their Medium Term Financial Plan; Members were concerned that earmarked reserves are being used to bridge shortfalls in budgets and advised that the reserves should be used for one off risks and not used to sustain budget pressures. Members asked Officers if BCBC has a strategy plan for Reserves.

The Head of Finance and ICT stated that there is a further WAO report available which is specific to BCBC and this has detail on the Reserves strategy for the Authority.

RESOLVED: Members noted the content of the report

194. HEAD OF AUDITS OUTTURN REPORT APRIL 2014 TO MARCH 2015

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 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 2014 to March 2015. A statement of overall opinion on the internal control environment was also given in support of the Annual Governance Statement which the Authority is required to include with the Statement of Accounts.

She explained that Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, internal control and governance by evaluating its effectiveness in achieving the organisation's objectives, including its policies, procedures and operations that are in place.

In giving her opinion on internal control she stated that no system of control can provide absolute assurance against material misstatement or loss, nor can internal audit give that assurance. She explained that the matters raised in the report are only those which have come to attention during internal audit work and are not necessarily a

comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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

- The results of all audits undertaken as part of the audit programme - April 2014 to March 2015.
- The results of follow-up action of audits from current and previous years;
- Whether or not “high risk” recommendations have been accepted by management and the consequent risks;
- The effects of any material changes in the Council’s objectives or activities or risk profile;
- Whether any limitations have been placed on the scope of audit;
- Findings of work performed by other assurance providers (e.g. Wales Audit Office, Council’s External Auditors and Regulatory bodies – KPMG, CSSIW and ESTYN).

Therefore, the Head of Audit’s opinion, taking into account all available evidence, the adequacy and effectiveness of internal control at BCBC the assurance rating given is reasonable.

She has explained that during the period, nine reviews have identified weaknesses in control at a level where only limited assurance and one where no assurance could be given and management have given written assurance that the recommendations made will be implemented to address the weaknesses identified (these specific reports have been reported to the Audit Committee and Internal Audit has already revisited the ten reviews (including the No Assurance audit) to follow up on progress, and have deemed the overall internal control environment to be reasonable in each follow up review.

She then informed Members that 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. She stated that as of 31 March 2015 the total resource for the internal Audit service is 18.5 Full Time Equivalents, with 2.5FTE posts currently vacant. A Member of the Committee raised his concerns over the level of vacant posts in light of the fact that this matter had been reported to the Committee in April 2015 and the Member requested an update be brought to the next Committee identifying what audits had not been covered as a result resource shortages. The Chief Internal Auditor confirmed that a further update on this would be provided at the next Committee.

RESOLVED: That Members gave due consideration to the Head of Internal Audit’s Annual Opinion covering the period April 2014 to March 2015 and ensured that all aspects of their core functions are being adequately reported.

195. UNAUDITED STATEMENT OF ACCOUNTS

The Chief Accountant presented a report to Committee on the unaudited Statement of Accounts for 2014-2015 and the Harbour Authority Return for 2014-15.

She stated that the Council’s Statement of Accounts for the financial year ended on 31 March 2015. A copy of the Accounts was presented to the Committee attached as appendix A to the report. She informed Committee that the Statement of Accounts comprises of a number of different statements relating to financial performance and

reserves, as well as a statement on corporate governance arrangements. She also explained that this is the first year where the Council has prepared an Annual Return for the Harbour Authority which was attached as appendix B to the report.

The Committee thanked the Chief Accountant and her team for their efforts in the huge task of preparing the both sets of 2014-2015 accounts.

In response to a question from Members, as this was the first set of accounts prepared for Committee for the Harbour Authority the Chief Accountant confirmed that the majority of income for the Harbour Authority had been from mooring fees.

The Chief Accountant confirmed that the £1.225 million drawn down from earmarked reserves in the Children's Directorate was used towards the ICT costs of implementing cashless catering for schools in the Borough and covering the cost of staff sickness. She confirmed the overspend of £567,000 for Looked after Children is due to the number and costs of placements being higher than originally forecast, she stated that as of the end of March 2015, the Authority had 390 Looked after Children.

- RESOLVED:
1. The Committee noted the unaudited Statement of Accounts for 2014-15
 2. The Committee approved the Harbour Authority Annual Return 2014-15

196. ANNUAL GOVERNANCE STATEMENT

The Chief Accountant submitted a report to Committee to approve the Annual Governance Statement (AGS) for inclusion in the Council's Statement of Accounts for 2014-15.

She explained that there are six core principles of good governance in the CIPFA/SOLACE framework contained within Delivering Good Governance in Local Government (WG) which are shown below:

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

She then took Members through the detail of the AGS attached in Appendix A of the report

Members queried who audits the Local Service Board. The Head of Internal Audit explained that Welsh Government issue guidelines on the performance for LSBs and the Wales Audit Office would also have involvement in the process.

RESOLVED: Members approved the Annual Governance Statement for inclusion in the Statement of Accounts 2014-15

197. COMPLETED AUDITS REPORT

The Chief Internal Auditor presented a report to members of the findings of the audits recently completed by the Internal Audit Shared Service.

She referred Members to appendix A of the report which detailed the completed audits and informed them that ICT Asset Management had received a Limited Assurance as some assets were not recorded on the live asset management system, yet appeared on a back-up version which questions data integrity. Similarly a number of assets were recorded as retired when they were less than 18 months old.

She also advised Members that Looked After Children received a Reasonable Assurance, she stated that the actions that are red and amber will be progressed in order to comply with the CSSIW recommendations

RESOLVED: That Members' considered the summary of completed audits to ensure that all aspects of their core functions were being adequately reported

198. OUTTURN REPORT APRIL AND MAY 2015

The Chief Internal Auditor submitted a report to inform the Committee of the actual Internal Audit performance against the two months of the audit plan year covering April and May 2015

She reminded Members that the 2015/16 Internal Audit Plan was submitted to the audit Committee for consideration and approval on the 16th April 2015. The Plan outlined the assignments to be carried out and their respective priorities. She explained the plan provided for a total of 1,296 productive days to cover the period April 2015 to March 2016

She referred Members to appendix A of the report which summarised the audits commenced and completed during the period April to May 2015. She advised members that at present the overall structure of the section is based on 18.5 Full Time Equivalent employees. However, during the latter part of 2014/15, three members of the team left the Council to take up positions. She advised that after a recent recruitment drive, of the 12 people interviewed for the vacant posts, two were offered a position with one accepting. That individual has been in post since June, however this increase in resource has recently been offset with another 0.5FTE leaving the team. She advised that she would update Committee of any changes at the next meeting.

RESOLVED: That Members gave due consideration to the Internal Audit Outturn Report covering the period April to May 2015 to ensure that all aspects of their core functions were adequately reported.

199. UPDATED FORWARD WORK PROGRAMME

The Chief Internal Auditor presented a report to Committee to update Members on the 2015-2016 Forward Work Programme for the Audit Committee

RESOLVED: The Committee noted the updated Forward Work Programme to ensure that all aspects of their core functions are being adequately reported

200. INTERNAL AUDIT SHARED SERVICE UPDATE

The Chief Internal Auditor presented a report to update Committee on the Internal Audit Shared Service with the Vale of Glamorgan Council and propose an extension to the Partnership Arrangement until the 31st January 2018

She explained that at the Cabinet meeting held on 6th March 2012 approved the proposal that Bridgend County Borough Council become a partner in the Internal Audit Shared Service (IASS) partnership as a joint discharge of functions under Section 101 of the Local Government Act 1972; with the Vale of Glamorgan Council operating as the Host Authority and authorised the Section 151 Officer in consultation with the Monitoring Officer to make the necessary arrangements to establish the IASS, subject to an agreed Partnership Agreement and Contract.

She added that a formal Partnership Agreement was signed and sealed by both Councils on the 1st February 2013, whereby an Internal Audit Shared Service would be provided by the Vale of Glamorgan Council as the Host Authority for a period of three years to Bridgend County Borough Council

She further added that the coming together of the two divisions saw the immediate need for a new organisational structure which reduced the number of FTE posts from 29 to a maximum of 24 under the new IASS; which has reduced over the two years to a maximum of 18.5 FTE posts.

She stated in 2014/15 both Councils annual audit plans were achieved; although Bridgend received 93.5% of the original planned productive days. Whilst this was a shortfall of 84 productive days; the overall impact was minimal as all high risk areas were covered and the Head of Audit was able to provide the necessary annual opinion on the Council's overall governance, risk management and internal control arrangements. The overall total cost of the service was circa £135k underspent and this was due to vacant posts during the year.

The budget for 2015-16 for the whole of the Internal Audit Shared Service is set and shows an overall reduction of 17% from the original budget set in 2013/14. The Internal Audit challenge will be to continue to provide an annual assurance opinion in a climate where the clients want, and needs, to reduce costs and this includes internal audit costs. Bridgend's expectation is for further reductions of 10% in the Financial Years 2016/17 and another 10% in 2017/18

In response to a question from Members the Chief Internal Auditor informed Committee that the Internal Audit Shared Service will be exploring opportunities to expand the shared service to other Public Bodies in order to achieve resilience and economies of scale. She stated that in addition, Bridgend and the Vale has a specialist service of Computer Audit that could also be expanded regionally.

AUDIT COMMITTEE - THURSDAY, 25 JUNE 2015

RESOLVED: That the Audit Committee gave due consideration to the current position as outlined in the report and recommended to Cabinet that they approve an extension to the Internal Audit Shared Service partnership arrangement for a period of two years – 1st February 2016 to 31st January 2018.

201. URGENT ITEMS

None

The meeting closed at 4.03 pm

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

24 SEPTEMBER 2015

REPORT OF THE SECTION 151 OFFICER

FINAL STATEMENT OF ACCOUNTS 2014-15

1. Purpose of the Report

- 1.1 The purpose of this report is to present the final Statement of Accounts for 2014-15 which is now due to be signed off by our external auditors, KPMG, the associated Letter of Representation of the Council and the final audited Annual Return for Harbour Authority.
- 1.2 KPMG will update Members on their main findings and summarise the audit work carried out in respect of the financial year 2014-15 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 2014-15 was signed by the responsible financial officer before the 30 June 2015 in accordance with the Accounts and Audit (Wales) Regulations 2014. During the intervening period, the external audit has taken place resulting in a number of amendments being made to the financial statements and the Annual Return for the Harbour Authority.
- 3.2 The audited Statement of Accounts 2014-15 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 2015 by 30 September 2015.

4. Current Situation / Proposal

- 4.1 The Council Fund balance as at 31 March 2015 presented in the pre-audit Statement of Accounts was £7.450 million. There were no audit adjustments that impacted on this figure. However, as identified within

the External Auditor's 'Audit of Financial Statements Report' (**Appendix B**), there were a number of adjustments to the asset valuations within the post audit Balance Sheet. These reflect the rise in building indices from the date of valuation 1 April 2014 to the year-end balance sheet date 31 March 2015.

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 C**.

4.3 This is the first year where the Council has prepared an Annual Return for the Harbour Authority. There have been some adjustments to the Return as a result of the audit and an amended Return is attached as **Appendix D**.

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:-

- Approve the audited Statement of Accounts 2014-15 (Appendix A)
- Note the Appointed Auditors Audit of Financial Statements Report (Appendix B)
- Agree the Final Letter of Representation to the Wales Audit Office (Appendix C)
- Approve the audited Annual Return for the Harbour Authority (Appendix D)

Ness Young CPFA
Section 151 Officer
Corporate Director-Resources

Contact Officer : Randal Hemingway – Head of Finance and ICT
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CF31 4AP

Background Documents:

Bridgend County Borough Council Statement of Accounts 2014-15
The Accounts and Audit (Wales) (Amendment) Regulations 2010

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Statement of Accounts 2014-15

Electronic Version - unsigned

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Explanatory Foreword

1. The Statement Of Accounts

The accounts for 2014-15 have been produced in line with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2014-15. This is in accordance with International Financial Reporting Standards (IFRS). The main changes include the adoption of the following standards:-

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.

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.

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’.

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 £0.055 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 2014-15, the Council showed a deficit on the Comprehensive Income and Expenditure Statement of £70.036 million. This contrasts with the budget outturn underspend of £55,000. Note 21 explains how the budget outturn compares to the CIES.

3. Balance Sheet

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. This shows the Council's net worth was £94.7 million, which is a reduction of £64.7m from 2013-14 (which was £159.4m). This reduction impacted entirely on the Council's 'Unusable Reserves', and is the result of the Asset revaluation exercise undertaken both at 1 April 2014 and 31 March 2015, the net result of which was to reduce asset values, and the Actuarial review of the Council's Pension Fund Liabilities as at 31 March 2015, which were assessed to have increased since 31 March 2014.

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 £2.104 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

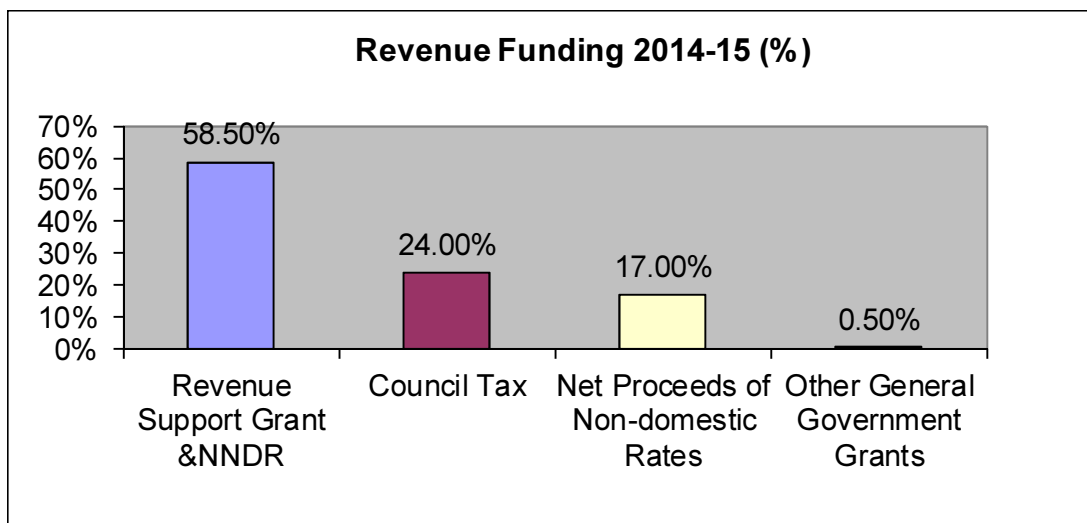
The Council incurs two types of expenditure – revenue expenditure and capital expenditure.

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.

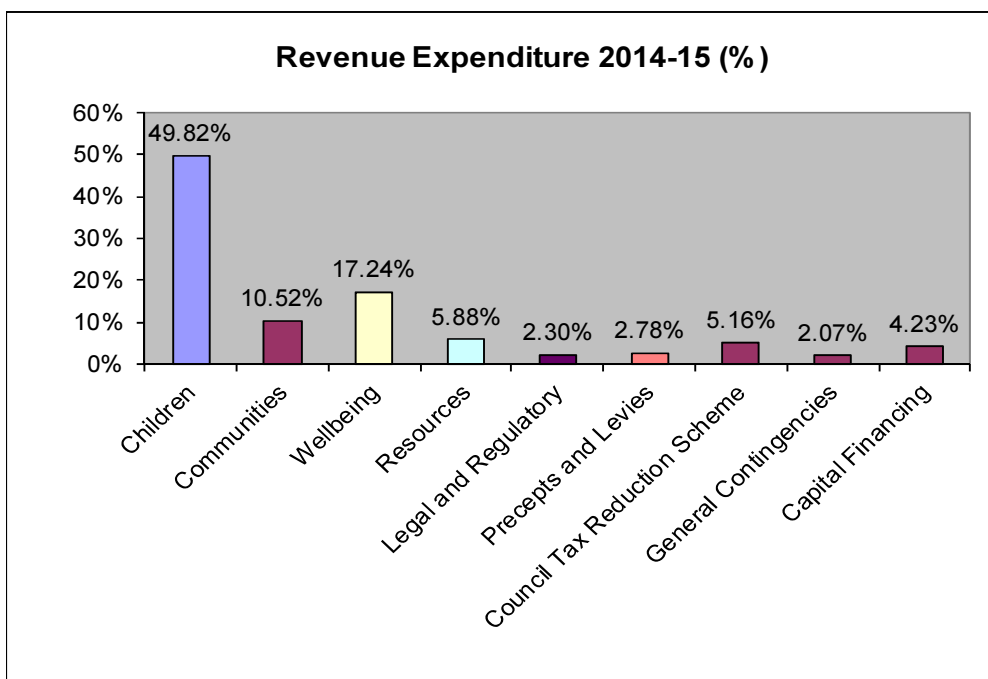
Capital expenditure covers spending on assets such as roads, new schools, redevelopment and the major renovation of buildings. These assets will provide benefits to the community for several years and the expenditure is mainly financed by borrowing and capital grants.

a) Revenue spending on council services

Where the money came from.....



Where the money was spent.....



In 2014-15, the net spend on revenue services was £215.168 million. This compares to £216.964 million anticipated when the budget was revised, resulting in a £1.796 million under-spend on Directorate Budgets. The overall position for the Council was a slight under-spend of £55,000 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 2014-15 compared with the budget set for the year. Explanations are provided for significant differences between spend and budget.

Comparison of actual spend with budget 2014-15

	Original Budget 14-15 £'000	Budget Transfers In Year £'000	Revised Budget 14-15 £'000	Actual 14-15 £'000	Variance 14-15 £'000
Directorates					
Children	125,557	(417)	125,140	124,996	(144)
Wellbeing	46,875	(3,397)	43,478	43,259	(219)
Communities	22,869	3,817	26,686	26,382	(304)
Resources	16,128	(984)	15,144	14,758	(386)
Legal & Regulatory Services	5,689	827	6,516	5,773	(743)
Total Directorate Budgets	217,118	(154)	216,964	215,168	(1,796)
Precepts & Levies	7,030	-	7,030	6,974	(56)
General Contingencies	7,590	154	7,744	5,944	(1,800)
Council Tax reduction Scheme	13,825	-	13,825	12,938	(887)
Capital Financing	10,515	-	10,515	10,607	92
Net Expenditure	256,078	-	256,078	251,631	(4,447)
General Government Grants	(1,414)	-	(1,414)	(1,412)	2
NNDR Discretionary Rate Relief	111	-	111	125	14
Appropriation to/(from) Reserves	356	-	356	6,429	6,073
Net Budget	255,131	-	255,131	256,773	1,642
Revenue Support Grant	(150,943)	-	(150,943)	(150,943)	-
Non Domestic Rates	(43,919)	-	(43,919)	(43,919)	-
Council Tax	(60,269)	-	(60,269)	(61,966)	(1,697)
Net (Under)/Overspend on Services	-	-	-	(55)	(55)

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 2015 showed an under-spend on service expenditure within the year of £1.796 million. A summary of the most significant variances is outlined below:-

Children's Directorate

The net budget for the Directorate for 2014-15 was £125.140 million and the actual outturn was £124.996 million, resulting in an under spend of £144,000. An over spend of over £567,000 on Looked After Children has been offset by under spends across other services in the directorate. The under spends across the Directorate have negated the need for draw down of the Looked After Children earmarked reserves in 2014-15. However, there was £1.225 million drawn down from other earmarked reserves for specific pressures.

The most significant variances are detailed below:

CHILDREN'S DIRECTORATE	Net Budget £'000	Outturn £'000	Variance Over/ (Under) budget £'000	% Variance
Schools Special Needs	2,529	2,240	(289)	-11.4%
Youth Service	730	604	(126)	-17.3%
Education Otherwise Than At School (EOTAS)	324	451	127	39.2%
Catering Services	881	449	(432)	-49.0%
Integrated Working	561	383	(178)	-31.7%
Looked After Children	11,154	11,721	567	5.1%
Other Child and Family Services	767	1,064	297	38.7%
Commissioning and Social Work	4,265	4,609	344	8.1%

School Special Needs

There is an under spend of £289,000 in relation to support for special educational needs services for schools following the restructuring of the service to deliver 2015-16 budget reduction proposals. As such the under spend is not expected to recur in 2015-16.

Youth Service

There is a total under spend of £126,000 on youth services following restructure of the service and receipt of additional grant income at year end.

Education Otherwise Than At School

The over spend of £127,000 has arisen due to increased demand on the service and an increased provision for pupils outside of school settings, including individual training packages at College or at other settings.

Catering Service

The under spend on the catering service was £432,000. 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. In addition, savings were generated through vacancy management and lower than anticipated costs of repairs and maintenance.

Integrated Working

The under spend of £178,000 on the Integrated Working teams was as a result of strict vacancy management in anticipation of budget reductions in 2015-16.

Looked After Children (LAC)

The over spend of £567,000 is due to the number and costs of placements being higher than forecast. As at the end of March the Council had 390 looked after children. While this is 22 less children than as at 31st March 2014 and

shows LAC numbers on a downward trajectory it is 17 more than the target of 373.

Other Child and Family Services

The over spend of £297,000 is a combination of an over spend on the adoption service of £379,000 due to higher numbers of children being placed for adoption, partly offset by savings on the Leaving Care service. The target number of adoptions for 2014-15 was 15, but the actual number of placements made was 24, which has had a positive impact on the number of LAC in the County Borough. From April 2015 a joint adoption service has been provided across the Western Bay region.

Commissioning and Social Work

The over spend of £344,000 is mainly due to the high costs associated with the temporary backfilling of social worker posts through employment agencies to cover vacancies. At the year end there were 5 agency workers being employed in the service.

Schools' Delegated Budgets

School balances reduced from £2.467 million at the end of 2013-14 to £2.410 million at the end of March 2015 (a reduction of £57,000), representing 2.67% of the funding available. Total deficit budgets equate to £735,000 and total surplus budgets equate to £3.145 million.

There are 7 schools (5 primary, 2 secondary) with deficit budgets and 20 schools (13 primary, 5 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. These balances will be analysed by the Corporate Director - Education and Transformation, in line with the agreed 'Guidance and procedures on managing surplus school balances'.

Wellbeing Directorate

The Directorate's net budget for 2014-15 was £43.478 million and the actual outturn was £43.259 million resulting in an under spend of £219,000. This is made up of an under spend of £142,000 on Adult Social Care and an under spend of £77,000 on Sport, Play and Active Wellbeing services. The Adult Social Care outturn has reduced by approximately £316,000 compared to the projection at quarter 3 reflecting increased income from residential placements and service user charges and maximisation of grant and other funding. 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. There was £0.123 million drawn down from earmarked reserves throughout the year for specific pressures.

The most significant variances are detailed below:

WELLBEING DIRECTORATE	Net Budget	Outturn	Variance Over/(Under) Budget	% Variance
	£'000	£'000	£'000	
Older People Residential Care	8,269	8,062	(207)	-2.5%
Physical Disabilities Residential Care	501	416	(85)	-17.0%
Learning Disabilities Residential Care	1,990	2,346	356	17.9%
Learning Disabilities Home Care	4,471	4,575	104	2.3%
Mental Health Residential Care	1,169	1,074	(95)	-8.1%
Sports Centres and Swimming Pools	2,606	2,549	(57)	-2.2%

Older People Residential Care

During the financial year, expenditure on residential clients has remained fairly constant; however additional income has been generated from service user charges, offset in part by additional staffing cost pressures, such as sickness cover, resulting in a net under spend of £207,000.

More generally the full year effect of the changes in the Fairer Charging policy, as well as the increase in the Fairer Charging cap from £55 to £60 per week and increased demand for domiciliary care, resulted in higher than anticipated income across this client group.

Physical Disabilities Residential Care

The under spend of £85,000 has arisen as a result of a reduction in the number of residential placements during the year. The service overall generated an under spend of £176,000, with staff vacancies in-year contributing to this total.

Learning Disabilities Residential Care

The over spend of £356,000 relates in the main to the delays in implementing the resettlement programme for residents at Bryneithin and Maesglas into independent homes, which has led to delays in securing new accommodation for service users. The service also met the costs of redundancy associated with the restructuring of the service.

Learning Disabilities Home Care

The over spend of £104,000 on home care is as a direct result of the increased number of service users accessing the service, which places additional costs on the service. The directorate continues to work closely with its independent providers to ensure that services provided meet the needs of clients. Provision for this budget pressure has been recognised within the 2015-16 budget.

Mental Health Residential Care

The under spend of £95,000 results from increased contributions from health to client costs, and increased contributions from clients via Fairer Charging. This

additional income offset increased service costs resulting from additional placements.

Sports Centres and Swimming Pools

The service generated an under spend of £57,000 as a result of savings realised in relation to the HALO partnership arrangement and client side efficiencies.

Communities Directorate

The net budget for the Directorate for 2014-15 was £26.686 million and the actual outturn is £26.382 million resulting in an under spend of £304,000. There was £0.531 million from earmarked reserves for specific pressures.

The most significant variances are detailed below:

COMMUNITIES DIRECTORATE	Net Budget	Outturn	Variance Over/(Under) Budget	% Variance
	£'000	£'000	£'000	
Development	461	328	(133)	-28.9%
Housing and Community Regeneration	1,379	1,209	(170)	-12.3%
Regeneration	1,887	1,814	(73)	-3.9%
Waste Collection and Disposal	6,500	6,687	187	2.9%
Highways and Fleet	6,536	6,814	278	4.3%
Transport and Engineering	1,048	1,067	19	1.8%
Culture	3,391	3,140	(251)	-7.4%

Development

There is an under spend of £133,000 on the Development budget. This mainly consists of an increase in planning application fees over and above budgeted income. The Bridgend Local Development Plan (LDP) was adopted in late 2013 and a number of allocated housing sites (including some in Council ownership) have been submitted as major planning applications. In addition plans have been submitted for a number of infrastructure projects including two large solar farms at Court Colman and Caerau and a major extension to the existing Pant-y-Wal wind farm. These applications attract a high fee although some of this income is offset against the need to seek external expert advice.

Housing and Community Regeneration

There is an under spend of £170,000 on the Housing & Community Regeneration service. This comprises an under spend of £70,000 relating to the ongoing improved management of demand for temporary accommodation, with the balance from staff vacancy management. There is a risk that demand for Bed & Breakfast accommodation will increase once the full impact of the Housing Act is felt, so close on-going budget monitoring will be required in 2015-16.

Regeneration

There is an under spend of £73,000 on the Regeneration budget. This is a combination of staff vacancy management and under spends within other budget headings.

Waste Collection and Disposal

The over spend on the Waste budget of £187,000 primarily relates to waste disposal costs resulting from a higher than predicted tonnage of black bag waste presented at the kerbside. This increase in tonnage has also attracted a higher unit charge per tonne for its disposal through the Council's waste treatment partnership with Neath Port Talbot County Borough Council (NPT). The disposal arrangements with NPT are currently under review and it is anticipated that unit rates for the treatment and disposal of the Council's residual black bag waste will reduce from 2016-17, though further budget pressures may be experienced during the current 2015-16 financial year.

Highways and Fleet

The £278,000 over spend on this budget is partly attributable to the repayment of £225,000 of prudential borrowing to generate reduced finance charges which will contribute to the MTFS budget reduction realisation in 2015-16 and beyond. The remaining £51,000 over spend is mainly due to additional expenditure on highways maintenance borne by the directorate, which was partly offset by reduced energy costs on street lighting. This position is unlikely to continue into 2015-16 as energy costs are predicted to steadily increase. To offset the increase, and also to meet the Council's MTFS budget reductions, significant energy savings targets have been set for street lighting energy consumption in the current and future years, to be achieved through a programme of street lighting replacement to LED units, to deliver significant savings on energy usage.

Transport & Engineering

There is an over spend of £19,000 against the Transport & Engineering budget. Part of the over spend has arisen as a result of a number of health and safety issues which have had to be resolved within our car parks and the bus station. In addition there was a shortfall on staff car parking income. Whilst the one off costs in respect of the health and safety issues have now been addressed the directorate will need to address the income target for staff car parking.

Culture

The under spend of £251,000 within cultural services is attributable to the reduction in salary and activity expenditure in advance of the 2015-16 MTFS budget reduction, along with deliberate measures to restrict spend to off-set any potential over spend risk posed by the historical position at Bryngarw House. In the event, the transformation project at Bryngarw House was completed to schedule with a favourable financial outcome. The under spend was also generated from the management of vacancies, in particular within the library service, along with the realisation of additional income across service other areas.

Resources Directorate

The net budget for the Directorate for 2014-15 was £15.144 million and the actual outturn was £14.758 million resulting in an under spend of £386,000. There was £0.822 million from earmarked reserves during the year for specific pressures.

The most significant variances are detailed below:

RESOURCES DIRECTORATE	Net Budget £'000	Outturn £'000	Variance Over/(Under) Budget £'000	% Variance
Financial Services	3,616	3,430	(186)	-5.1%
Human Resources & OD	4,389	4,041	(348)	-7.9%
ICT	4,096	4,163	67	1.6%
Property (Estates)	1,732	1,843	111	6.4%
Property (Built Environment)	592	571	(21)	-3.5%

Financial Services

The under spend of £186,000 arises from strict vacancy management and staff restructures linked to 2015-16 budget reductions as well as in year reductions in external and internal audit fees which will contribute to the MTFS in future years.

Human Resources & Organisational Development

The under spend of £348,000 in this service is primarily due to vacancy management to deliver 2015-16 budget reduction requirements as well as anticipated DBS/CRB checks, lower than anticipated learning and development activities and earlier than expected changes from paper to electronic communication techniques.

ICT

The over spend of £67,000 is attributable to the repayment of £353,000 of prudential borrowing as outlined in paragraph 4.1.5, off set by under spends resulting from vacancies held and a team restructure to deliver 2015-16 budget reductions and under spends on ICT Supplies and Services as a result of delivery delays by a supplier.

Property Estates and Built Environment

There is an over spend of £111,000 primarily due to under-recovery of income at the Innovation Centre following the temporary re-location of Legal Services during the refurbishment of the Civic Offices.

Despite a forecast over spend in respect of changes to CIPFA rules on capital charging, the service has achieved an under spend of £21,000 as a result of challenging productivity rates and a full workbook for the whole year in relation to the design functions. As part of the ongoing process of

developing this service model, targets and structures will be reviewed annually.

Legal and Regulatory Services

The net budget for the Directorate for 2014-15 was £6.516 million and the actual outturn was £5.773 million resulting in an under spend of £743,000. There was £0.128 million drawn down from earmarked reserves during the year for specific pressures.

The most significant variances are detailed below:

LEGAL & REGULATORY SERVICES	Net Budget	Outturn	Variance Over/(Under) Budget	% Variance
	£'000	£'000	£'000	
Legal Services	2,184	1,890	(294)	-13.5%
Regulatory Services	1,930	1,771	(159)	-8.2%
Partnership Services	406	254	(152)	-37.4%

The majority of the under spend has arisen due to strict vacancy management across all services in anticipation of budget reduction savings in 2015-16 and the planned joint regulatory service with Cardiff and the Vale of Glamorgan Councils. A further £40,000 of the under spend relates to the reversal of a provision made in 2013-14 in respect of a complex fraud case, which was not required in full in 2014-15. There was also additional income raised by the registrars and regulatory services of £113,000.

Council Wide Budgets

The net budget for council wide services and budgets was £38.167 million and the actual outturn was £35.176 million, resulting in an under spend of £2.991 million. The most significant variances are detailed below:

COUNCIL WIDE BUDGETS	Net Budget	Outturn	Variance Over/(Under) Budget	% Variance
	£'000	£'000	£'000	
Building Maintenance / Feasibility	890	674	(216)	-24.3%
Council Tax Reduction Scheme	13,825	12,938	(887)	-6.4%
Insurance Costs	1,737	966	(771)	-44.4%
Other Corporate Budgets	4,170	3,017	(1,153)	-27.6%

Building Maintenance/Feasibility

There was an under spend of £216,000 on the corporate budget for feasibility work and minor works, due to slippage in some building works. This funding has therefore been transferred into an earmarked reserve for 2015-16.

Council Tax Reduction Scheme

The under spend of £887,000 is a result of lower demand than forecast for the Council Tax Reduction Scheme. This a demand led budget which is based on full take up, but actual take up is not known until year end.

Insurance Costs

The under spend of £771,000 on insurance costs is primarily due to £479,000 in fortuitous and unexpected rebates in respect of the Maesteg PFI scheme and lower than anticipated payments made by the Council's claim handlers. The balance is attributable to a reduction in premiums following an in-year assessment of liabilities and is an MTFs budget reduction proposal for 2015-16 and beyond.

Other Corporate Budgets

The under spend of £1.153 million on other corporate budgets has arisen as a result of:

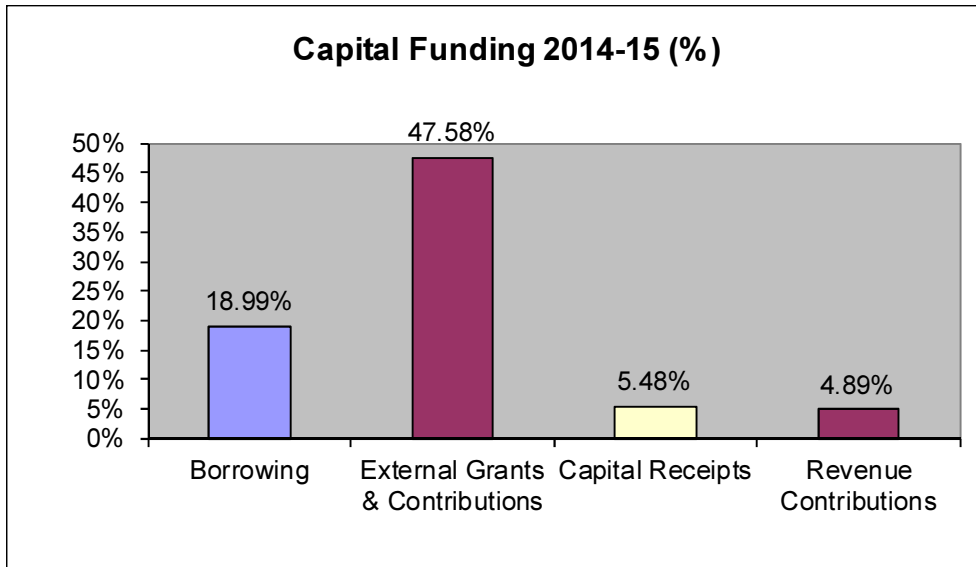
- Less demand from Directorates to meet in year pay and price inflationary pressures such as energy costs and job evaluation;
- Later than anticipated introduction of the removal of employers' national insurance rebate;
- Lower than expected in-year cost of implementing auto enrolment for new entrants. This cost is due to increase incrementally as the Council works towards September 2017 by which time all eligible employees must be enrolled in the Local Government Pension Scheme; and
- A mild winter resulting in no call for contingency funding for winter maintenance.

b) Capital spending in 2014-15

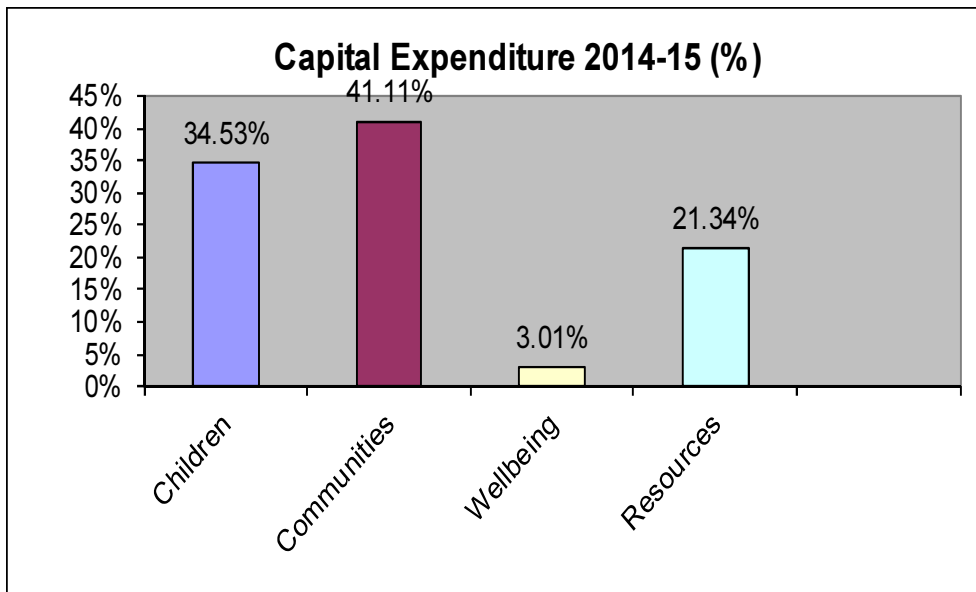
In addition to spending money on providing services on a day to day basis, the Council also spends money on providing new facilities, improving assets and the infrastructure, enhancing assets or providing capital grants to others. The total capital spending in 2014-15 was £28.230 million. Assets created, improved or work in progress as a result of this spend included:

- Bridgend Market Regeneration
- All Wales Community Care Information System
- Parc Derwen Primary School
- Developments at the former Ogmere Comprehensive School
- Disabled Facility Grants
- Carriage reconstruction and street lighting

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:-

	2014-15 £m
Authorised limit for external debt	
Borrowing	140
Other long term liabilities	30
Total	170
Operational Boundary	
Borrowing	115
Other long term liabilities	25
Total	140

As can be seen from the Balance Sheet as at 31 March 2015 long term borrowing totalled £ 97.444 million (£97.451 million 2013-14) and long term liabilities totalled £20.847 million (£20.923 million 2013-14) 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 2015 can be summarised as follows:-

	Opening Balance £'000	Movement £'000	Closing Balance £'000
Council Fund	7,395	55	7,450
Delegated Schools	2,467	(57)	2,410
Maesteg School PFI Equalisation Fund	3,051	356	3,407
Earmarked Reserves	32,381	3,256	35,637
Total	45,294	3,610	48,904

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 2015-16. 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 2015. 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 2014-15 is £273.010 million (£243.900 million in 2013-14). 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 2014-15 compared to 2013-14

The Council's accounts for the financial year 2014-15 have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 ('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 at the beginning of the Explanatory Foreword, a number of IFRS changes have been considered in the production of the Statement of Accounts for 2014-15. IFRS 10 – Consolidated Financial Statements, IFRS11 Joint Arrangements, and IFRS 12 – Disclosures of Involvement with Other Entities, have all required a review of current arrangements, and has impacted on the way in which the Authority recognises its Schools accounts within the main statements.

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 2015 and of its income and expenditure for the year ended 31 March 2015.

Signed :

Section 151 Officer :

Date :

Annual Governance Statement 2014-15**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.
- 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 2015. The description of the arrangements in place is built around the core principles set out in the Council's Code of Corporate Governance. This was updated during 2014-15 and approved by Audit Committee in June 2014.

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 Innovative 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, citizens' needs, resource availability, 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 achievement;
- Working with children and families to tackle problems early;
- Working together to help vulnerable people to stay independent;
- Working together to tackle health issues and encourage healthy lifestyles;
- 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 2015-16 to 2018-19. 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 on the Council was received in May 2014. The Report recognised that the Council had made good progress in delivering improvement in most of its priority areas and recognised the need to accelerate improvements in education. Also, the Council had 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 Report recognised that the Council has sound plans for improvement. The Auditor General arrived at his views by:-

- reviewing the Council's own self assessment on what progress it considers it has made since the Auditor General published his last Annual Improvement Report on the Council early in 2013;
- 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 The Auditor General carried out an audit of the Council's Improvement Plan for 2014-15 and certified in June 2014 that the Council discharged its duties to prepare and publish an Improvement Plan in accordance with statutory requirements set out in the Measure and statutory guidance.

4.8 The Auditor General also audited the Council's assessment of its performance in 2013-14 in accordance with the Measure and his Code of Audit Practice and certified in November 2014 that the Council discharged its duties under pertinent sections of the Measure and acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

4.9 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 Leader appoints members of the Cabinet and may announce the Deputy Leader and the portfolio of Cabinet Members;
- Audit Committee has a clearly defined function providing an independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Council’s financial and non-financial performance to the extent that it affects the Council’s exposure to risk and weakens the control environment, and to oversee the financial reporting process;
- 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. These are reviewed by the committee during the year and updated as required. 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 Corporate Director – Wellbeing is statutory Director for Social Services, as defined by the Local Authority Social Services Act 1970, which outlines the 6 core responsibilities across all the Social Services functions, including ensuring that the Authority has proper safeguards to protect vulnerable children and adults.
- 5.10 Similarly, the Corporate Director – Education and Performance, has been identified as the Chief Education Officer, as prescribed by the Education Act 1996.
- 5.11 The Monitoring Officer carries overall responsibility for ensuring compliance with the law and his staff work closely with departments to advise on legal matters.
- 5.12 In December 2014, Council approved the realignment of responsibilities for the line management of the Safeguarding Children Teams under the Director of Wellbeing who therefore became the Director of Social Services and Wellbeing. This means that the social care functions for children and adults are now located within the same directorate of Bridgend County Borough Council. The increased responsibilities of the Social Care and Wellbeing Act places a greater emphasis on local authorities considering children and adults at risk more holistically and the new arrangement will support this and will be key to the successful delivery of a number of objectives including the sustained reduction in the number of looked after children.
- 5.13 The revised Performance Management Framework was launched in December 2013 and adopted by Cabinet in June 2014. 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. During 2014-15, the Council introduced CMB challenge on Performance Management, which complements the Corporate Performance Assessment (CPA). This structured challenge focuses on a wide range of issues as well as Performance Indicators. The introduction of a

bespoke Performance Management system provides timely, consistent management information for managing service improvement and decision making.

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
- Anti-Money Laundering Policy
- HR policies regarding the disciplining of staff involved in such incidents
- Corporate Complaints Policy

The first three policies above were reviewed, updated and approved by Cabinet during 2014-15.

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 The Council has 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 2014-15 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.

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.
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- 7.11 During the latter half of the financial year, the potential for Local Government Reorganisation was identified and this was incorporated into the Risk Register within the MTFs that Council received in February 2015. The costs of Local Government Reorganisation are unknown, but will be high. These costs have not been factored into the 2015-16 to 2018-19 MTFs. There is also a risk because greater demands will be placed on senior management as they plan for Local Government Reorganisation, whilst bringing about the transformative change required to deliver services within reduced budgets. In June 2015, the Public Services Minister, Leighton Andrews, announced his vision for the future of local councils which included the potential of Bridgend CBC merging with Rhondda-Cynon Taf CBC and Merthyr Tydfil CBC. It is anticipated that a draft 'Mergers and Reform' Bill will be published for consultation in the autumn 2015. There are also other risks associated with three workforces and sets of financial arrangements being brought together necessitating harmonisation of pay and conditions and council tax.

- 7.12 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.

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

- 7.14 The Council is committed to demonstrating due regard to the Equality Act 2010. It published its Strategic Equality Plan 2012-16 in April 2012. This is not just a council plan 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. There was an Annual Report 2013-14 on the Strategic Equality Plan which went to Cabinet in March 2015. The report reviewed and reflected on previous work and outlines progress made by the Council on each of its equality objectives and themes. Heads of Service and Senior Service Managers are responsible for ensuring the actions in the Strategic Equality Action Plan are achieved. Quarterly updates are provided to the Bridgend Equality Forum, membership of which includes a number of third sector groups and organisations as well as a number of key local service providers. 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 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 In 2014-15 a cross party group of 13 Elected Members participated in an in-house Leadership academy co-ordinated by the Welsh Local Government Agency (WLGA) consisting of 3 modules including Leading through relationships, Leading Innovation and Change and Community Leadership. There were also 5 other senior Elected Members who attended the All Wales Leadership Academy which supported the personal development of these Members and promoted collaborative working across Wales.
- 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, such as strategic needs assessment, 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 2014-15, the Council consulted on a wide range of issues including the following (this list is not exhaustive):
- Budget Review 2015;
 - Learner Travel Review;
 - Nursery Education Policy;
 - Local Transport Plan;
 - Various schools proposals.

The Budget Review 2015 included six community engagement workshops throughout the county borough, an on-line survey and access to a budget simulator which captured the views of the public on how to achieve the budget savings necessary for the financial year 2015-16

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 Housing Association
 - Wales Probation
 - Welsh Government

9.8 In 2014, the LSB undertook a comprehensive review of its priorities and its approach to delivering those priorities, taking into consideration a series of factors, including diminishing resources faced by partner organisations. As a result, the LSB now focuses on a smaller number of priorities that require really partnership working, with those priorities being delivered through flagship projects. As part of the review, the LSB also restructured its constituent boards by abolishing both the People's Board and Communities' Board and reducing the Programme Boards to five:

- Wealthy Programme Board
- Healthy Programme Board
- Wise Programme Board
- Place Programme Board
- Community Safety Partnership

The new structure is aligned with the population outcomes of the Single Integrated partnership Plan and supported by a reformed Neighbourhood Network (NHN), which focuses on local priorities and takes forward local projects underpinned by local information, citizen engagement, co-production, and investment in local infrastructure.

9.9 In the development of the Medium Term Financial Strategy 2015-16 to 2018-19, 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 Partnerships and Governance Overview and 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 2015, the Audit Committee received training on the Treasury Management to assist them in scrutinising the Annual Treasury Management Strategy of the Council. Also, it was noted by the Estyn Inspection that training provided to elected members to increase their understanding and ability to interrogate data to enable them to challenge the performance of the Children's Directorate and schools was well received.

10.5 This is being further enhanced with the use of role descriptions for all committee Member and Chairpersons including the Audit Committee. 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 also form part of Personal Development Review Process which 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. The Budget Research & Evaluation Panel was commended in June 2014 by the Wales

Audit Office and the Centre for Public Scrutiny as an example of best practice at the Scrutiny in the Spotlight Event

- 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 2014-15, 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 2015. The review showed that the Internal Audit Shared Service is fully compliant with all relevant parts of the Standards. However, in relation to Standard 1312 'External Assessment' the two negative answers can only be addressed once the Internal Audit Shared Service has agreed a timetable for being assessed externally. An external assessment needs to be carried out before the end of March 2018.
- 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 2014-15, the Council's financial management arrangements were found to be conforming to 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 carried out. The Annual Audit Letter for 2013-14 confirmed that the appointed auditor issued an unqualified audit opinion on the accounting statements for 2013-14 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 there were not any other matters specifically required by auditing standards to be communicated to those charged with governance.
- 10.12 The Wales Audit Office issued the following reports to Audit Committee, one on the Audit of the Financial Statements Report 2013-14 in September 2014 and one on the Certification of Grants and Returns 2013-14 in March 2015. The first report did not identify any material weaknesses in the Council's internal controls. The second report concluded that the Council had generally good arrangements in place for the

production and submission of its 2013-14 grant claims. Improvements were noted from 2012-13 but it did highlight some scope for further improvement which are being followed up by management. One recommendation related to discretionary relief awards, management have now undertaken a full review of all discretionary rate reliefs during 2014-15 and a number have been cancelled as a result.

- 10.13 During the period March to May 2014, the Wales Audit Office completed a review of the assurance and accountability arrangements of the Council for ensuring that safeguarding of Children policies and procedures are in place and are being adhered to. This reviewed examined how the Council discharged its safeguarding responsibilities at all levels including Cabinet, Senior Management Team, Scrutiny and individual officers. The review found that the governance, accountability and management arrangements for overseeing whether the Council is meeting its safeguarding responsibilities to children are adequate but some improvements could be made. It recommended that a Corporate Safeguarding Policy be developed. This was taken onboard and Cabinet approved the Policy in February 2015. One other proposal for improvement was to identify and agree an appropriate internal audit programme of work for safeguarding. The Internal Audit Plan 2015-16 allocated 20 days for Safeguarding which will also incorporate an assessment of the Council's overall operating model for safeguarding.
- 10.14 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 and "the Council has discharged its duties to prepare and publish an improvement Plan in accordance with statutory requirements".
- 10.15 The Public Services Ombudsman for Wales reports on each council in Wales the number of complaints received and investigated. In July 2014, the Council received its Annual Letter for 2013-14. The letter noted an increase in the number of complaints received, 39 in 2013-14 compared to 24 in 2012-13. The comparative figure for the local authority average was 40 for 2013-14 (36 for 2012-13). Only 1 complaint was investigated by the Ombudsman which was the same as 2013-14. The increases in the number of complaints received relate to 'Children Social Services' and 'Planning and Building Control'. The Ombudsman did not find it necessary to issue any 'upheld' reports against the Council during 2013-14.
- 10.16 The Care and Social Services Inspectorate Wales (CSSIW) Annual Review for Bridgend 2013-14 concluded that the Council has continued to work towards its change agenda and the development of new models of service delivery, in line with the expectations of the Social Services and Wellbeing (Wales) Act 2014. The review identified the appointment of two new Corporate Directors for Wellbeing and Children and how they take a strong lead in supporting the service by providing oversight of strategic delivery and operational components of the service. It recognised that the Wellbeing Business Plan covers the new way of working with greater integrated working with health and the third sector. It also recognised that the Council has mechanisms in place for identifying and addressing gaps in performance. A number of specific areas for improvement have been identified within the report and the Council's progress towards these will be discussed during regular engagement meetings and site visits during 2015-16.
- 10.17 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. Progress against the PIAP was monitored closely by Estyn and there were follow up visits in March and December 2014. In December, Estyn Inspectors revisited to undertake a full re-inspection which consisted of discussions with elected members, head teachers and governors, senior officers and a range of other staff. The team scrutinised documentation including evidence on the progress made against each of the recommendations since the 2012 inspection. Estyn concluded that the Council "is judged to have made sufficient progress in relation to the recommendations following the inspection of October 2012. As a result, Her Majesty's Chief Inspector of Education and Training in Wales considers that the authority is no longer in need of Estyn monitoring and is removing it from further follow-up activity".

- 10.18 The previous Annual Governance Statement 2013-14 that was presented to Audit Committee in June 2014 identified the governance risk of the retirement of the deputy Section 151 officer in July 2014 at the same time that the Section 151 Officer was unable to perform her duties. The Chief Executive addressed this with interim arrangements being put in place to cover the statutory role in the short term and the Council was able to appoint a new Head of Finance and ICT who took up his post in September 2014. The Corporate Director Resources also returned to perform her duties in September 2014.

11. Significant Governance Issues

- 11.1 The Annual Governance Statement 2013-14 was reviewed and an update was provided to Audit Committee in November 2014. This reported that the governance issue surrounding the requirement to review and update the Code of Corporate Governance had been addressed with Audit Committee approving the revised Code of Governance in July 2014.
- 11.2 As mentioned above, one of the significant governance issues in 2013-14 related to the Estyn Report on the quality of local authority education services for children and young people. However, the confirmation in January 2015 that the Council is no longer in need of Estyn monitoring means that this governance issue can be removed from the updated Action Plan.
- 11.3 As reported to Audit Committee in November 2014, Directorates undertook a series of reviews of third sector organisations over the summer, to determine the extent to which the services they provide meet corporate priorities and are providing value for money. This was as a result of a WAO review of Council's arrangements for ensuring value for money from its working with the Third Sector which identified a specific governance issue around the Council's need to develop a clear strategy of how it will work with the third sector to deliver its priorities. A Report was taken to the Community Safety and Governance Overview and Scrutiny Committee in March 2015. The budget reductions currently identified fall short of the budget savings of £150,000 for 2015-16 and 2016-17 built into the MTFS. The Council is working with those organisations to identify ways of managing the reductions to minimize impact on front line services. A number of payments to the Third Sector are for services provided on behalf of the Council, rather than general grant funding. If the Council were to cease this payment, depending on the statutory nature of the provision, the Council may have to provide this service itself, and this could be at a higher cost. The project has now been brought under the Director of Education and

Transformation as part of the overall Transformation Programme. It is the intention for the project to be reviewed and a revised business plan presented to PMB in the first instance.

- 11.4 The Annual Governance Statement 2013-14 highlighted the significant financial challenge facing the Council in terms of delivering a savings target of the £36m savings identified in the Medium Term Financial Strategy (MTFS) 2014-15 to 2017-18. In July 2014, the MTFS was updated following further analysis of assumptions to increase the estimated budget reductions to £50m over the period to 2018-19.
- 11.5 The implementation of the MTFS 2014-15 to 2017-18 has been led by Cabinet and the Corporate Management Board. This has now been rolled forward a year to cover the period 2016-17 to 2019-20 taking account of auditors' views and any issues which need to be addressed from 2014-15, 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 The Annual Internal Audit Opinion was reported to the Audit Committee in June 2015, for the period April 2014 to March 2015. It stated that based on the work undertaken and taking into account all available evidence "the adequacy and effectiveness of internal control at Bridgend CBC is reasonable". Although reasonable assurance demonstrates good control across the board, the Opinion states that "it is important that control weaknesses in systems where the assurance level has been rated as Limited or No Assurance are dealt with and given priority by management". During 2014-15, there were 9 reviews which limited assurance was given and 1 where no assurance could be given. This related to the Section 117 Process within the Wellbeing Directorate. The significant control issues identified have tended to relate to specific service areas rather than a general breakdown in controls. The relevant managers have agreed to implement the recommendations made within the reports. Internal Audit has already revisited the area with no assurance and 4 with limited assurance with a plan to revisit the remaining areas shortly.

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 2014-15 financial year and its position at the year end of 31 March 2015. 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) 2014-15 and the *Service Reporting Code of Practice* 2014-15 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:-
 - iv. 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
 - v. 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
 - vi. 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.
 - vii. 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
 - viii. 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 2014-15 (SeRCOP)*. For 2014-15, 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 differentiates between supported capital expenditure, unsupported capital expenditure, and Finance Leases / PFI. 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 reviewed 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.

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

No prior period adjustment needs have arisen during 2014-15

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.

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. Carbon Reduction Commitments Allowances

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. 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.

26. Local Authority Schools

The Code of Practice on Local Authority Accounting confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements as if they were of the authority.



Core Financial Statements 2014-15

Movement in Reserves Statement For Years Ended 31 March 2014 & 2015

	Council Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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 Other Comprehensive (Expenditure) and Income	(22,118)				(22,118)	91,020	(22,118) 91,020
Total Comprehensive (Expenditure) and Income	(22,118)	-	-	-	(22,118)	91,020	68,902
Adjustments between accounting basis & funding basis under regulations (Note 4)	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 (Note 30)	(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
Balance at 31 March 2014 carried forward	7,395	37,899	10,245	509	56,048	103,396	159,444
Movement in Reserves during 2014-15							
Surplus or (deficit) on provision of services Other Comprehensive (Expenditure) and Income	(70,036)				(70,036)	5,292	(70,036) 5,292
Total Comprehensive (Expenditure) and Income	(70,036)	-	-	-	(70,036)	5,292	(64,744)
Adjustments between accounting basis & funding basis under regulations (Note 4)	73,646		4,289	(356)	77,579	(77,579)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	3,610	-	4,289	(356)	7,543	(72,287)	(64,744)
Transfers to Earmarked Reserves (Note 31)	(3,555)	3,555	-	-	-	-	-
Increase/(Decrease) in 2014-15	55	3,555	4,289	(356)	7,543	(72,287)	(64,744)
Balance at 31 March 2015 carried forward	7,450	41,454	14,534	153	63,591	31,109	94,700

Comprehensive Income and Expenditure Statement 2014-15

2013-14				2014-15			Notes
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
173,727	(35,364)	138,363	Children's and Education Services	222,432	(34,142)	188,290	
59,907	(14,575)	45,332	Adult Social Care	61,353	(16,237)	45,116	
27,624	(9,241)	18,383	Highways, Roads and Transport Services	27,999	(9,443)	18,556	
57,464	(55,059)	2,405	Housing Services	58,704	(55,802)	2,902	
28,929	(8,876)	20,053	Central Services to the Public	34,619	(7,883)	26,736	
15,105	(3,243)	11,862	Cultural and Related Services	17,675	(3,028)	14,647	
21,232	(8,855)	12,377	Environmental and Regulatory Services	22,397	(10,430)	11,967	
13,364	(8,798)	4,566	Planning Services	15,340	(10,024)	5,316	
5,502	(126)	5,376	Corporate and Democratic Core	4,941	(417)	4,524	
853	-	853	Non-Distributed Costs	560	-	560	
403,707	(144,137)	259,570	Cost Of Services	466,020	(147,406)	318,614	
			Other Operating Expenditure				
10,590	-	10,590	Payments of precepts	11,199	-	11,199	5
7,063	-	7,063	Levies payable	6,894	-	6,894	5
5,882	-	5,882	(Gain) / loss on disposal of non current (fixed) assets	718	-	718	
23,535	-	23,535	Other Operating Expenditure	18,811	-	18,811	
			Financing and Investment Income and Expenditure				
4,625	-	4,625	Interest payable on debt	4,577	-	4,577	
104	-	104	Interest element of finance leases (lessee)	167	-	167	
1,505	-	1,505	Interest payable on PFI unitary payments	1,471	-	1,471	12
13,580	-	13,580	Net Interest on Net Defined Benefit Liability	10,090	-	10,090	
	(607)	(607)	Investment Interest & Other Interest Receivable	-	(853)	(853)	
410	-	410	Changes in fair value of investment properties	-	(647)	(647)	
6,736	(6,756)	(20)	(Gain) / loss on trading accounts (not applicable to a service)	7,000	(7,056)	(56)	6
26,960	(7,363)	19,597	Financing and Investment Income and Expenditure	23,305	(8,556)	14,749	
			Taxation and Non-Specific Grant Income				
	(154,722)	(154,722)	RSG		(150,943)	(150,943)	7
	(68,987)	(68,987)	Council tax		(73,164)	(73,164)	9
	(43,026)	(43,026)	NNDR		(43,794)	(43,794)	10
	(11,310)	(11,310)	Recognised capital grants and contributions		(12,825)	(12,825)	8
	(2,539)	(2,539)	Non service related government grants		(1,412)	(1,412)	8
-	(280,584)	(280,584)	Taxation and Non-Specific Grant Income	-	(282,138)	(282,138)	
454,202	(432,084)	22,118	(Surplus) or Deficit on Provision of Services	508,136	(438,100)	70,036	
	(278)	(278)	(Surplus) or deficit on revaluation of Property, Plant and Equipment		(74,036)	(74,036)	
248		248	Impairment losses on non-current assets charged to the Revaluation reserve	48,654		48,654	
	(90,990)	(90,990)	Actuarial (gains) / losses on pension liabilities	20,090		20,090	
		(91,020)	Other Comprehensive (Income) and Expenditure			(5,292)	
		(68,902)	Total Comprehensive (Income) and Expenditure			64,744	

Balance Sheet for Years Ended 31 March 2014 and 2015

31 March 2014		31 March 2015	Notes
£'000		£'000	
	Property, Plant & Equipment		22
398,102	- other land and buildings	354,330	
5,202	- vehicles, plant, furniture and equipment	7,927	
88,659	- infrastructure	83,373	
4,537	- community assets	4,808	
16,115	- assets under construction	15,848	
10,669	- surplus assets not held for sale	9,767	
51	Heritage Assets	73	24
	Investment Property		
3,011	- Investment property	4,103	23
	Long Term Debtors		
29	Housing Advances	17	25
384	Finance Leases	261	25
526,759	Long Term Assets	480,507	
	Short Term Investments	11,027	37
4,005	Assets held for sale	7,478	27
6,721	Inventories	463	
433	Short Term Debtors	29,272	26
27,063	Cash and Cash Equivalents	6,573	
4,469			
42,691	Current Assets	54,813	
	Short Term Borrowing	(879)	37
(1,543)	Short Term Creditors	(43,458)	28
(38,901)			
(40,444)	Current Liabilities	(44,337)	
	Provisions	(2,424)	29
(4,900)	Long Term Borrowing	(97,444)	37
(97,451)			
	Other Long Term Liabilities		
(20,923)	PFI & Other Long Term Liabilities	(20,847)	30
(243,900)	Net pensions liability	(273,010)	32b
	Capital Grants Receipts in Advance	(2,558)	
(2,388)			
(369,562)	Long Term Liabilities	(396,283)	
159,444	Net Assets	94,700	
	Usable reserves		31
7,395	- Council Fund	7,450	
37,899	- Earmarked reserves	41,454	31b
10,245	- Capital Receipts Reserve	14,534	31a
509	- Capital Grants Unapplied	153	
	Unusable Reserves		32
98,804	- Revaluation Reserve	115,916	32a
(243,900)	- Pensions Reserve	(273,010)	32b
257,644	- Capital Adjustment Account	196,059	32c
(5,320)	- Financial Instruments Adjustment Account	(3,632)	32d
(3,832)	- Short-term Accumulating Compensated Absences Account	(4,224)	32e
159,444	Total Reserves	94,700	

Cash Flow Statement as at 31 March 2014 and 2015

2013-14 £'000		2014-15 £'000	Notes
22,118	Net (surplus)/deficit on the Provision of Services	70,036	
(41,063)	Adjustments to net deficit on the provision of services for non-cash movements	(96,271)	39
11,476	Adjustments for Items included in the net deficit on the provision of services that are investing and financing activities	12,825	
(7,469)	Net Cash Flows from Operating Activities	(13,410)	40
37,649	Investing Activities	23,972	41
(19,959)	Financing Activities	(12,666)	42
10,221	Net Increase / (Decrease) in Cash & Cash Equivalents	(2,104)	
(14,690)	Cash & Cash Equivalent at the beginning of the Reporting Period	(4,469)	
(4,469)	Cash & Cash Equivalent at the end of the Reporting Period	(6,573)	



Notes to the Core Financial Statements 2014-15

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

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015-16 Code:-

IFRS 13 – Fair Value Measurement - This standard provides a consistent definition of fair value and sets out a single IFRS framework for measuring fair value. It also requires significant disclosures about fair value measurements. The adoption of this standard will require surplus assets to be revalued at market value rather than its existing use value. Operational property, plant and equipment assets are outside the scope of IFRS 13, so this standard is not expected to have a material impact on the statement of accounts.

IFRIC 21 – Levies – This standard provides guidance on levies imposed by government in the financial statements of entities paying levies. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. This clarification is not expected to require a change to current arrangements.

Annual Improvement to IFRSs (2011 – 2013 Cycle) – A number of minor amendments have been made by the IASB (to IFRS 1 and 3, and IAS 40). No adjustments are necessary to the CIPFA Code, and consequently no material adjustment to the statement of accounts is anticipated.

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 previously 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 final balances of these leases were charged to the 2014-15 accounts, and consequently there are no balances remaining.

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 2015 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 was revalued at 1 April 2014. The value of those assets is based upon calculations and estimation techniques following the Royal Institute of Chartered Surveyors (RICS) guidance, and in accordance with IFRS. However, changes in asset values are largely influenced by market forces and build cost indices which can be volatile. A review of the asset values at 31 March 2015 concluded that for the fair value for assets valued at Depreciated Replacement Cost (DRC), there had been a significant change in values due to increases in building costs. As a result of this, desktop valuations were conducted for all assets valued on a DRC basis and the most significant of these were reflected with the Balance Sheet.

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.

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 2013-14 for comparative purposes and the adjustments for 2014-15:-

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
		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)	(3,042)	205	204	(22,564)

2014-15	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	28,008			28,008			(28,008)			(28,008)
Revaluation losses on Property, Plant & Equipment	59,716			59,716			59,716			59,716
Movement in market value of investment property	(646)			(646)			646			646
Capital grant and contributions applied	(12,817)			(12,817)			12,817			12,817
Revenue Expenditure Funded from Capital under Statute	774		(340)	434			(434)			(434)
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	7,014			7,014	(5,574)		(1,440)			(7,014)
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.					(2,695)		2,695			-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement										
Statutory Provision for the financing of capital investment	(8,020)			(8,020)			8,020			8,020
Capital expenditure charged against the Council Fund balance	(1,803)			(1,803)			1,803			1,803
Adjustments primarily involving the Capital Grants Unapplied Account :										
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(8)		8	-						-
Application of grants to capital financing transferred to the Capital Adjustment Account			(24)	(24)			24			24
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	(6,296)	6,296		-						-
Use of Capital Receipts Reserve to finance new capital expenditure		(2,019)		(2,019)			2,019			2,019
Other Amounts (including Mortgage Repayments)		12		12			(12)			(12)
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	(1,688)			(1,688)				1,688		1,688
Adjustments primarily involving the Pensions Reserve										
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	26,800			26,800		(26,800)				(26,800)
Employer's contributions to pension schemes	(17,780)			(17,780)		17,780				17,780
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	392			392					(392)	(392)
Total Adjustments 2014-15	73,646	4,289	(356)	77,579	(8,269)	(9,020)	57,846	1,688	(392)	41,853

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:

2013-14 £'000		2014-15 £'000
9,078	Precepts Police and Crime Commissioner for South Wales	9,625
1,512	Community Councils	1,574
10,590	Sub total	11,199
6,659	Levies South Wales Fire and Rescue Authority	6,585
263	Coroners Service	208
106	Archive Service	95
17	Margam Crematorium Joint Committee	(13)
18	Swansea Bay Port Health Authority	19
7,063	Sub total	6,894
17,653	Total	18,093

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:

2013-14 Income £'000	2013-14 Exp. £'000	2013-14 Deficit/ (Surplus) £'000	Activity	2014-15 Income £'000	2014-15 Exp. £'000	2014-15 Deficit/ (Surplus) £'000	Target £'000	Variance £'000
(2,681)	2,747	66	Building Maintenance	(3,266)	3,281	15	(13)	28
(1,175)	1,094	(81)	Building Cleaning	(1,076)	1,008	(68)	(108)	40
(2,900)	2,895	(5)	Fleet Services	(2,714)	2,711	(3)	(17)	14
(6,756)	6,736	(20)	Transfer to I & E Account	(7,056)	7,000	(56)	(138)	82

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 2014-15 was £150.9 million (£154.7 million for 2013-14).

8. Government grants

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

2013-14	Specific Grants credited to Services	2014-15
£'000		£'000
47,948	Housing Benefit Subsidy	49,512
6,717	DCELLS Post 16 Grant	6,307
4,187	Foundation Phase Grants	4,143
1,681	PFI Grant	-
3,041	Other Children	7,275
434	Other Wellbeing	1,196
5,071	Others	1,504
6,101	Supporting People	6,152
-	Sport Play & Active Wellbeing	386
2,920	Concessionary Fares Grant	2,806
2,486	Flying Start	3,025
2,960	Sustainable Waste Grant	2,854
1,104	Housing/Council Tax Benefit Administration	813
357	Local Transport Services	390
952	Communities First	1,511
1,913	Families First	1,840
87,872	Total	89,714

2013-14	Other Government Grants credited to Taxation and Non-specific Grant Income	2014-15
£'000		£'000
1,401	Improvement Agreement Grant	1,412
1,138	Council Tax Reduction Grant	-
11,310	Capital Grants and Contributions	12,825
13,849	Total	14,237
101,721		103,951

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 – 50,566.20 dwellings for 2014-15 (50,075.92 in 2013-14). The average amount for a Band D property is £1,413.33 in 2014-15 (£1,346.83 in 2013-14 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	28	10,048	14,757	13,789	9,624	6,917	3,882	1,352	283	84

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

2013-14 £'000		2014-15 £'000
68,987	Council Tax Collectable	73,164
	Less:	
(1,512)	Payable to Community Councils	(1,574)
(9,078)	Payable to South Wales Police	(9,625)
68	Provision for non-payment of Council Tax (Increase)	(1,159)
58,465	Net Proceeds from Council Tax	60,806

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 47.3p in 2014-15 (46.4p in 2013-14). 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 £43.794 million in 2014-15 (£43.026 million in 2013-14).

11. Leases

Council as a Lessee

Finance Leases (excluding Private Finance Initiative)

Under IFRS, a number of leases for vehicles, plant and equipment were previously reclassified as finance leases, and were carried as Property, Plant and Equipment in the Balance Sheet. As shown in the table below, the last elements of these costs were charged to 2014-15, and there are no balances remaining. In addition, in 2012-13 the Council entered into a contract for the management of its leisure facilities, which included a major capital investment contract that is being funded via the contracted management fee. This element of the management fee is being treated as a finance lease, and is shown below

31 March 2014 £'000		31 March 2015 £'000
1,104	Leisure Contract - capital investment	807
37	Vehicles, Plant & Equipment Finance Leases	-
1,141	Total	807

31 March 2014 £'000		31 March 2015 £'000
	Finance Lease Liabilities (Net Present Value of minimum lease payments) :-	
158	* current	117
1,150	* non-current	1,033
532	Finance Costs payable in future years	439
1,840	Minimum lease payments	1,589
252	Not later than one year	200
1,588	Later than one year	1,389
1,840	Total	1,589

Operating Leases

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

31 March 2014 £'000		31 March 2015 £'000
1,327	Not later than one year	1,058
3,676	Later than one year	2,469
8,486	Later than five years	8,034
13,489	Total	11,561

Expenditure charged in the year to the Service areas was £0.975 million made up of minimum lease payments of £0.574 million and £0.401 million for contingent rents (£1.459 million in 2013-14 made up of £0.884 million minimum lease payments and £0.575 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 2014 £'000		31 March 2015 £'000
171	Not later than one year	39
182	Later than one year	170
851	Later than five years	824
1,204	Total	1,033

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:-

2013-14 £'000	Unitary Charge	2014-15 £'000
589	Service Charge Element	635
1,505	Interest Element	1,471
442	Finance Lease Liability	476
2,536	Total	2,582

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	2015-16 £'000	2016-17 to 2020-21 £'000	2021-22 to 2025-26 £'000	2026-27 to 2030-31 £'000	2031-32 to 2033-34 £'000
Service Charge Element	502	2,511	2,511	2,511	1,500
Interest Element	1,434	6,513	5,063	2,959	409
Finance Lease Liability	513	3,221	4,672	6,775	4,119
Total	2,449	12,245	12,246	12,245	6,028

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 2015, the balance on the PFI equalisation earmarked reserve is £3.407 million (£3.051 million as at 31 March 2014).

13. Section 33 NHS (Wales) Act 2006

There are some formal pooled budget arrangements between the Council and Abertawe Bro Morgannwg University Local Health Board and these are detailed below :-

2013-14			Partner	Purpose of Partnership	2014-15		
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
564	564	294	Abertawe Bro-Morgannwg University Health Board	Integrated Service Provision using a Pooled Fund. Provision of day opportunities for people recovering from mental health problems.	608	608	325
2,236	2,407	471	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	2,261	2,686	492

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 2014-15 has been calculated as shown in the table below. It is based on the opening Capital Financing Requirement (CFR) of the Council.

2013-14 £'000		2014-15 £'000
165,581	CFR 1 April	177,033
943	HALO Adjustment 12-13	108
(20,217)	PFI School	(19,776)
(845)	Innovation Centre	(816)
(95)	Finance Leases	(41)
(1,087)	Healthy Living Contract Capital Liability	(1,078)
(82)	Factor A Adjustment	(82)
-	Supported Borrowing significant asset adjustment	(3,946)
(12,368)	CFR Adj Para 19 2008/Unsupported Borrowing Adj	(24,845)
131,830	Adjusted CFR	126,557
5,273	MRP - 4%	5,062
-	- MRP significant asset	132
442	PFI School - MRP Charge	476
28	Innovation Centre MRP Charge	47
54	Finance Leases MRP Charge	41
117	Healthy Living Contract MRP Charge	117
1,926	Unsupported Borrowing MRP	2,145
7,840	Total MRP	8,020

15. Officers' Remuneration

Four separate disclosure are required to ensure compliance with either the Accounts and Audit (Wales) Regulations 2014, or the CIPFA Code.

Disclosure 1 – Ratio of the Remuneration of the Chief Executive to the median remuneration of all the body's employees

This is a new requirement of the Accounts and Audit (Wales) Regulations 2014. The ratio for Bridgend is 6.49, i.e. the Remuneration of the Chief Executive is 6.49 times more than the median remuneration of the Council's employees. The comparable ratio in 2013-14 was 6.72

Disclosure 2 : Table of Officers' Remuneration over £60k

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

2013-14 Number of Employees inc Redundancy Costs (re-stated)	Remuneration Band	Number of Employees				
		Movement in Bandings	2014-15 inc Redundancy Costs	2014-15 exc Redundancy Costs (Note 1)	Number of Teachers inc in Figures exc Redundancy (note 1)	Number of Non-Teachers inc in Figures exc Redundancy (note 1)
15	£60,000 - £64,999	3	18	16	16	-
13	£65,000 - £69,999	1	14	13	12	1
3	£70,000 - £74,999	3	6	6	5	1
6	£75,000 - £79,999	(1)	5	3	-	3
2	£80,000 - £84,999	1	3	2	2	-
1	£85,000 - £89,999	-	1	1	1	-
3	£90,000 - £94,999	1	4	3	2	1
4	£95,000 - £99,999	-	4	3	1	2
1	£100,000 - £104,999	3	4	3	1	2
1	£105,000 - £109,999	(1)	-	-	-	-
1	£110,000 - £114,999	(1)	-	-	-	-
-	£115,000 - £119,999	-	-	-	-	-
-	£120,000 - £124,999	-	-	-	-	-
1	£125,000 - £129,999	-	1	1	-	1
51		9	60	51	40	11

Note 1: This confirms there are 51 individuals with remuneration of £60,000 or more, comprising:-

- a) 40 Headteachers and Deputy Headteachers, and
- b) 11 Senior Managers of the Council, including the Senior Officers shown in Disclosure 3 below, and Heads of Service.

Disclosure 3 : Table of Senior Officer's Remuneration (including Pensions Contributions)

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	
	14-15	13-14	14-15	13-14	14-15	13-14	14-15	13-14	14-15	13-14
	£	£	£	£	£	£	£	£	£	£
Chief Executive Officer & Head of Paid Service (see Note 1 below)	128,169	125,246	-	-	-	-	26,051	26,051	154,220	151,297
Corporate Director - Education and Transformation										
Previous Post Holder until 31 August 2013		43,362	-	-	-	2,275	-	9,019	-	54,656
Current Post Holder from 1 September 2013	99,646	56,837	-	-	-	-	20,726	11,822	120,372	68,659
Corporate Director - Communities	101,857	98,620	-	-	-	13,066	21,186	20,513	123,043	132,199
Corporate Director - Wellbeing										
Previous Post Holder until 30 April 2013	-	5,368	-	-	-	-	-	-	-	5,368
Current Post Holder Interim from 1 September 2013 and formally appointed from 1 November 2013	99,646	56,837	-	-	-	10,089	20,726	11,822	120,372	78,748
Corporate Director - Resources & s151 Officer (see Note 2 below)	104,068	104,068	-	-	-	-	21,646	21,013	125,714	125,081
Assistant Chief Executive - Legal & Regulatory Services	93,661	92,360	-	-	-	16,060	19,482	19,211	113,143	127,631

Notes

Note 1 : The Chief Executive Officers Salary excludes payment for Election Duties. These amounted to £4819 for the European Election and two local elections

Note 2 : The post of Corporate Director - Resources was created on 1 June 2013 replacing the role of Assistant Chief Executive-Performance.

Note 3 : Pension Contributions relate to actual payments made

Note 4 : Expenses' and 'Benefits in Kind' exclude non-taxable reimbursements.

Disclosure 4: Table on Exit Packages

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	
	14-15	13-14	14-15	13-14	14-15	13-14	14-15 £	13-14 £
£0 - £20,000	73	53	45	30	118	83	955,813	566,652
£20,001 - £40,000	21	7	27	10	48	17	1,391,579	500,503
£40,001 - £60,000	7	1	5	2	12	3	563,059	138,140
£60,001 - £80,000	1	1	-	2	1	3	67,383	205,406
£80,001 - £100,000	-	1	-	-	-	1	-	80,101
£100,001 - £120,000	-	-	1	-	1	-	112,117	-
£120,001 - £140,000	-	-	1	1	1	1	125,483	124,507
£140,001 - £180,000	-	-	-	2	-	2	-	309,500
	102	63	79	47	181	110	3,215,434	1,924,809

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. The Council now has in place a 'Basic Salary' for all members, a 'Senior Salary', and a Civic Salary. 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, and this is the first year that real comparative information can be presented, as shown in the table below.

2013-14 £'000		2014-15 £'000
474	Basic Salary (all Members)	515
576	Senior Salary	524
38	Civic Salary	40
1,088	Total	1,079

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 2014-15 Bridgend County Borough Council incurred the following fees relating to external audit and inspection:

2013-14 £'000		2014-15 £'000
196	Financial Statement Audit	196
135	Performance Audit	98
331	External Audit Services	294
-	Statutory Inspection	1
82	Grant Claims and Returns	47
413	Total	342

18. Associates, Subsidiaries, Joint Ventures and Joint Operations**Associates, Subsidiaries and Joint Ventures**

The Council has no Subsidiary, Associate or Joint Venture interests, as defined by the CIPFA Code.

Joint Operations

The Council participates in a number of Joint Operations and, in accordance with the CIPFA Code, recognises all revenue and expenses, and any material assets and liabilities within its single entity accounts. Joint Operations include:-

- Glamorgan Archives Service
- Civil Parking Enforcement

- Central South Consortium Joint Education Service
- South East Wales Transport Alliance

19. School Accounting

The 2014-15 CIPFA Code in 2014-15 stipulates that schools' assets, liabilities and cash flows are recognised in the local authority financial statements (and not the Group Accounts). The associated guidance recommends that this is supplemented by a summary of the number of schools included in its single entity accounts, supported by a summary of budget, expenditure, and balances (surpluses). This is shown in the table below.

School Types	Nos in Category	2014-15 Budget	2014-15 Spend	2014-15 Closing Balance
		£'000	£'000	£'000
Nursery Schools	1	88	88	-
Primary Schools	50	43,532	41,961	1,571
Secondary Schools	9	42,238	41,837	401
Special Schools	2	7,277	6,839	438
Total	62	93,135	90,725	2,410

20. 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. Members' external interests are maintained in a register, which is available for inspection on the Council's website. The total of members' allowances paid in 2014-15 is shown in Note 16. Grants were made to organisations whose senior management included Members including Groundwork Bridgend and Neath Port Talbot £43,748 in 2014-15 (£47,500 in 2013-14), Bridgend County Borough Citizens Advice Bureau £228,690 (£228,690 in 2012-13) and Bridgend Association of Voluntary Organisations £139,795 in 2014-15 (£166,299 in 2013-14). 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.

Chief Officers

During 2014-15, no chief officer declared any material interests/relationships in a related party. This was the same in 2013-14.

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 2014-15, the Council contributed to the Joint Committee an amount of £95,437 (£106,040 in 2013-14). 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.

21. 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 (2013-14) is as follows:

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

Directorate Income and Expenditure 2014-15	Children £'000	Wellbeing £'000	Communities £'000	Other Services £'000	Total £'000
Fees, charges & other service income	(18,645)	(14,901)	(14,992)	(18,353)	(66,891)
Government grants	(22,968)	(2,554)	(14,815)	(50,780)	(91,117)
Total Income	(41,613)	(17,455)	(29,807)	(69,133)	(158,008)
Employee expenses	111,040	25,826	18,238	21,190	176,294
Other operating expenses	50,388	34,755	36,225	68,474	189,842
Total operating expenses	161,428	60,581	54,463	89,664	366,136
Net Cost of Services	119,815	43,126	24,656	20,531	208,128

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 :-

	2014-15 £'000	2013-14 £'000
Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement		
Cost of Services in Service Analysis	208,128	217,554
Add services not included in main analysis	18,931	16,326
Add amounts not reported to management	93,057	27,199
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(1,502)	(1,509)
Net Cost of Services in Comprehensive Income and Expenditure Statement	318,614	259,570

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 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

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Reconciliation to Subjective Analysis 2014-15	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	(66,891)			7,056	(59,835)	(7,056)	(66,891)
Surplus or deficit on associates and joint ventures					-		-
Interest and investment income					-	(853)	(853)
Income from council tax					-	(73,164)	(73,164)
Government grants and contributions	(91,117)	(6,380)			(97,497)	(208,974)	(306,471)
Total Income	(158,008)	(6,380)	-	7,056	(157,332)	(290,047)	(447,379)
Employee expenses	176,294	2,738	(678)		178,354	10,090	188,444
Other service expenses	189,842	22,573		(7,000)	205,415	7,000	212,415
Support Service recharges					-		-
Depreciation, amortisation and impairment			93,735		93,735		93,735
Interest Payments				(1,558)	(1,558)	6,215	4,657
Precepts & Levies					-	18,092	18,092
Gain or Loss on Disposal of Fixed Assets					-	72	72
Total Expenditure	366,136	25,311	93,057	(8,558)	475,946	41,469	517,415
Surplus or deficit on the provision of services	208,128	18,931	93,057	(1,502)	318,614	(248,578)	70,036

Notes to the Balance Sheet

22. Tangible Fixed Assets

a) Capital commitments

As at 31 March 2015 commitments of approximately £11.608million existed on capital works contracts started before that date, details of which are shown in the table below.

2013-14 £'000		2014-15 £'000
88	Porthcawl Regeneration	-
873	Bridgend Town Centre Regeneration	107
2,811	Highways Infrastructure Local Govt Borrowing Initiative	-
1,633	Gateway to the Valleys	-
1,012	Pen y Fai Primary School	-
-	Coychurch Crematoria Cremators	840
-	Celtic Court Refurbishment	1,209
-	Community Care Information System	2,744
-	Ogmore Comprehensive	894
-	Coety / Parc Derwen Primary School	5,049
-	Maximising Space	730
363	Lewistown Flying Start Provision	35
6,780	Total	11,608

b) Notes on Fixed AssetsVoluntary-aided & Voluntary-controlled Schools

The Council 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 Council and therefore not included in the Balance Sheet.

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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	2,274	2,916	7,166	-	-	21,561	33,917	-	943
Revaluation increases/(decreases) recognised in the Revaluation Reserve	48	-	-	-	-	-	48	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(281)	-	-	-	53	-	(228)	-	-
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

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 2014	449,969	15,110	196,356	4,574	11,266	16,115	693,390	22,744	2,284
Additions	5,752	4,184	5,356	-	-	7,537	22,829	-	108
Accumulated Depreciation and Impairment written out to GCA	(57,585)	(8,765)	-	-	(736)	-	(67,086)	(1,366)	(126)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	25,244	-	-	-	818	-	26,062	7,016	(57)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(59,287)	-	-	(196)	(233)	-	(59,716)	(4,446)	(333)
Derecognition - Disposals	(1,469)	(29)	-	-	(55)	-	(1,553)	-	-
Derecognition - other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	(4,235)	-	-	-	(2,260)	-	(6,495)	-	-
Assets reclassified (to)/from Investment Property	-	-	-	-	-	-	-	-	-
Other Movements in Cost or Valuation	5,984	-	(361)	467	1,106	(7,196)	-	-	-
At 31 March 2015	364,373	10,500	201,351	4,845	9,906	16,456	607,431	23,948	1,876
Accumulated Depreciation and Impairments									
At 1 April 2014	(51,867)	(9,908)	(107,697)	(37)	(597)	-	(170,106)	(1,195)	(1,143)
Depreciation Charge for 2014/15	(14,754)	(1,382)	(10,211)	-	(268)	-	(26,615)	(772)	(51)
Accumulated Depreciation and Impairment written out to the surplus / deficit on the provision of services	57,585	8,765	-	-	736	-	67,086	1,366	69
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	(702)	-	-	-	-	-	(702)	-	57
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(1,175)	(48)	(170)	-	-	-	(1,393)	-	-
Derecognition - disposals	351	-	-	-	-	-	351	-	-
Assets reclassified (to)/from Held for Sale	1	-	-	-	-	-	1	-	-
Other Movements	518	-	100	-	(10)	(608)	-	-	-
At 31 March 2015	(10,043)	(2,573)	(117,978)	(37)	(139)	(608)	(131,378)	(601)	(1,068)
Balance Sheet as at 1 April 2014	398,102	5,202	88,659	4,537	10,669	16,115	523,284	21,549	1,141
Balance Sheet as at 31 March 2015	354,330	7,927	83,373	4,808	9,767	15,848	476,053	23,347	808

c) Fixed asset valuation

Non-current Assets are included in the Balance Sheet on the valuation basis set out in the Statement of Accounting Policies. The freehold and leasehold properties of Bridgend County Borough Council were valued as at 1 April 2014 by Council Surveyors in accordance with the Statements of Asset Valuation, Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Valuations derived using the 'Depreciated Replacement Cost' methodology were revalued at 31st March 2015, and material movements were reflected in both the Asset Register and these statements.

d) Sources of finance for Capital Expenditure

2013-14 £'000		2014-15 £'000
18,350	Loans	6,889
14,547	Government grants	15,996
2,453	Capital receipts	2,019
1,271	Revenue contribution	1,803
943	Healthy Living Contract Capital Liability	108
231	Other contribution	1,647
37,795	Total	28,462

e) 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.

2013-14 £'000		2014-15 £'000
3,879	Revenue Expenditure Funded from Capital under Statute	5,113
3,879	Total	5,113

f) Capital financing requirement and the financing of capital expenditure

2013-14 £'000	Capital Financing Requirement	2014-15 £'000
165,581	Opening Capital Financing Requirement	177,033
	Capital Investment	
32,974	Property, Plant and Equipment	22,721
	Investment Properties	520
3,879	Revenue Expenditure Funded from Capital under Statute	5,113
943	Healthy Living Contract Capital Expenditure	108
	Sources of Finance	
(14,780)	Grants & Contributions	(17,643)
(2,453)	Capital receipts applied	(2,019)
(1,271)	Revenue Contributions	(1,803)
(5,273)	Minimum Revenue Provision	(5,194)
(1,926)	Unsupported Borrowing MRP	(2,145)
(117)	Healthy Living Contract MRP	(117)
(54)	Finance Leases MRP	(41)
(28)	Innovation Centre MRP	(47)
(442)	PFI School MRP	(476)
177,033	Closing Capital Financing Requirement	176,010
	Explanation for Movements in Year	
(1,327)	Decrease in Underlying Need to Borrow (supported by government financial assistance)	(1,262)
12,477	Increase in Underlying Need to Borrow (unsupported by government financial assistance)	812
744	Assets acquired under finance leases	(97)
(442)	Assets acquired under PFI Contract	(476)
11,452	Increase/(Decrease) in Capital Financing Requirement	(1,023)

g) Capital Grants Received in Advance

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

2013-14 £'000		2014-15 £'000
2,388	Developers' Contributions - capital element	2,558
2,388	Total	2,558

23. 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:

2013-14 £'000		2014-15 £'000
526	Rental Income from Investment Property	573
(152)	Direct Operating Expenses arising from Investment Property	(281)
374	Net gain/(loss)	292

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

2013-14 £'000		2014-15 £'000
3,421	Balance at 1 April	3,011
	Acquisitions	520
	Disposals	(75)
(410)	Net gain / (loss) from fair value adjustments	647
3,011	Balance as at 31 March	4,103

24. Heritage Assets

2013-14 £'000		2014-15 £'000
51	Civic Regalia	73
51	Balance as at 31 March	73

25. 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.

2013-14 £'000		2014-15 £'000
29	Mortgages	17
384	Waste Contract Vehicles Leased to contractor	261
413	Balance as at 31 March	278

26. 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:

2013-14 £'000	Short-term Debtors	2014-15 £'000
12,492	Central Government Bodies	12,818
4,189	Other Local Authorities	4,774
541	NHS Bodies	1,277
9,841	Other Entities and Individuals	10,403
27,063	Balance as at 31 March	29,272

The Council collects NNDR payments on behalf of Welsh Government. As at the 31 March 2015, the Council had paid over more cash than it collected, this excess was included in the Balance Sheet as a debtor of £0.199 million. The equivalent for 2013-14 was a debtor of £3.102 million which represented monies not yet paid over by Welsh Government.

27. Assets Held for Sale

2013-14 £'000	Assets Held for Sale	2014-15 £'000
5,354	Balance at 1 April	6,721
1,454	Assets newly classified as held for sale: Property, Plant & Equipment	6,494
	Assets declassified as held for resale - Property, Plant & Equipment	
	- Revaluation Gain/(Loss)	-
(87)	Assets Sold	(5,737)
6,721	Balance as at 31 March	7,478

28. Short Term Creditors

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

2013-14 £'000	Short Term Creditors	2014-15 £'000
(4,135)	Central Government Bodies	(2,594)
(6,379)	Other Local Authorities	(6,228)
(94)	NHS Bodies	(39)
(28,293)	Other Entities and Individuals	(34,597)
(38,901)	Balance as at 31 March	(43,458)

29. Provisions

The Council has a number of provisions as detailed below:

2013-14 £'000		Expenditure £'000	Transferred to LT Liabilities £'000	Increase £'000	2014-15 £'000
3,933	Insurance (BCBC)	(1,912)	-	77	2,098
204	Equal Pay and Other	(204)	-	-	-
550	Waste Disposal	-	(550)	-	-
213	Carbon Reduction Commitment	(166)	-	279	326
4,900	Balance as at 31 March	(2,282)	(550)	356	2,424

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.

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 2014-15. The payment will be made with the retrospective purchase of allowances in the summer 2015.

30. PFI and Other Long Term Liabilities

2013-14 £'000		Additions in Year £'000	Transferred from Provisions £'000	Moved to Short Term Creditors £'000	2014-15 £'000
19,300	Maesteg School PFI Lease Liability	-	-	(513)	18,787
770	Innovation Centre Financial Liability	-	-	(51)	719
-	- Waste Contract	-	500	(50)	450
-	- Escrow (Football Club)	47	-	-	47
853	Healthy Living Contract Capital Liability	108	-	(117)	844
20,923	Balance as at 31 March	155	500	(731)	20,847

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 2014-15, the amount written down was £476,000 and £513,000 has been transferred to Short Term Creditors leaving an outstanding long term liability of £18.78 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 2014-15 was £47,000 and £51,000 was transferred to Short Term Creditors resulting in a long term financial liability of £0.719 million at 31 March 2015.

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 £0.108 million for 2014-15 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 £0.844 million at 31 March 2015.

The Waste Contract liability was previously a provision. However a £500k liability has now been recognised, payable at £50k p.a. instalments.

31. 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.

2013-14 £'000		2014-15 £'000
12,505	Balance at 1st April	10,245
166	Capital Receipts Received	6,296
27	Mortgage repayments (Council Fund)	12
(2,453)	Receipts used to finance capital expenditure	(2,019)
10,245	Balance as at 31st March	14,534

b) Revenue reserves

The revenue reserves in the Balance Sheet as at 31 March 2015 are detailed below with descriptions of what they represent:-

Opening Bal 2013-14 £'000	Move- ment 2013-14 £'000	Closing Bal 2013-14 £'000	Reserve	Move- ment 2014-15 £'000	Closing Bal 2014-15 £'000
7,320	75	7,395	Council Fund Balance	55	7,450
3,737	(1,270)	2,467	Delegated Schools Balance	(57)	2,410
2,639	412	3,051	Maesteg School PFI Equalisation Fund	356	3,407
			Earmarked Balances :-		
118	230	348	Asset Management Plan	354	702
-	-	-	Building Control Reserve	10	10
1,250	(263)	987	Building Maintenance Reserve	(687)	300
200	100	300	Capital feasibility fund	327	627
-	5,513	5,513	Capital Programme Contribution	921	6,434
175	380	555	Car Parking Strategy	-	555
1,000	1,069	2,069	Change Management	329	2,398
172	24	196	Connecting Families	(165)	31
-	-	-	DDA Emergency Works	115	115
-	330	330	Directorate Issues	1,160	1,490
151	50	201	Election costs	-	201
906	351	1,257	ICT & Finance Systems	(396)	861
1,691	-	1,691	Insurance reserve	1,486	3,177
770	(359)	411	Invest to save / Joint projects	(150)	261
1,030	(206)	824	Looked After Children	-	824
16,024	(4,978)	11,046	Major Claims Reserve	(515)	10,531
490	(490)	-	Non-recurring Expenditure	-	-
201	99	300	Porthcawl regeneration	(175)	125
900	300	1,200	Service Pressures Contingency	(1,200)	-
2,020	1,032	3,052	Service Reconfiguration / Severence Costs	1,697	4,749
1,044	-	1,044	Treasury Management Reserve	-	1,044
-	50	50	Unitary Development Plan	42	92
-	-	-	Waste Management Contract	210	210
500	(200)	300	Welfare Reform Bill	-	300
583	124	707	Wellbeing Projects	(107)	600
29,225	3,156	32,381	Balance as at 31 March	3,256	35,637
42,921	2,373	45,294		3,610	48,904

The transfer to all Earmarked Balances excluding the Council Fund Balance was £3.555 million in 2014-15 (£2.298 million in 2013-14) 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 2014-15 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

2013-14 Closing Balance £'000		2014-15 Over spends £'000	2014-15 Under spends £'000	2014-15 Closing Balance £'000
-	Nursery Schools	-	-	-
1,145	Primary Schools	(320)	746	1,571
830	Secondary Schools	(753)	325	402
492	Special Schools	(55)	0	437
2,467	Total	(1,128)	1,071	2,410

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:-

2013-14 £'000	Maesteg School PFI Accounts	2014-15 £'000
3,051	Maesteg PFI Equalisation Fund	3,406
3,051	Balance as at 31 March	3,406

iii) **Other Earmarked Balances**

An overview of the other main earmarked reserves is 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 potential future liabilities.
- **Equalisation of Spend Reserves**
These reserves ensure that expenditure that is incurred in a particular future year is smoothed over the period of the MTFs. These include the costs of elections and the preparation of the Local Development Plan and the Building Control Earmarked Reserves.
- **Other Reserves**
There are a number of other reserves which are either Corporate or Directorate based. These are detailed below:-

Corporate Reserves

- **Service Reconfiguration / Severance Costs**
This reserve has been established to meet potential costs relating to service remodelling and consequential severance costs.
- **Treasury Management**
This reserve has been set up to cover unforeseen treasury management liabilities and to facilitate longer term debt restructuring.

- ICT & Finance Systems
This reserve will fund the costs of planned system developments from 2016-17 to 2017-18. It includes developments including the roll out of the cashless catering system and bringing the financial ledger system in-house.
 - 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.
 - Asset Management Plan
This has been established to meet the on-going costs of condition surveys and supports the demolition of asset programme.
 - 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.
 - Waste Management Contract
This earmarked reserve is to facilitate the procurement of the next waste collection contract with the current contract expiring in 2017.
 - DDA Emergency/Prevention Works
This earmarked reserve is to cover the costs of emergency works within schools as well fund a temporary post a 2 year period to ensure Fire Risk Assessments are updated and maintained within schools.
 - 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.
 - 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.
- Directorate Reserves**
- 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.
 - 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.

- 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.
- Porthcawl Regeneration
This reserve has been established to fund up front revenue costs associated with the proposed regeneration of Porthcawl.
- Directorate Issues
This relates to specific directorate issues anticipated in 2015-16, totalling £1.490 million, allocated to directorates as shown below:-

	£'000
Childrens Directorate	140
Communities Directorate	298
Legal and Regulatory	692
Resources Directorate	360

32. 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.

2013-14 £'000		2014-15	
		£'000	£'000
101,985	Balance at 1 April		98,804
278	Upward Revaluation of Assets	74,036	
(248)	Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services	(48,654)	
30	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of services		25,382
(1,921)	Difference between fair value depreciation and historical cost depreciation	(2,696)	
(1,290)	Accumulated gains on assets sold or scrapped	(5,574)	
(3,211)	Amount written off to the Capital Adjustment Account		(8,270)
98,804	Balance as at 31 March		115,916

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.

2013-14 £'000		2014-15 £'000
(318,170)	Balance at 1 April	(243,900)
90,990	Actuarial gains or losses on pensions assets and liabilities	(20,090)
(34,060)	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	(26,800)
17,340	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	17,780
(243,900)	Balance as at 31 March	(273,010)

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)

2013-14 £'000		2014-15	
		£'000	£'000
260,687	Balance at 1 April		257,644
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :		
(21,887)	Charges for depreciation and impairment of non-current assets	(28,008)	
(228)	Revaluation losses on Property, Plant and Equipment	(59,716)	
(605)	Revenue Expenditure funded from Capital Under Statute	(434)	
(27)	Other amounts including Mortgage Payments	(12)	
	Financial Liability Adjustment to Capital Receipts		
(4,758)	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	(1,440)	
(27,505)	Adjusting amounts written out to the Revaluation Reserve	(89,610)	
1,921		2,696	
(25,584)	Net written out amount of the cost of non-current assets consumed in the year		(86,914)
	Capital financing applied in the year:		
2,453	Use of the Capital Receipts Reserve to finance capital expenditure	2,019	
11,335	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that has been applied to capital financing	12,817	
52	Application of grants to capital financing from the Capital Grants Unapplied Account	24	
7,840	Statutory provision for the financing of capital investment charged against the Council Fund	8,020	
1,271	Capital expenditure charged against the Council Fund	1,803	
22,951			24,683
(410)	Movement in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement		646
257,644	Balance as at 31 March		196,059

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.

2013-14 £'000		2014-15	
		£'000	£'000
(5,526)	Balance at 1 April		(5,320)
199	Premiums / Discounts Adjustments	198	
7	Loans / Investments Adjustments	7	
	Premiums Paid	1,483	
(5,320)	Balance as at 31 March		(3,632)

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.

2013-14 £'000		2014-15	
		£'000	£'000
(4,036)	Balance at 1 April		(3,832)
4,036	Settlement or cancellation of accrual made at the end of the proceeding year	3,832	
(3,832)	Amounts accrued at the end of the current year	(4,224)	
204	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		(392)
(3,832)	Balance as at 31 March		(4,224)

33. 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 2015 are:

2013-14 £'000		2014-15 £'000
328	Social Services Home For The Elderly	312
53	Education	53
48	Nantymoel Workmans Hall	48
1	Other	1
430	Balance as at 31 March	414

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

34. Escrow accounts

There are also escrow 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. Also, the Authority has been holding an escrow linked to the sale of land to Asda previously used by Bridgend Town Football Club. This was initially £1 million, but payments made during 2013-14 and 2014-15 mean that the value of the funds held at 31 March 2015 are £47,000, which will be held to meet the future costs of replacement works.

2013-14 £'000		2014-15 £'000
546	Replacement facilities account	47
88	Replacement site account	0
57	Bocam Park	57
130	Wind Farm	132
821	Balance as at 31 March	236

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

35. 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 2014	Income	Expenditure	31 March 2015
	£'000	£'000	£'000	£'000
Llanmoor Homes - Maesteg Rd Tondy – additional education facilities	152	0	(152)	0
Broadlands Consortium – Newbridge fields - provision of playing fields facilities	131	0	(5)	126
Redrow – Lock's Lane, Porthcawl –ongoing maintenance of playing field and pavilion	81	0	0	81
Redrow - Brackla Park & Ride – upgrade B4181	313	0	(11)	302
Rockwool - Pencoed	83	0	(13)	70
Parc Derwen Primary School Design fees - Persimmon Homes	215	0	0	215
Parc Derwen Primary School - WG	0	488	(488)	0
Parc Derwen Primary School - Consortium	0	415	(249)	166
Land at Tyn Y Coed Farm (Maendy Farm), Bryncethin - Sports Provision	569	0	(59)	510
Land at Tyn Y Coed Farm (Maendy Farm), Bryncethin - Education Capital	16	0	0	16
Bridge Renewal Dowry	1	0	0	1
Coychurch Primary	(150)	75	0	(75)
Bridgend retail Park – crossing	0	95	(5)	90
Affordable Housing	404	97	0	501
Other	1046	46	(67)	1025
Total	2,861	1,216	(1,049)	3,028

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 2014-15 include information provided by the pension administrators, Rhondda Cynon Taff CBC and Aon Hewitt Associates Limited as the pensions actuary.

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out of the Council Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Council Fund balance via the Movement in Reserves Statement during the year:-

Statement of Accounts

2014-15

Comprehensive Income & Expenditure Statement	Local Govt Pension Scheme		LGPS Unfunded Benefits		Teachers' Unfunded Benefits		Total	
	£m	£m	£m	£m	£m	£m	£m	£m
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Cost of Services :								
Service cost comprising:								
current service cost	16.15	19.94	0.00	0.00	0.00	0.00	16.15	19.94
past service costs	0.56	0.50	0.00	0.00	0.00	0.04	0.56	0.54
(gain)/loss from settlements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financing & Investment Income & Expenditure :-								
Net interest expense	9.57	13.01	0.32	0.30	0.20	0.27	10.09	13.58
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	26.28	33.45	0.32	0.30	0.20	0.31	26.80	34.06
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)	(39.72)	(16.34)	0.00	0.00	0.00	0.00	(39.72)	(16.34)
Actuarial (gains) / losses due to changes in financial assumptions	62.72	(47.27)	0.59	(0.42)	0.26	(0.21)	63.57	(47.90)
Actuarial (gains) / losses due to changes in demographic assumptions	0.00	(15.40)	0.00	0.08	0.00	0.09	0.00	(15.23)
Actuarial (gains) / losses due to liability experience	(3.63)	(11.04)	(0.08)	0.93	(0.05)	(1.41)	(3.76)	(11.52)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	19.37	(90.05)	0.51	0.59	0.21	(1.53)	20.09	(90.99)
Movement in Reserves Statement:-								
Reversal of net charges made for retirement benefits in accordance with IAS 19	(26.28)	(33.45)	(0.32)	(0.30)	(0.20)	(0.31)	(26.80)	(34.06)
Actual amount charged against the Council Fund Balance for pensions in the year :-								
Employers' Contributions payable to the scheme	16.84	16.40					16.84	16.40
Retirement Benefits Paid Out			0.50	0.50	0.44	0.44	0.94	0.94

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
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Present value of defined benefit obligation	698.52	614.31	8.27	7.94	5.07	5.10	711.86	627.35
Fair Value of Plan Assets	(438.85)	(383.45)	0.00	0.00	0.00	0.00	(438.85)	(383.45)
Net liability arising from defined benefit obligation	259.67	230.86	8.27	7.94	5.07	5.10	273.01	243.90

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

	Local Govt Pension Scheme	
	£m 2014-15	£m 2013-14
Opening fair value of scheme assets	383.45	351.06
Interest income on assets	16.48	15.47
Remeasurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	39.72	16.34
Contributions by Employer	16.84	16.40
Contributions by Participants	4.84	4.77
Settlements	0.00	0.00
Net Benefits Paid Out	(22.48)	(20.59)
Balance as at 31 March	438.85	383.45

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

	Local Govt Pension Scheme		LGPS Unfunded Benefits		Teachers' Unfunded Benefits		Total	
	£m 2014-15	£m 2013-14	£m 2014-15	£m 2013-14	£m 2014-15	£m 2013-14	£m 2014-15	£m 2013-14
Opening balance at 1 April	614.31	654.92	7.94	7.55	5.10	6.76	627.35	669.23
Current Service Cost	16.15	19.94	0.00	0.00	0.00	0.00	16.15	19.94
Interest Cost	26.05	28.48	0.32	0.30	0.20	0.27	26.57	29.05
Contributions from scheme participants	4.84	4.77	0.00	0.00	0.00	0.00	4.84	4.77
Remeasurement (gains) and losses:								
Actuarial gains / losses arising from changes in financial assumptions	62.72	(47.27)	0.59	(0.42)	0.26	(0.21)	63.57	-47.90
Actuarial gains / losses arising from changes in demographic assumptions	0.00	(15.40)	0.00	0.08	0.00	0.09	0.00	-15.23
Actuarial gains / losses arising from changes in liability experience	(3.63)	(11.04)	(0.08)	0.93	(0.05)	(1.41)	(3.76)	(11.52)
Past Service Cost	0.56	0.50	0.00	0.00	0.00	0.04	0.56	0.54
Benefits Paid	(22.48)	(20.59)	(0.50)	(0.50)	(0.44)	(0.44)	(23.42)	(21.53)
Liabilities extinguished on settlements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Balance as at 31 March	698.52	614.31	8.27	7.94	5.07	5.10	711.86	627.35

Local Government Pension Scheme assets comprised:

	Fair Value of Scheme Assets 2014-15 £'m	Asset Split 2014-15 %	Fair Value of Scheme Assets 2013-14 £'m	Asset Split 2013-14 %
Cash and cash equivalents	18.019	4.11	11.527	3.01
Equity Instruments: <i>by industry type (FTSE Sector)</i>				
Oil & Gas	10.874	2.48	14.342	3.74
Basic Materials	9.207	2.10	9.091	2.37
Industrials	37.634	8.58	31.840	8.30
Consumer Goods	34.579	7.88	30.762	8.02
Health Care	22.623	5.15	20.558	5.36
Consumer Services	49.407	11.26	32.397	8.45
Telecommunications	3.392	0.77	2.719	0.71
Utilities	1.189	0.27	1.309	0.34
Financials	61.059	13.91	46.615	12.16
Technology	24.366	5.55	17.110	4.46
Pooled Equity Investment Vehicles	48.244	10.99	65.214	17.01
Sub-total equity	302.574	68.94	271.957	70.92
Bonds: <i>By Sector</i>				
Corporate	51.328	11.70	32.780	8.55
Government	42.334	9.65	44.713	11.66
Sub-total bonds	93.663	21.35	77.493	20.21
Property: <i>By Type</i>				
Retail	6.049	1.38	6.853	1.79
Office	4.045	0.92	3.428	0.89
Industrial	5.162	1.18	3.409	0.89
Other Commercial	9.338	2.13	8.784	2.29
Sub-total property	24.595	5.60	22.474	5.86
Total assets	438.850	100.00	383.451	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:

	2014-15 % pa	2013-14 % pa
Discount rate	3.2	4.3
Rate of pension increases	1.8	2.4
Rate of salary increases	3.3	3.9
Mortality Assumptions:		
Longevity at 65 for current pensioners :-		
Men	23.0	22.9
Women	25.9	25.8
Longevity at 65 for future pensioners :-		
Men	25.2	25.1
Women	28.3	28.2

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%)	(13.35)	13.61
Rate of increase in salaries (increase or decrease by 0.1%)	3.17	(3.14)
Rate of increase in pensions (increase or decrease by 0.1%)	10.19	(10.03)
Longevity (increase or decrease in 1 year)	18.31	(18.34)

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 expected employer's contributions to the Local Government Pension Scheme for the accounting period ending 31 March 2016 are :-

	2015-16 £m
Local Govt Pension Scheme	17.00
LGPS Unfunded	0.51
Teachers' Unfunded	0.45

The weighted average duration of the defined benefit obligation for the scheme members is 19.3 years, which is the same as for 2013-14

Teachers

In 2014-15, the Council paid £6.9 million (£6.8 million for 2013-14) 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 2014-15, these amounted to £0.5 million (£0.5 million for 2013-14).

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 2015 £'000	31 March 2014 £'000
Public Works Loan Board (<1 year)	-	16
Short Term Loans (Accrued Int. Long Term)	275	275
Escrow (Football Club) Short Term	-	634
Escrow (Bocam Park) Short Term	57	57
Escrow (Wind Farms) Short Term	132	130
Other Trust Funds	415	431
Short Term Borrowing	879	1,543
Short Term Trade Payables(Creditors)	2,897	3,546
Other Short Term Financial Liabilities(Creditors)	1,379	1,301
Total Current Financial Liabilities	5,155	6,390

The short term trade payables (creditors) figure £2.897 million relates to trade payables for goods and services received. 63% of this is not overdue for payment, 37% is due within 6 months. The other short term financial liabilities figure of £1.379 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 2014-15, is made up as follows:-

Short Term Liability relating to Other Long Term Liabilities	31 March 2015 £'000	31 March 2014 £'000
Maesteg School PFI Lease Liability	513	476
Innovation Centre Financial Liability	51	47
Finance Lease Liability	-	41
HALO Financial Liability	117	117
Waste Contract (MREC)	50	-
Total	731	681

The £2.897 million, £1.379 million and £0.731 million shown in the tables above are all included in the Short Term Creditors Balance Sheet figure of £43.458 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 £97.444 million is made up as follows:

Long Term Borrowing	31 March 2015			31 March 2014		
	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	118,094	77,617	77,617	96,644
Total PWLB debt	77,617	77,617	118,094	77,617	77,617	96,644
LOBO's	19,250	19,827	30,130	19,250	19,834	24,902
Total Market Loans	19,250	19,827	30,130	19,250	19,834	24,902
Total Long Term Borrowing	96,867	97,444	148,224	96,867	97,451	121,546

PFI and other long term liabilities figure in the balance sheet of £20.85 million are detailed below:

Other Long Term Liabilities	31 March 2015		31 March 2014	
	Balance Sheet	Fair Value	Balance Sheet	Fair Value
	£'000	£'000	£'000	£'000
Maesteg PFI Lease Liability	18,787	28,419	19,300	26,710
Innovation Centre Financial Liability	719	1,073	770	1,109
HALO Financial Liability	844	1,458	853	1,569
Escrow (Football Club)	47	47	-	-
Waste Contract (MREC)	450	454	-	-
Total Other Long Term Liabilities	20,847	31,451	20,923	29,388

The fair value of an instrument is determined by calculating the Net Present Value (NPV) of the remaining contractual cash flows at 31 March 2015, 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 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 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 2015 Balance Sheet £'000	31 March 2014 Balance Sheet £'000
Investments (< 1 year)	11,027	4,005
Total Short Term Investments	11,027	4,005
Cash & Cash Equivalents (Deposits)	8,502	6,500
Cash in Hand/Overdrawn	(1,929)	(2,031)
Total Cash & Cash Equivalents	6,573	4,469
Short Term Trade Receivables (Debtors)	5,330	6,301
Total Current Financial Assets	22,930	14,775

The £5.330 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 £29.272 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 was one long term investment taken out during 2014-15 for one year for £2million, however, there are none outstanding at 31 March 2015 as this has been transferred to short term in the Balance Sheet so is included in the table above. There are Long Term Debtors carried in the Balance Sheet which are financial assets. These are Housing Advances (£17,000) which are made of 8 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 (£261,000) for vehicles linked to the waste contract.

Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The table below shows those instruments that have been offset on the balance sheet. The Council had no other financial assets or liabilities subject to an enforceable master netting arrangement or similar agreement.

Offsetting of Financial Assets and Liabilities	31 March 2015 Gross Assets (Liabilities) £000	31 March 2014 Gross Assets (Liabilities) £000
Bank Accounts in Credit	2,322	138
Total Financial Assets	2,322	138
Bank Overdrafts	- 2,415	- 87
Total Financial Liabilities	- 2,415	- 87
Net Position on Balance Sheet	- 93	51

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 19 February 2014 accepted the Treasury Management Strategy 2014-15 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 2014-15.

The Council's definition of "**high credit quality**" is deemed to be counterparties having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. Overseas subsidiaries of foreign banking groups will normally be assessed according to the country of domicile of the parent organisation. However, Santander UK plc (a subsidiary of Spain's Banco Santander) and Clydesdale Bank plc (a subsidiary of National Australia Bank) were classed as UK banks due to their substantial UK franchises and arms-length parent-subsidary relationships.

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 for the Council to make any major changes to the Investment Strategy only a few minor revisions to enable increased flexibility in an ever changing financial market and to increase the investment opportunities available to the Council whilst still maintaining security and. The Council meeting of 12 November 2014 approved the revisions as a result of the half year review of the Treasury Management Strategy and all these are reflected within this disclosure. Based on this, the Council's **approved counterparties** are shown in the table below:

Counterparty	Credit Rating (or equivalent)	Time Limit	Cash Limit
UK registered banks, building societies and other organisations and securities 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-	1 year	£3m
		6 months	£5m (higher cash limit than 1 year due to shorter duration and less perceived risk)
	BBB+	100 days	£2m
UK Central Government	n/a	10 years	Unlimited
UK Local Authorities** but excluding parish and community councils	n/a	10 years	£15m
The Council's current account bank if it fails to meet the above criteria*		next day	£3m
UK registered building societies whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:	BBB	100 days	£2m
UK registered building societies without credit ratings with assets greater than £250m		100 days	£1m
Banks owned and domiciled in foreign countries with a sovereign rating of AA+ or higher	A+	6 months	£3m
Money market funds** and other pooled funds*		n/a	£2m
Any other organisation and pooled fund subject to an external credit assessment and specific advice from the Council's treasury management advisers		1 year	£1m
		6 months	£2m

*following discussion and approval from Treasury management advisers

** 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

N.B. Long-term credit ratings refers to those published from Fitch, Moody's and Standard and Poor

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 £25 million. Therefore, at any one point in time a maximum of £25 million of investments could have been in one of the following non-specified categories:

Non-Specified Investment Limits	Category Total Cash limit
Total long-term investments	£15m
Total money market funds and other pooled funds	£ 8m
Total building societies not meeting the Council’s high credit quality definition (but with assets greater than £250m)	£ 6m
Total investments (excluding building societies – separate limit above) not meeting the Council’s high credit quality definition	£ 6m

The combined values of specified and non-specified investments with any one organisation are subject to the limits detailed above and the approved counterparties and limits shown in the table below. A group of banks under the same ownership will be treated as a single organisation for limit purposes.

The Council’s investments have historically been placed in bank and building society deposits and local and central government, however, investments may be made with any public or private sector organisations that meet the above credit criteria. This reflects a lower likelihood that the UK and other governments will support failing banks as the bail-in provisions in the *Banking Reform Act 2014* and the *EU Bank Recovery and Resolution Directive* are implemented.

Credit ratings are obtained and monitored by the Council's treasury advisers who notify changes in ratings as they occur. They use long-term credit ratings from the three main rating agencies Fitch Ratings Ltd., Moody's Investors Service and Standard & Poor's Financial Services to assess the risk of investment default. The lowest available counterparty credit rating will be used to determine credit quality, unless an investment specific rating is available. The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard is therefore given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

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 were utilized during 2014-15. The majority of the Council's surplus funds during 2014-15 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 2014-15 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 2015 totalled £19.50 million as detailed below and shown in the balance sheet as both Short Term Investments (£11.027 million) and included within Cash and Cash Equivalents (£8.502 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 2015 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 3 Months £'000	Deposits Maturing Within 6 Months £'000	Total £'000
Bank (UK registered)	A	1,500	2,000	-	2,000	5,500
Building Societies	A	-	-	2,000	-	2,000
Building Societies	A-	-	2,000	1,000	-	3,000
Unrated Local Authorities		-	7,000	2,000	-	9,000
Total		1,500	11,000	5,000	2,000	19,500

The Council does not generally allow credit for its customers (trade debtors) such that all the trade debtors is short term, however, £2.104 million of the £5.330 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 2015	31 March 2014
	£'000	£'000
Less than three months	1,308	1,238
Three to six months	259	136
Six months to one year	130	116
More than one year	406	443
Total	2,103	1,933

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
	2014-15	2014-15	31-03-15	31-03-15
Less than one year	50%	0%	0.00%	0
Between 1 and 2 years	25%	0%	0.00%	0
Between 2 and 5 years	50%	0%	0.00%	0
Between 5 and 10 years	60%	0%	5.76%	5,580
More than ten years	100%	40%	74.37%	72,037
Uncertain date *	-	-	19.87%	19,250
Total			100.00%	96,867

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 2015	31 March 2014
	£'000	£'000
Less than one year	5,884	7,071
Between one and two years	774	680
Between two and five years	2,642	2,319
Between five and ten years	11,181	5,147
More than ten years	84,057	90,691
Uncertain date*	19,827	19,834
Total Financial Liabilities	124,365	125,742

* The £19.250 million (19.87%) and £19.827 million 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 2015) 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 2015-16 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 2014-15 £m	Actual Principal Outstanding 31-03-15 £m
Total Projected Principal Outstanding on Borrowing	101.87	96.87
Total Projected Principal Outstanding on Investments (including cash/cash equivalents deposits)	9.00	19.50
Net Principal Outstanding	92.87	77.37
Fixed interest rates (net principal) exposure	130.00	59.62
Variable interest rates Exposure (net principal) exposure	50.00	17.75

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 2015, 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	(175)	175
Impact on Surplus or Deficit on Provision of Services	(42)	175

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

2013-14		2014-15
£'000		£'000
(22,116)	Depreciation & Impairment of Assets	(87,723)
(4,419)	Movement in Stock, Debtors & Creditors	(9,798)
(195)	Revenue Expenditure Funded from Capital Under Statute	(774)
(16,720)	Pension Fund Adjustments	(9,020)
373	Provisions	1,976
(410)	Changes in Fair Value of Investment Properties	647
(6,048)	Gain/loss on disposal of Non Current Asset	(718)
7,201	Minimum Revenue Provision	7,346
1,271	Revenue Contribution to Capital	1,793
(41,063)	Adjustments to net deficit on the provision of services for non-cash movements	(96,271)

40. Operating Activities

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

2013-14		2014-15
£'000		£'000
(14,775)	Cash Flow on Revenue Activities	(19,007)
6,304	Interest Paid	4,789
1,609	Interest element of finance lease and PFI rental payments	1,638
(607)	Interest Received	(830)
(7,469)	Net Cash Flows from Operating Activities	(13,410)

41. Investing Activities

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

2013-14		2014-15
£'000		£'000
33,918	Purchase of Property, Plant and Equipment and Investment Property	23,348
4,005	Purchase / (Proceeds) from Short Term Investments	7,022
(274)	Proceeds from sale of Property, Plant and Equipment and Investment Property	(6,398)
37,649	Net Cash Flows from Investing Activities	23,972

42. Financing Activities

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

2013-14		2014-15
£'000		£'000
(20,684)	Other Receipts from financing activities	(13,970)
84	Repayments of short and long term borrowing	624
641	Cash Payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	680
(19,959)	Net Cash Flows from Financing Activities	(12,666)

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.

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 2015 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 2014-15 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 19, 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 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 2015 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 2014-15.

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 Auditor General for Wales' Code of Audit Practice.

**For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
24 Cathedral Road
Cardiff
CF11 9LJ**

September 2015

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Audit of Financial Statements Report

Bridgend County Borough Council

Audit year: 2014-15

Issued: September 2015

Document reference: BCBCAFSR2015

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 or the staff of the Wales Audit Office 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 and the Wales Audit Office 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 Auditor General. The audit team comprised Darren Gilbert (Director), Matthew Arthur (Manager) and Sian Redwood (Assistant Manager).

Contents

The Auditor General 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. The Auditor General 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 2015 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 level 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 2014-15, that require reporting under ISA 260.

Status of the audit

6. We received the draft financial statements for the year ended 31 March 2015 prior to the deadline of 30 June 2015, 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 Corporate Director - Resources and the finance team.

Proposed audit report

8. It is the Auditor General'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](#).

Significant issues arising from the audit

Uncorrected misstatements

10. We set out below the one misstatement we identified in the financial statements that has been discussed with management but remains uncorrected, and highlight this to you so you can consider whether it should be corrected. If you decide not to correct this misstatement, we ask that you provide us with the reasons for non-correction through the Letter of Representation.

- Debit Land & Buildings £3,931,051
- Credit Revaluation Reserve / Depreciation and Impairment £3,931,051¹

Being the unposted element of the property valuation difference between 1 April 2014 and 31 March 2015 that remains, after the Council has posted £22.7m of the overall £26.6m difference (see paragraph 12). Posting this adjustment would have necessitated a further 745 changes to the fixed asset register and corresponding amendments to the Statement of Accounts; the Council considered this to be unfeasible in the time scale to meet the September 30 deadline for accounts publication.

Corrected misstatements

11. There is one misstatement that has 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. This is set out with explanation 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.** 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.
- **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.

¹ The credit side of the journal will be split between revaluation reserve and Depreciation and Impairment within the Comprehensive Income and Expenditure Statement, but this detail cannot be determined without fully processing each transaction.

- **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 the Audit Committee on 16 April 2015, 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. • 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.
Valuation of property	<ul style="list-style-type: none"> • The Council undertook a full valuation of its property portfolio as at 1 April 2014 which has been posted within the 2014-15 Statement of Accounts. This valuation was performed by the internal valuers, and follows the last full valuation which was performed by external valuers in 2009. We reviewed the appropriateness of the methodology and expertise of the valuers, and found both of these to be reasonable. We also agreed a sample of the asset valuations posted as per the fixed asset register back to valuation reports and checked the accuracy of the accounting entries for these valuations, with no issues identified. • Following the 1 April valuation, in order to consider whether the carrying values of property assets were still materially stated as at the year-end balance sheet date, the valuers applied the same methodology to perform a detailed desktop valuation as at 31 March 2015, updating the valuations using the same indices as used in the 1 April 2015 and updated useful lives, but not visiting the sites to consider any deterioration in condition in the 364 days since the last valuation. • This identified an upwards valuation movement between 1 April 2014 and 31 March 2015 of £26.6m. Due to the quantum of the difference in comparison to our materiality figure of £4.5m, and the reliability of the estimate given that it was accurately calculated on the same basis as the full valuation at 1 April 2014, we requested that management post the valuation adjustment within the Statement of Accounts. • The Council has now posted £22.7m of this adjustment in the final Statement of Accounts, leaving a remaining unposted balance of £3.9m which has not been posted due to the amount of time which would be required to process these 745 smaller adjustments through the CIPFA fixed asset system. This difference has been recognised as an unadjusted difference in paragraph 10 above, but as it is below our materiality threshold, does not impact on our audit opinion. • The Council needs to continue to consider whether its capital assets are materially misstated at each year-end in future years – see Appendix 4.

Key financial statement audit risk	Findings
Accounting for Local Authority Maintained Schools	<ul style="list-style-type: none"> • The Council has identified all relevant maintained schools within its area and undertaken a review of the agreements underpinning the use of school assets by Voluntary Aided and Voluntary Controlled schools against the final guidance published this year through a LAAP Bulletin, having already considered the treatment of these schools in previous years. This has not resulted in any changes in treatment this year as the Council's current treatment has been deemed appropriate in all cases. • We have reviewed the Council's paper setting out its treatment of the schools, and consider the treatment adopted by the Council to be reasonable.

- **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 controls.** We have also not identified any significant control deficiencies that might be symptomatic of broader weaknesses in the overall control environment. We have obtained follow-up updates on recommendations raised in last year's audit which have been detailed in [Appendix 4](#).
- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

Other work undertaken

13. Under the Harbours Act 1964, there is a requirement for statutory harbour undertakings (including local authorities that are also harbour authorities) to prepare an annual statement of accounts which is subject to an annual audit. Porthcawl Harbour Authority is such an undertaking. As the Harbour Authority's total income and expenditure of £219,000 is under the Companies Act small company threshold of £6.5 million and Accounts and Audit (Wales) Regulations 2014 'smaller body' threshold of £2.5 million, it has prepared an annual return to meet the accounts requirement. This is the first year that such a return has been prepared.
14. We have reviewed this return in accordance with our limited assurance regime, and as a result, some amendments have been made to the return. These relate to:
 - identifying the precise capital assets and related depreciation charge relevant to the Harbour;
 - recognition of an estimated accrual of £155,000 in relation to the refurbishment project retention; and
 - amendments to the way in which funding from the Council's central budget is reflected in the form.

-
15. Following these amendments, the final version of the return is to be approved by this Committee and it is our intention to issue an unqualified limited assurance audit opinion.
 16. We are also responsible for the audit of Catalogue Supplies Service Joint Committee (County Borough Supplies) and Coychurch Crematorium Joint Committee. We expect to issue unqualified opinions in respect of both bodies. Our work in relation to these bodies will be reported separately to the relevant Joint Committees.

Independence and objectivity

17. As part of the finalisation process, we are required to provide you with representations concerning our independence.
18. 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 Auditor General, 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

[Audited body's letterhead]

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

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

24 September 2015

Representations regarding the 2014-15 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 2015 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 2014-15; in particular the financial statements give a true and fair view in accordance therewith.

-
- 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. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

A summary of these items is set out below:

- Debit Land & Buildings £3,931,051
- Credit Revaluation Reserve / Cost of Services £3,931,051

Being the remaining unposted element of the property valuation difference between 1 April 2014 and 31 March 2015. The credit side of the journal will be split between revaluation reserve and cost of services, but this detail cannot be determined without fully processing each transaction.

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 24 September 2015.

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 Auditor General 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 2015 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 2014-15 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 19](#), 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 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 2015 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 2014-15.

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 Auditor General for Wales' Code of Audit Practice.

For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
24 Cathedral Road
Cardiff
CF11 9LJ

September 2015

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	Nature of correction	Reason for correction
£22.7m	DR Land and Buildings	Posted element of valuation difference between 1 April 2014 valuation and valuers' updated valuation as at 31 March 2015 (see paragraph 12). Total impact is £22.7m increase to Balance Sheet and £7m increase in surplus within the Comprehensive Income & Expenditure Statement, with zero impact on the Council Fund.
(£15.6m)	CR Revaluation Reserve	
(£7m)	CR Depreciation and Impairment (Comprehensive Income & Expenditure Statement)	
(£7m)	CR Capital Adjustment Account	
£7m	DR Movement in Reserves Statement	

There are also a small number of minor presentational and disclosure amendments which have been incorporated into the final version of the accounts, including the addition of capital improvement finance leases within the HALO contract to the relevant lease disclosures, and some narrative improvements to the Property, Plant and Equipment and Pensions notes.

Appendix 4

Follow-up on prior year recommendations

The following recommendations were considered material and reported to the Audit Committee following our 2013-14 audit. We have followed up on these issues this year to confirm the current status.

Recommendation	Management Response	Follow up
<p>Valuation of Capital</p> <p>Council to reconsider their processes for revaluing PPE to ensure capital assets are not materially misstated at each year-end, in line with recent clarification of CIPFA Code.</p> <p>Recommendation to 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>	<p>As noted in paragraph 10, valuers updated their 1 April 2014 valuations as at 31 March 2015 based on a detailed indicative valuation using the same methodology, which identified a £26.6m upwards valuation movement between 1 April and 31 March. This was not posted in the pre-audit Statement of Accounts, but following discussions between the auditors and officers, an adjustment of £22.7m was posted to the final accounts, leaving a remaining immaterial difference of £3.9m. The Council should continue to consider its processes to ensure capital assets are not materially misstated at each year-end. Where it is identified that adjustment is required, it should post these to the pre-audit accounts to avoid inefficiencies in the accounts preparation and audit process.</p>
<p>Remuneration Note: Banding and Senior Officers' pay</p> <p>Several errors noted when reviewing the banding disclosure and the Senior Officers' remuneration tables in the Notes to the Accounts.</p> <p>Recommendation to develop a less manual way to compile the disclosures to reduce the risk of error in the future.</p>	<p>Agreed. The compilation of these disclosures notes will be reviewed and a system generated report will be examined.</p>	<p>No errors were noted in the compilation of these disclosures during our 2014-15 audit.</p>

Recommendation	Management Response	Follow up
<p>Bank Reconciliation</p> <p>Difficulty in auditing YE Bank reconciliation due to 'sweeping' of bank accounts in 2013-14 FY and complicated lay-out.</p> <p>Recommendation to simplify bank reconciliation by including only the year-end balance, and excluding the opening balance and in year transactions.</p> <p>In addition, 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>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>The Council has changed banking contract during 2014-15 and prepared new bank reconciliation papers which facilitated easier audit testing.</p> <p>After some initial teething problems with the new reconciliation process following the changeover, all bank accounts were fully reconciled at 31 March 2015.</p>

Wales Audit Office
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Cardiff CF11 9LJ

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Textphone: 029 2032 0660

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Website: www.wao.gov.uk

Swyddfa Archwilio Cymru
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Caerdydd CF11 9LJ

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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: Ness Young

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

Date / Dyddiad: 24 September 2015

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

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

24 September 2015

Dear Sirs

Representations regarding the 2014-15 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 2015 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 2014-15; in particular the financial statements give a true and fair view in accordance therewith.
- 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. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

A summary of these items is set out below:

- Debit Land & Buildings £3,931,051
- Credit Revaluation Reserve/Cost of Services £3,931,051

Being the remaining unposted element of the property valuation difference between 1 April 2014 and 31 March 2015. The credit side of the journal will be split between revaluation reserve/cost of services, but this detail cannot be determined without fully processing each transaction.

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 24 September 2015.

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:

Signed by:

Officer who signs on behalf of management

Chair of Audit Committee

Date:

Date:

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Small local government bodies in Wales Annual Return for the Year Ended 31 March 2015

Section 12 of the Public Audit (Wales) Act 2004 requires local government bodies in Wales to make up their accounts each year to 31 March and to have those accounts audited by the Auditor General for Wales. Regulation 14 of the Accounts and Audit (Wales) Regulations 2014 states that smaller local government bodies i.e. those with annual income and expenditure below £2.5 million must prepare their accounts in accordance with proper practices.

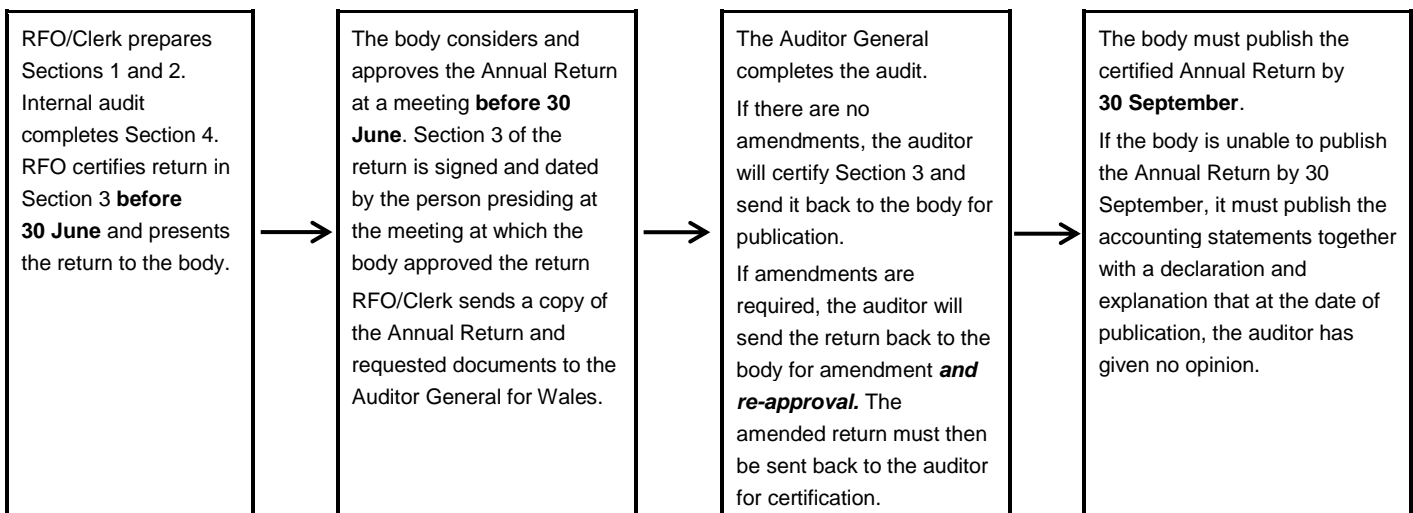
The following legislation defines proper practices as the One Voice Wales/SLCC Guidance publication *Governance and accountability for local councils in Wales – A Practitioners’ Guide (2011)* (the Practitioners’ Guide):

- Port health authorities: Accounts and Audit (Wales) Regulations 2014, Regulation 4(b)
- Small joint committees: Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003, Regulation 25(1)

The Practitioners’ Guide requires that smaller bodies prepare their accounts in the form of an annual return. This annual return meets the requirements of the Practitioners’ Guide

Please complete all sections highlighted in pink. Incomplete or incorrect returns may require additional external audit work and incur additional costs. Further guidance is included in Section 5 and in Section 2 includes references to where the guide has further information.

Under the Accounts and Audit (Wales) Regulations 2014, the body must formally approve the return and certify Section 3 before the return is sent to the auditor. The body must approve the Annual Return by 30 June. Unless the Annual Return needs to be amended, the auditor will certify the return and send it back to the Body for publication with no further approval by the body required. The accounts approval and audit arrangements follow the process as set out below.



Your external audit team will advise you what additional information is needed for the audit.

Please send the original Annual Return (ie, not a photocopy), together with any additional information requested, to your external auditor by the date specified by the auditor. Unless requested, please **do not** send any original financial records to the external auditor.

Audited and certified returns are sent back to the body for publication or display of Sections 1, 2 and 3.

Section 1 – Accounting statements for:

Porthcawl Harbour BODY

	Year ending			Notes and guidance for compilers			
	31 March 2014 (£)	31 March 2015 (£)		Please round all figures to nearest £. Do not leave any boxes blank and report £0 or nil balances. All figures must agree to the Body's underlying financial records for the relevant year.			
1. Balances brought forward	-	-		Total balances and reserves at the beginning of the year as recorded in the financial records. Must agree to Line 7 of the previous year.			
2. (+)Income from local taxation and/or levy	-	-		Total amount of local taxation, rates and/or levy received or receivable in the year including funding from a sponsoring body.			
3. (+) Total other receipts	(53397)	(219054)		Total income or receipts as recorded in the cashbook less income from local taxation and/or levy (line 2). Include any grants received here.			
4. (-) Staff costs	25374	64696		Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and related expenses.			
5. (-) Loan interest/capital repayments	-	126471		Total expenditure or payments of capital and interest made during the year on the Body's borrowing (if any).			
6. (-) Total other payments	28023	27887		Total expenditure or payments as recorded in the cashbook minus staff costs (Line 4) and loan interest/capital repayments (Line 5).			
7. (=) Balances carried forward	-	-		Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6).			
8. (+) Debtors and stock balances	57500	216222		Income and expenditure accounts only: Enter the value of debts owed to and stock balances held at the year-end.			
9. (+) Total cash and investments	-			All accounts: The sum of all current and deposit bank accounts, cash holdings and investments held at 31 March. This must agree with the reconciled cashbook balance as per the bank reconciliation.			
10. (-) Creditors	(57500)	(216222)		Income and expenditure accounts only: Enter the value of monies owed by the Body (except borrowing) at the year-end.			
11. (=) Balances carried forward	-	-		Total balances should equal Line 7 above: Enter the total of (8+9-10).			
12. Total fixed assets and long-term assets	3794049	3740629		The original Asset and Investment Register value of all fixed assets, plus other long term assets owned by the body as at 31 March			
13. Total borrowing	-	-		The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).			
14. Trust funds disclosure note	Yes	No	N/A	Yes	No	N/A	The Body acts as sole trustee for and is responsible for managing (a) trust fund(s)/assets (readers should note that the figures above do not include any trust transactions).
			X			X	

Section 2 – Annual Governance Statement

We acknowledge as the members of the Body our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the Body's accounting statements for the year ended 31 March 2015, that:

	Agreed?		'YES' means that the Body:	PG Chap.
	Yes	No*		
1. We have approved the accounting statements which have been prepared in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 and proper practices.	X		Prepared its accounting statements in the way prescribed by law.	6, 12
2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness.	X		Made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.	6, 7
3. We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the Body to conduct its business or on its finances.	X		Has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so.	6
4. We have provided proper opportunity for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014.	X		Has given all persons interested the opportunity to inspect and ask questions about the Body's accounts.	6, 23
5. We have carried out an assessment of the risks facing the Body and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	X		Considered the financial and other risks it faces in the operation of the Body and has dealt with them properly.	6, 9
6. We have maintained an adequate and effective system of internal audit of the Body's accounting records and control systems throughout the year and have received a report from the internal auditor.	X		Arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether these meet the needs of the Body.	6, 8
7. We have taken appropriate action on all matters raised in previous reports from internal and external audit.	X		Has responded to matters brought to its attention by internal and external audit.	6, 8, 23
8. We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the Body and, where appropriate, have included them on the accounting statements.	X		Disclosed everything it should have about its business during the year including events taking place after the year-end if relevant.	6
9. Trust funds – in our capacity as trustee we have: <ul style="list-style-type: none"> Discharged our responsibility in relation to the accountability for the fund(s) including financial reporting and, if required, independent examination or audit. 	Yes	No	N/A	3, 6
			X	

* Please provide explanations to the external auditor on a separate sheet for each 'no' response given; and describe what action is being taken to address the weaknesses identified.

Section 3 – Certification and approval

Approval and certification of the accounts and annual governance statement

The Body is responsible for the preparation of the accounting statements in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 and for the preparation of an Annual Return which:

- summarises the Body's accounting records for the year ended 31 March 2015; and
- confirms and provides assurance on those matters that are important to the external auditor's responsibilities.

Certification by the RFO Certificate under Regulation 15(1) Accounts and Audit (Wales) Regulations 2014 I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Body, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2015.	Approval by the Body Approval of accounting statements under Regulation 15(2) Accounts and Audit (Wales) Regulations 2014 and the Annual Governance Statement I confirm that these accounting statements and Annual Governance Statement were approved by the Body under body minute reference: INSERT MINUTE REFERENCE
RFO signature: SIGNATURE REQUIRED	Chair signature: SIGNATURE REQUIRED
Name: NAME REQUIRED	Name: NAME REQUIRED
Date: DD/MM/YYYY	Date: DD/MM/YYYY

External Audit Certificate

The external auditor conducts the audit in accordance with guidance issued by the Auditor General for Wales. On the basis of their review of the Annual Return and supporting information, they report whether any matters that come to their attention give cause for concern that relevant legislation and regulatory requirements have not been met. We certify that we have completed the audit of the Annual Return for the year ended 31 March 2015 of:

--

External auditor's report

[Except for the matters reported below]* On the basis of our review, in our opinion, the information contained in the Annual Return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

[[These matters along with]* Other matters not affecting our opinion which we draw to the attention of the Body/meeting are included in our report to the Body dated _____.]

(* Delete as appropriate)

External auditor's signature:	For and on behalf of the Auditor General for Wales
External auditor's name:	Date:

Section 4 – Annual internal audit report to: Porthcawl Harbour BODY

The Body's internal audit, acting independently and on the basis of an assessment of risk, has included carrying out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ending 31 March 2015.

The internal audit has been carried out in accordance with the Body's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and the internal audit conclusions on whether, in all significant respects, the following control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the Body.

	Agreed?			
	Yes	No*	N/A	Not covered**
1. Appropriate books of account have been properly kept throughout the year.	✓			
2. The Body's financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	✓			
3. The Body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓			
4. The annual precept requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored, and reserves were appropriate.			✓	
5. Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for.	✓			
6. Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.			✓	
7. Salaries to employees and allowances to members were paid in accordance with body approvals, and PAYE and NI requirements were properly applied.	✓			
8. Asset and investment registers were complete and accurate, and properly maintained.			✓	
9. Periodic and year-end bank account reconciliations were properly carried out.	✓			
10. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments/income and expenditure), agreed with the cashbook, were supported by an adequate audit trail from underlying records, and where appropriate, debtors and creditors were properly recorded.	✓			
11. Trust funds (including charitable trusts). The Body has met its responsibilities as a trustee.			✓	

For any risk areas identified by the Body (list any other risk areas below or on separate sheets if needed) adequate controls existed:	Agreed?			
	Yes	No*	N/A	Not covered**
13. Generic testing has been undertaken in the areas of Creditors, Debtors, Payroll and bank reconciliation with no issues identified.				
14.				

* If the response is 'no', please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

** If the response is 'not covered', please state when the most recent internal audit work was done in this area and when it is next planned, or if coverage is not required, internal audit must explain why not.

Name of person who carried out the internal audit: Helen Smith IRED
Signature of person who carried out the internal audit:  IRED
Date: 08/09/15 YYY

Section 5 – Guidance notes on completing the 2015 Annual Return

1. **Please note the changes to the accounts approval and audit process for this year. These are described on the front cover of this Annual Return.**
2. For guidance please read the Practitioners' Guide (*Governance and accountability for local councils: A Practitioners' Guide 2011 (Wales)*) – available from One Voice Wales and SLCC. It contains everything you need for the financial year-end and the statutory audit.
3. **The Wales Audit Office Good Practice Exchange (www.wao.gov.uk/good-practice/finance/community-ouncil-money) provides further information on the accounts and audit process along with guidance on governance matters.**
4. Please make sure that all sections are completed (ie, no empty pink boxes) by the appropriate person and the certificates in Section 3 are properly signed and dated. Avoid making any amendments to the completed return. If this is unavoidable, cross out the incorrect entries, make sure the amendments are properly initialled and an explanation for them is provided to the auditor. **Please do not use correction fluid.** Annual returns that are incomplete or contain unapproved and/or unexplained amendments or correction fluid will be returned unaudited.
5. Use the checklist provided below. Use a second pair of eyes, perhaps your internal auditor or the Chair, to review your Annual Return for completeness before sending a copy to the auditor.
6. Make sure that the copy of the bank reconciliation you send to your auditor with the copy Annual Return covers **all** your bank accounts and cash balances. If there are no reconciling items, please state this and provide evidence of the bank balances. If your body holds any investments, please note their value on the bank reconciliation. The auditor should also be able to agree your bank reconciliation to Line 9 in Section 1. More help on bank reconciliation is available in the Practitioners' Guide*.
7. Please **explain fully** any significant variances in the accounting statements. The auditor wants to know that **you** understand the reasons for the change. Please include a relevant and quantified analysis as shown in the Practitioners' Guide examples and not just a copy of your detailed accounts.
8. Please do not send the auditor any information that you are not specifically asked for. Doing so is not helpful. Please ensure that you enclose all the information that the auditor has asked for. If the auditor has to review unsolicited information, repeat a request for information, receives an incomplete bank reconciliation or explanation of variances this may incur additional costs for which the auditor is entitled to charge additional fees.
9. Please make sure that Section 1 adds up! Also please ensure that the balance carried forward from the previous year (Line 7 of 2014) equals the balance brought forward in the current year (Line 1 of 2015).
10. **Do not complete the External Audit Certificate in Section 3.** The external auditor completes this after the external audit work has been completed.
11. **Please deal with all correspondence with the external auditor promptly.** This will help you to meet your statutory obligations and will minimise the cost of the audit to the Body.

Completion checklist – 'No' answers mean that you may not have met requirements		Done?	
On submission to the external auditor		Yes	No
Accounts	Do the papers to be sent to the external auditor include an explanation of significant variations from last year to this year?		
	Does the bank reconciliation as at 31 March 2015 agree to Line 9?		
Approval	Has the RFO certified Section 3 (Regulation 15 (1)) no later than 30 June 2015?		
	Has the Body approved the accounting statements before 30 June 2015 and has Section 3 been signed and dated by the person presiding at the meeting at which approval was given?		
All sections	Have all pink boxes in Sections 1 and 2 been completed and explanations provided where needed?		
	Has all the information requested by the external auditor been sent with this Annual Return? Please refer to your notice of audit and any additional schedules provided by your external auditor.		
If accounts are amended after receipt of external auditor's report on matters arising		Yes	No
Accounts	Have the amended accounting statements been approved and Section 3 re-signed and re-dated as evidence of the Body's approval of the amendments before re-submission to the auditor?		

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

24 SEPTEMBER 2015

REPORT OF THE SECTION 151 OFFICER

ANNUAL TREASURY MANAGEMENT REPORT 2014-15

1. Purpose of the Report

- 1.1 The purpose of the report is to update the Audit Committee on the outturn position for Treasury Management activities, Treasury Management and Prudential Indicators for 2014-15 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 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 received training in March 2015 to assist them in their function of scrutinising treasury management, with particular emphasis on investment options available to the Council. During the 2014-15 financial year, in addition to the regular treasury management reports to Cabinet and Council, the Annual Treasury Management Report 2013-14 was presented to Audit Committee in September 2014 and the Half Year Treasury Management Report 2014-15 and the Treasury Management Strategy 2015-16 were both presented to Audit Committee in January 2015.
- 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 is required to operate the overall treasury function with regard to the Code and this was formally adopted by the Council in February 2012. This includes a requirement for the Council to approve a Treasury Management Strategy (TMS) before the start of each financial year which sets out the Council's and Chief Financial Officer's responsibilities, delegation, and reporting arrangements. Council approved the TMS 2014-15 on 19 February 2014.
- 3.4 The Welsh Government (WG) issued revised Guidance on Local Authority Investments in April 2010, which requires the Council to approve an Investment Strategy prior to the start of each financial year and this is included in the TMS.

4. Current Situation

- 4.1 The Council has complied with its legislative and regulatory requirements during 2014-15. The Treasury Management Strategy 2014-15 and the Half Yearly Outturn were reported to Council on 19 February 2014 and 12 November 2014 respectively and the Annual Report will be reported to Cabinet in September 2015 and Council in October 2015. In addition, quarterly monitoring reports were presented to Cabinet during 2014-15.
- 4.2 A detailed summary of the Treasury Management Activities for 2014-15 is shown in **Appendix A**. No long or short term borrowing was taken in 2014-15 and no debt rescheduling was undertaken as there were no significant savings to be made, however, the loan portfolio will be reviewed during 2015-16. Favourable cash flows have provided surplus funds for investment and the balance on investments at 31 March 2015 was £19.50 million with an average rate of interest of 0.51%. This was an increase from the start of the financial year where investments were £10.50 million but the actual average rate of interest has decreased from a rate of 0.59%. The first table in section 4 in **Appendix A** details the movement of the investments during 2014-15 by counterparty types and shows the average balances and rates for the year.
- 4.3 In 2014-15, the Council operated within the treasury limits and Treasury Management and Prudential Indicators as set out in the agreed Treasury Management Strategy 2014-15 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 (previously the Council's bankers) announced in November 2013 that they did not wish to support local government banking beyond 2015-16 so a bank retendering exercise was undertaken in 2014. The Co-Operative bank contract remained in force during 2014-15, however a new banking contract was awarded to Barclays Bank which commenced on 5 January 2015 so from January to March 2015 the two contracts were in force to aid the transition process to the new contract with Barclays. This process was successfully completed with no adverse impact and the Internal Audit report completed in 2015 for the banking contract identified that "the transition between banking providers was a seamless process" and the audit opinion issued was one of "substantial assurance".
- 4.5 The Treasury Management function was reviewed by the Council's External Auditors, KPMG, during the 2014-15 annual audit. In addition to the External Audit work, Internal Audit undertook an audit of Treasury Management during 2014-15 and the audit identified that "during the Audit strengths and areas of good practice were noted in all areas tested. Based on an assessment of the strengths and weakness of the areas examined, and through testing it has been concluded that the effectiveness of the internal control environment is considered to be sound". 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 2014-15 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 the Committee:

- Note the Annual Treasury Management Activities for 2014-15

Ness Young
Section 151 Officer
Corporate Director Resources
28 August 2015

Contact Officer: Karin Thomas
Loans & Investment Officer

Telephone: 01656 643312

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

Postal Address: Raven's Court, Brewery Lane, Bridgend, CF314AP

Background documents:

Treasury Management Strategy 2014-15
Treasury Management Strategy 2015-16

SUMMARY OF TREASURY MANAGEMENT ACTIVITIES 2014-15

1. The treasury position for 2014-15:

		Principal as at 01-04-14	Average Interest Rate	Principal as at 31-03-15	Average Interest Rate
		£m	%	£m	%
Fixed rate long term funding	PWLB*	77.63	4.70	77.62	4.70
	Market	-	-	-	-
Variable rate long term funding	PWLB*	-	-	-	-
	Market LOBO**	19.25	4.65	19.25	4.65
Total Long Term External Borrowing***		96.88	4.69	96.87	4.69
Other Long Term Liabilities*** (including PFI)		21.60		21.58	
TOTAL GROSS DEBT		118.48		118.45	
Fixed rate investments		4.50	0.63	18.00	0.51
Variable rate investments		6.00	0.55	1.50	0.50
TOTAL INVESTMENTS****		10.50	0.59	19.50	0.51
TOTAL NET DEBT		107.98		98.95	

* 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 trigger dates being July and January) and therefore, the Council being given the option to accept the increase or to repay the loan without incurring a penalty. The current average interest rate for these LOBO's is 4.65% compared to the PWLB Loans average interest rate of 4.70%.

The long term liabilities figure of £21.58 million at 31 March 2015 includes £19.30 million for the Council's Private Finance Initiative (PFI) arrangement (for the provision of a Secondary School in Maesteg) which includes the short term PFI liability of £0.51 million which is included as current financial liabilities in the Council's balance sheet in the Statement of Accounts.

2. Treasury Risk Management

The Treasury Management 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's overall treasury risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks.

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

- Credit risk (i.e. security) – 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.

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 were utilised during 2014-15. The majority of the Council's surplus funds during 2014-15 were

therefore kept in the form of short-term investments and were all placed with UK registered banks and building societies satisfying the appropriate 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 and more detail is provided below in section 4.

The counterparty limits were constantly reviewed and where market conditions dictated, the limit was dropped below the limits detailed in the Investment Strategy. No breaches of the Council's counterparty criteria occurred during 2014-15 and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise. The second table below in section 4 summarises the credit risk exposures of the Council's investment portfolio by credit rating, based on the lowest long term rating.

3. Borrowing and Debt Strategy 2014-15

The interest rate views, incorporated in the Council's Treasury Management Strategy for 2014-15, 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 2014-15 and it was considered that it could be 2016 before official UK interest rates rise. The Bank Rate started the financial year at 0.50% and remained at that level during 2014-15.

Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council took a cautious approach to its treasury strategy. With short-term interest rates currently much lower than long term rates, it is likely to be more cost effective in the short term to either borrow short term loans or use internal resources. Short term and variable rate loans expose the Council to the risk of short term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates as shown in the treasury management indicators below in section 8. However, with long term rates forecast to rise in the coming years, any such short term savings will need to be balanced against the potential longer-term costs. The Council's Treasury Management advisers will assist the Council with this 'cost of carry' and breakeven analysis.

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 during 2014-15 and the premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity so no rescheduling activity was undertaken as a consequence.

4. Investment Strategy & Outturn 2014-15

Both the CIPFA Code and the WG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, balancing the risk of incurring losses from defaults against receiving unsuitably low investment income. The Annual Investment Strategy incorporated in the Council's Treasury Management Strategy 2014-15 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 uses long-term credit ratings from the three main rating agencies Fitch Ratings Ltd., Moody's Investors Service Inc. and Standard & Poor's Financial Services LLC to assess the risk of investment default. The lowest available credit rating will be used to determine credit quality unless an investment specific rating is available. In the current climate, relying mainly on credit ratings is considered to be inappropriate and the Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

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 was one £2 million long term bank deposit taken out during 2014-15 for one year, however, there are none outstanding at 31 March 2015 as this was transferred to short term in the Balance Sheet. No additional longer term investments were taken out during 2014-15 with any UK

APPENDIX A

banks and building societies as our time limit durations were reduced following advice from Arlingclose but this will be reviewed in 2015-16.

The table below details these investments by counterparty type:

Investment Counterparty Category	Balance 01-04-14 (A) £m	Investments Raised (B) £m	Investments Repaid (C) £m	Balance 31-03-15 (A+B-C) £m	Average Balance 2014-15 £m	Average Interest Rate 2014-15 %
Government (DMO)	0.50	144.95	145.45	-	3.67	0.25
Local Authorities	-	132.90	123.90	9.00	13.24	0.34
Building Societies	2.00	18.00	15.00	5.00	4.62	0.59
Banks Call Accounts (Instant Access)*	6.00	69.35	73.85	1.50	5.36	0.49
Banks (fixed deposits)	2.00	9.00	7.00	4.00	4.85	0.74
Total	10.50	374.20	365.20	19.50	31.74	0.45

* All these banks are UK registered apart from Svenska Handelsbanken which is a Swedish bank incorporated in the EEA and entitled to accept deposits through a branch in the UK and are classed as a UK Bank in the Government's Borrowing Statistical Return

Favourable cash flows have provided surplus funds for investment and the balance on investments at 31 March 2015 was £19.50 million made up of £11 million short term investments and £8.50 million Cash and Cash Equivalents. The table below summarises the credit risk exposures of the Council's investment portfolio as at 31 March 2015 by credit rating, (based on the lowest long term rating) maturity profile and counterparty type:

Counterparty Category	Credit Rating 31 March 2015	Instant Access Deposit Accounts £m	Deposits Maturing Within 1 Month £m	Deposits Maturing Within 3 Months £m	Deposits Maturing Within 6 Months £m	Total £m
Banks (UK Registered)	A	1.50	2.00	-	2.00	5.50
Building Societies	A	-	-	2.00	-	2.00
Building Societies	A-	-	2.00	1.00	-	3.00
Unrated Local Authorities		-	7.00	2.00	-	9.00
Total		1.50	11.00	5.00	2.00	19.50

5. 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 8) which are predominantly forward looking. One debt performance indicator is where the average portfolio rate of interest is compared to an appropriate average available such as the average PWLB Debt for Welsh and UK Local Authorities.

The average long term borrowing rate for 2014-15 and at 31 March 2015 was 4.69% (the same rate as at 31 March 2014) and 80% of this was made up of Public Works Loan Board (PWLB) loans with an average rate of 4.70% (the same rate as at 31 March 2014). Comparable performance indicators are shown below:

Bridgend CBC Average Rate of PWLB Debt at 31-03-15	Welsh Unitary Local Authorities Average Rate for outstanding PWLB Debt at 31-03-15	All UK Authorities Average Rate for outstanding PWLB Debt at 31-03-15
4.70%	5.37%	4.45%
	-0.67%	+0.25%

The average rate on investments for 2014-15 was 0.45% and at 31 March 2015 was 0.51% (compared to 0.43% for 2013-14 and 0.59% at 31 March 2014). Comparable performance indicators for benchmarking purposes are the average 1 month LIBID (London Inter Bank Bid) rate and the average Bank Rate. The tables below shows the investments average interest rate for 2014-15 and the actual rate as at 31 March 2015 against the two benchmarking rates:

Bridgend CBC Average Rate of Return on Investments 2014-15	Average 1 month LIBID (London Inter-Bank Bid rate) 2014-15	Average Bank Rate 2014-15
0.45%	0.43%	0.50%
	+0.02%	-0.05%
Bridgend CBC Average Rate of Return on Investments as at 31-03-15	1 month LIBID (London Inter-Bank Bid rate) as at 31-03-15	Bank Rate as at 31-03-15
0.51%	0.43%	0.50%
	+0.08%	+0.01%

6. Review of the Treasury Management Strategy 2014-15

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 Changes to the main parts of the Treasury Management Strategy 2014-15, 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. The Council meeting of 12 November 2014 approved the revisions as a result of this half year review of the Treasury Management Strategy.

7. Reporting Arrangements 2014-15

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 as detailed in paragraph 3.1 of the main report.

8.0 Treasury Management & Prudential Indicators 2014-15

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 2014-15 as detailed in the Treasury Management Strategy (TMS) 2014-15 approved by Council 19 February 2014, the revised projection (where applicable) as set

out in the Treasury Management Strategy 2015-16 approved by Council 25 February 2015, and the actual indicators for 2014-15.

During the financial year 2014-15, 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 2014-15

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 below the net borrowing position for fixed and variable rates was within the limits set.

o.		Treasury Management Strategy 2014-15 Upper £m	Revised Projection TMS 2015-16 £m	Actual Outstanding 31-03-15 £m
	Total Projected Principal Outstanding on Borrowing 31 March 2015	101.87	96.87	96.87
	Total Projected Principal Outstanding on Investments 31 March 2015	9.00	9.00	19.50
	Net Principal Outstanding	92.87	87.87	77.37
1.	Upper Limit on fixed interest rates (net principal) exposure	130.00	n/a	
2.	Upper Limit on variable interest rates Exposure (net principal) exposure	50.00	n/a	
	Fixed interest rate Exposure (net principal) 31-03-15			59.62
	Variable interest rate Exposure (net principal) 31-03-15			17.75

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 19.87% in the table below relates to £19.25 million Lender's Option Borrower's Option (LOBO) loans which may be re-scheduled in advance of their maturity date of 2054, as detailed in section 1 above. 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 after 31 March 2015 which is July 2015. The lender did not exercise their option in July and due to current low interest rates, the Council is not anticipating that this will occur during 2015-16 (the next date being January 2016) so the maturity date is actually uncertain but is shown in the "Under 12 months" category as per the Code.

No.	Maturity structure of fixed rate borrowing during 2014-15	Treasury Management Strategy 2014-15 Upper limit	Treasury Management Strategy 2014-15 Lower limit	Actual Outstanding 31-03-15
3.	Under 12 months	50%	0%	19.87%
	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%	5.76%
	10 years and above	100%	40%	74.37%

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 2014-15 £m	Actual Principal Invested During 2014-15 £m
4.	Upper Limit for Total Principal Sums Invested for more than 364 days	12	2

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

8.2 Prudential Indicators 2014-15

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 2014-15	Estimate Treasury Management Strategy 2014-15 £'000	Revised Projection TMS 2015-16 £'000	Actual 2014-15 £'000
1	Estimates of Capital Expenditure (Non-HRA)	32,060	31,069	28,462
	Total Capital Expenditure	32,060	31,069	28,462
	Financed by :-			
	Capital Grants and Contributions	11,393	11,821	17,643
	Capital Receipts	12,005	9,962	2,019
	Revenue	0	910	1,803
	Net Financing Need for Year	8,662	8,376	6,997

The capital expenditure figures have changed from the Treasury Management Strategy 2014-15 as the capital programme approved by Council on 19 February 2014 has been amended to incorporate slippage of schemes 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 as detailed in the Council's MRP policy in the TMS 2014-15. 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.

No.	Prudential indicators For Prudence	Est. Treasury Management Strategy 2014-15 £'000	Revised Projection TMS 2015-16 £'000	Actual 2014-15 £'000
2	Capital Financing Requirement (CFR)			
	Opening CFR (1 April 2013) excluding PFI	157,092	155,429	155,429
	Opening PFI CFR	19,776	19,776	19,776
	Opening Finance Lease CFR	41	41	41
	Opening Innovation Centre	816	816	816
	Opening HALO	1,267	971	971
	Total Opening CFR	178,992	177,033	177,033
	Movement in CFR excluding PFI & other liabilities	1,778	1,648	(449)
	Movement in PFI CFR	(476)	(476)	(476)
	Movement in Finance Lease CFR	(41)	(41)	(41)
	Movement in Innovation Centre CFR	(47)	(47)	(47)
	Movement in HALO CFR	(117)	180	(9)
	Total Movement in CFR	1,097	1,264	(1,022)
	Closing CFR (31 March 2013)	180,089	178,297	176,011
	Movement in CFR represented by :-			
	Net Financing Need for Year (above)	8,662	8,376	6,997
	Adjustment for Halo	-	296	-
	Minimum and Voluntary Revenue Provisions	(7,565)	(7,408)	(8019)
	Total Movement	1,097	1,264	(1,022)

*Minimum Revenue Provision (MRP) and Voluntary Revenue Provision (VRP) represent the revenue charge for the repayment of debt and includes MRP for the Public Finance Initiative (PFI), Finance Leases, Innovation Centre and HALO

Limits to Borrowing Activity

The Council's borrowing at the 31 March 2015 was £96.87 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 2014-15.

No.	Prudential indicators For Prudence Gross Debt 2014-15	Estimate Treasury Management Strategy 2014-15 £'000	Revised Projection (as per Treasury Management Strategy 2015-16) £'000	Actual Outstanding 31-03-15 £'000
3	External Borrowing	101,867	96,867	96,867
	Long Term Liabilities	21,219	21,219	21,578
	Total Gross Debt	123,086	118,086	118,445

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 2014-15. The table below shows that the Council has complied with this requirement.

No.	Prudential indicators For Prudence 2014-15	Estimate Treasury Management Strategy 2014-15 £'000	Revised Projection (as per Treasury Management Strategy 2015-16) £'000	Actual Outstanding 31-03-15 £'000
4	Gross Debt & the CFR			
	Total Gross Debt	123,086	118,086	118,445
	Closing CFR (31 March)	180,089	178,297	176,011

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.

These are detailed below and confirm that the Council is well within the limit set:

No.	Prudential indicators For Prudence	Treasury Management Strategy 2014-15 £m	Actual 31-03-15 £m
5	Authorised limit for external debt -		
	Borrowing	140	
	Other long term liabilities	30	
	Total	170	
6	Operational Boundary		
	Borrowing	115	
	Other long term liabilities	25	
	Total	140	
	Borrowing		96.87
	Other long term liabilities		21.58
	Total		118.45

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 WG 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 2014-15	Estimate Treasury Management Strategy 2014-15 %	Revised Projection Treasury Management Strategy 2015-16 %	Actual 2014-15 %
7.	Ratio of Financing Costs to Net Revenue Stream	5.34	5.00	5.91

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 2014-15 £	Revised Projection Treasury Management Strategy 2015-16 £	Actual 2014-15 £
8.	Increase in Band D Council Tax as per Capital Programme	3.28	3.28	2.77

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

24th SEPTEMBER 2015

REPORT OF THE CORPORATE DIRECTOR – RESOURCES

INFORMATION AND ACTION REQUESTS BY COMMITTEE

1. Purpose of Report

1.1 To summarise for Members the actions and information requests made by the Audit Committee at its last meeting on the 25th June 2015.

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
25 th June 2015	A Member of the Committee raised his concerns over the level of vacant posts in light of the fact that this matter had been reported to the Committee in April 2015 and the Member requested an update be brought to the next Committee identifying what audits had not been covered as a result of resource shortages. The Chief Internal Auditor confirmed that a further update on this would be provided at the next Committee.	CIA	A list of the Audits not undertaken is provided at Appendix A to this report.	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.

**Ness Young
Corporate Director - Resources
24th September 2015**

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Background Documents

None

INTERNAL AUDIT SHARED SERVICE
BCBC - AUDITS NOT UNDERTAKEN FOR 2014/15

Directorate	Audit Area	CIA - Comments
Legal & Regulatory Services	Money Laundering	Although background research was undertaken; due to resources the audit was not carried out. This has subsequently been covered in Quarter 2 of this Financial Year and the report is currently out in draft.
Children's	Early years Intervention and Prevention	This was planned for the last quarter of 2014/15 but due to resources the audit did not commence. This was included within the plan for 2015/16 and was commenced in Quarter 2.
	School Places	This was planned for the last quarter of 2014/15, however this was discussed at a planning meeting in January 2015 with the Director and she did not deem it to be a significant risk area and work had already been done in this area by the Directorate.
Wellbeing	Mental Capacity Act	Although this area was included within the 2014/15 plan, Internal Audit agreed not to undertake any further work as the CSSIW had only recently undertaken an in-depth review.
	Occupational Therapy	Due to the lack of resources within the service area, we were unable to undertake this review. This area has been included in the 2015/16 plan.
	Access to Records	This audit was put back to the end of the financial year with a view to undertaking a more corporate / cross-cutting review. This work was never started and therefore it has been included within the 2015/16 Plan. The audit is currently in draft format.
	Assessment Framework	Due to the lack of resources this review was never undertaken. It is on the Audit Plan for 2015/16.
Resources	Secure email and file transfer	Due to resource issues, we were unable to undertake this review. However, if time permits it will be carried out as part of the 2015/16 ICT allocation.
	ICT Governance	This was picked up as part of the Annual Governance review.
Cross Cutting	Breaches of Standards	Please see the note above for Access to Records.

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

24th SEPTEMBER 2015

REPORT OF THE CORPORATE DIRECTOR - RESOURCES

COMPLETED AUDITS

1. Purpose of Report.

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

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

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

3. Background

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

4. Current situation / proposal.

4.1. Recently completed audits relating to 2015/16 are summarised in **Appendix A** and 2014/15 in **Appendix B**. Both appendices are attached to this report.

4.2. It is important to note that the completed audits documented in Appendix B reflect the work commenced in 2014/15, but carried forward into 2015/16. Therefore due to the time lag; the issues identified may have already been addressed by the Directorate. The Internal Audit follow up procedure will ensure that this is the case as key action dates lapse.

4.3 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 consider the summary of completed audits to ensure that all aspects of their core functions are being adequately reported.

Ness Young
Corporate Director - Resources
24th September 2015

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Background documents

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

2015/16 Completed Audits**Reported at the 24th September 2015 Audit Committee Meeting**

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
Corporate Governance	<p>In previous years, an annual review has been undertaken by Internal Audit to identify whether processes and policies within BCBC demonstrate consistency with the Council's Code of Corporate Governance.</p> <p>However, since 2013/14 the Wales Audit Office has begun to deliver a rolling programme of corporate assessments, based on a four year cycle. This means that, in addition to an annual programme of improvement studies of Council approach to improvement planning and reporting, each Council will also receive an in-depth corporate assessment once during a four year period. BCBC is currently undergoing its first corporate assessment. With this in mind, IA has undertaken an initial overview of governance based on the project brief and findings of other corporate assessments.</p>	June 2015	17 days	<p>The following key issues were identified during the Audit which need to be addressed:</p> <ul style="list-style-type: none"> • A register of all partnerships/collaborations it is involved in should be maintained. • Processes in relation to partnerships/collaborations should clearly be defined and guidance made available to staff. (Guidance should include the expectations surrounding control, governance, risk monitoring and review). <p>The Assistant Chief Executive has noted the recommendations but has advised that the Council's Change Programme clearly documents the major collaborative projects the Council is involved in. The Change Programme, Informal Forward Work Programme and Report Approval Procedure also ensure that collaborative ventures are undertaken in the appropriate format and are adequately</p>	Reasonable	June 2015

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
				resourced.		
Lone Worker Follow Up	<p>The BCBC Lone Worker System is operated by Customer and Community Support Unit (CCSU) staff and is available on a 24 hour basis to ensure that employees who have a requirement to lone work have the security of a backup monitoring system should something happen to them that requires urgent assistance.</p> <p>This review was a follow up to a previous Limited Assurance report issued in December 2014.</p>	June 2015	5 days	Improvements in the overall control environment were evident and therefore following the review we were able to provide reasonable assurance. Management have accepted the recommendations made.	Reasonable	May 2015
Homelessness Grant Certification x 3	Internal Audit was requested to verify 3 Homelessness prevention grants to ensure the claims were in line with the Terms and Conditions of the grant. The grants were received by the Authority during the period 13/14 and 14/15 and related to Mitigating the Effects of Housing Benefit Reform, Homelessness Mitigation and Prevention and Prisoner Homelessness Prevention.	June 2015	10 days	Although a number of difficulties arose during the course of the audit; all information was eventually evidenced and IA was satisfied that money had been spent appropriately and correct amounts had been claimed. Recommendations have been made to the department regarding the retention of documents and evidence.	Not Applicable	Not Applicable
Bus Services Support Grant	Internal Audit reviewed (on a quarterly basis) the grant claim made to SEWTA to ensure that the	June 2015	13 days	Despite receiving varying and often conflicting information from SEWTA, no issues requiring action	Not Applicable	Not Applicable

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
Certification	<p>method of calculating the claim complied with the Terms and Conditions of the grant. 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 2014 and March 2015.</p> <p>Testing for the Bus Services Support Grant found several anomalies in relation to the vehicle odometer specification (miles/kilometres) not being recorded on the master spread sheet resulting in an inaccurate calculation of the distance travelled entered on the grant claim. In addition management were not ensuring all eligible vehicles were included on the grant claim resulting in a loss of funding. Issues have now been rectified and the final grant claim submitted and verified.</p>			<p>were noted, though numerous calculations did have to be re-performed before the grant application could be signed off.</p> <p>A spreadsheet has now been developed by Internal Audit to be utilised going forward which should ensure claims are consistent and resource is utilised efficiently.</p>		
Waste Management	The Welsh Government has set a target for 2050 of Zero Waste being sent to landfill with various targets of expected achievement set along the way. The target as from 2015/16 is that a total of 58% of waste by weight will be recycled.	August 2015	15 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"> • The Council is proactively seeking to maximise participation in recycling measures and initiatives. • The Council has recognised 	Reasonable	March 2017

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
	<p>The objective of the audit was to review the current performance of the Council in achieving the Welsh Governments recycling targets in the short to medium term.</p> <p>It was noted that the Council faces significant challenges regarding its waste collection arrangements in the immediate future. The arrangement with the current contractor is due for renewal under the terms of the original contract on March 31st 2017.</p>			<p>the inherent risks associated with achieving the Welsh Governments 'Achieving Zero Waste Targets' and as such have included Waste Management in its Corporate Risk Register.</p> <p>The following key issues were identified during the Audit which need to be addressed:</p> <ul style="list-style-type: none"> • The decision as to a definitive way forward for the Council as regards the current Waste Collection contract with Kier needs to be reached and approved by CMB and Cabinet as a matter of urgency. • Any new contractual arrangement should be constructed in such a way as to ensure that the Contractor is also committed to achieving the Welsh Governments Recycling targets in a shared approach. 		

2014/15 Completed Audits**Reported at the 24th September 2015 Audit Committee Meeting**

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
Payroll	<p>The Transactional team processes the payroll for the employees of the Authority, which for the period April to December 2014 totaled £80,242,386.</p> <p>The audit focused on the systems of control regarding new starters and leavers, processing of payroll, amendments to standing data, payments in addition to basic salary, deductions from pay and the BACS transmissions.</p>	June 2015	40 days	<p>A number of strengths and areas of good practice were identified including the section benefiting from a core of experienced knowledgeable staff and clear, evidence of segregation of duties.</p> <p>The following issues were identified which need to be addressed:</p> <ul style="list-style-type: none"> • Full new starter documentation was not always retained on file. • Lack of consistency in the storage of documents on information@work 	Reasonable	December 2015
IT Business Continuity	<p>IT Business Continuity and Disaster Recovery planning is an effort that helps reduce the operational risk associated with natural, human or technology originating hazards.</p> <p>The audit focused on the governance of IT Business Continuity Planning & Disaster Recovery Management and also incorporated a review of the ICT</p>	June 2015	18 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"> • IT business continuity and disaster recovery is referenced within the ICT Strategy and Framework 2012-2015; thus signalling its importance within the organisation. 	Reasonable	March 2016

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
	<p>Department Business Continuity Plan and ICT Testing of the Operations supporting the Business Continuity Plan.</p>			<ul style="list-style-type: none"> • There is an IT Business Continuity Plan to help enable IT Services to continue offering critical services in the event of a disruption or disaster recovery situation. <p>The following key issues were identified during the Audit which need to be addressed:</p> <ul style="list-style-type: none"> • No formal, documented risk assessments or business impact analysis has been carried out by ICT Services to establish critical dependencies. • There is no documentation for disaster recovery testing highlighting the minimum test frequency, conditions requiring more frequent testing or test scenarios. 		

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
Main Accounting	<p>The main accounting system records the Authority's financial status enabling setting and monitoring of budgets and producing the statutory financial accounts.</p> <p>The objective of the audit was to ensure that effective controls are in place to ensure the prompt and accurate recording of financial data in order to comply with reporting requirements.</p>	July 2015	14 days	Based on audit testing no material weaknesses were identified. It was identified that the project for the change of provider of banking services from the Co-operative Bank to Barclays Bank was successfully administered by the Finance Section of the Resources Directorate. A separate audit review of this process will be undertaken.	Substantial	Not Applicable
Establishments Assurance	<p>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 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, BCBC Health & Safety Section and statutory visits carried out by independent officers within BCBC.</p> <p>Internal Audit reviewed the work carried out by the above inspection bodies / programmes to determine</p>	July 15	13 days	During this review only minor issues were identified.	Reasonable	Not Applicable

Report	System Overview	Work Finalised	Audit Days	Key Messages	Audit Opinion	Key Action Plan Dates
	whether reliance can be placed upon them to support the overall assurance framework.					

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

24th SEPTEMBER 2015

REPORT OF THE CORPORATE DIRECTOR - RESOURCES

INTERNAL AUDIT – OUTTURN REPORT – APRIL TO AUGUST 2015

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 covering April to August 2015.

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 2015/16 Internal Audit Plan was submitted to the Audit Committee for consideration and approval on the 16th April 2015. The Plan outlined the assignments to be carried out and their respective priorities.

3.2. The Plan provided for a total of 1,296 productive days to cover the period April 2015 to March 2016.

4. Current situation / proposal

4.1. A summary of audits commenced / ongoing and completed during the period April to August 2015 are detailed in both **Appendix A and B**.

4.2. The following table shows an analysis of work done in relation to the plan (1,296 available days).

Directorates	2015/16 Full Year Plan Days	Proportion of Plan Days Available for April to Aug 2015	2015-16 April to Aug Actual Days delivered
Resources	355	148	121
Legal and Regulatory Services	80	33	13
Children's (Including Schools)	155	65	35
Communities	155	65	67
Wellbeing	130	54	49
Cross Cutting – Including	421	175	176

External Client; Unplanned and Fraud and Error			
<i>TOTAL PRODUCTIVE DAYS</i>	1,296	540	461

4.3. The figures show that 461 actual days have been achieved, which is less than the expected target of 540 by 79 days.

4.4. As at the 1st April 2015; the overall structure of the Section is based on 18.5 Full Time Equivalent (FTE) employees. The Section started the year with 2.5 vacant posts and this remains the case at present.

4.5. Having regard to the issues set out above in paragraph 4.4; it is inevitable that the commitment to deliver 1,296 productive days for the Financial Year 2015/16 will not be achieved. It is expected that the shortfall on the year will be circa 90 productive days.

4.6. At the end of the period; a total of 14 reviews have been completed; twelve (86%) of which have been closed with either a substantial or reasonable assurance opinion level. Of the remaining two reviews (14%), although necessary, they did not culminate in an overall audit opinion. No significant weaknesses in the system of internal control have been identified so far to-date.

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 implications arising from this report.

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 to August 2015 to ensure that all aspects of their core functions are being adequately reported.

Ness Young
Corporate Director - Resources
24th September 2015

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Background Documents

None

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**Bridgend and Vale Internal Audit Service: Head of Internal Audit's Outturn Report April to August 15
Bridgend County Borough Council.**

Executive Summary

This report provides a summary of the work completed by the Bridgend and Vale Internal Audit Shared Service for the period April to August 2015 and provides the Head of Audit's current opinion on the Council's framework of governance, risk management and internal control. Therefore, based on our work carried out for the five months of this year, my overall opinion is that the Council's framework of governance, risk management and control is considered to be reasonable.

Introduction

The aim of the Shared Service is to help both Councils meet high standards of service delivery. Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, internal control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic and effective use of resources. The Shared Service supports the Audit Committees in discharging their responsibilities for:

- Advising on the adequacy and effectiveness of the Council's risk management, internal control and governance processes in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2015.
- Supporting the Director of Resources with her delegated responsibility for ensuring arrangements for the provision of an adequate and effective internal audit.
- Monitoring the adequacy and effectiveness of the Internal Audit Shared Service and Director's / Heads of Service responsibilities for ensuring an adequate control environment.

- Supporting the Director of Resources in discharging her statutory responsibilities under Section 151 of the Local Government Act 1972.
- Ensuring that the Council's External Auditor in relation to our work on the main financial systems audits can place reliance on this.

Definition of Internal Audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. (Source:- Public Sector Internal Audit Standards).

Statutory Framework

Internal Audit is a statutory requirement for local authorities. There are two principal pieces of legislation that impact upon internal audit in local authorities; these are:-

- Section 151 of the Local Government Act 1972 requires every authority to make arrangements for the proper administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs.
- Section 5 of the Accounts and Audit (Wales) Regulations 2015 states that "a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

All principal local authorities subject to the Accounts and Audit (Wales) Regulations 2015 must make provision for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS).

Audit Committee

It is important to ensure that the Council has a sufficiently independent and effective Audit Committee that follows best practice. Audit Committees are a key component of corporate governance. They are a key source of assurance about the Council's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance. In addition, Internal Audit provides a key source of assurance to the Committee as to whether controls are operating effectively.

External Audit

The Council's External Auditor examines the work of Internal Audit on an annual basis in order to place reliance on this work when undertaking their audit work on the Council's Financial Statement of Accounts. The Council's External Auditor, KPMG will be responsible for auditing the Council's Statement of Accounts for the Financial Year 2014/2015. The Council's External Auditors will then change to the Wales Audit Office for 2015/16 onwards.

Public Sector Internal Audit Standards (PSIAS)

The Standards the Internal Audit Shared Service works to are the Public Sector Internal Audit Standards. These standards set out:

- The definition of internal auditing;
- Code of ethics.

- International standards for the professional practice of internal auditing. These standards cover the following areas:
 - Purpose, authority and responsibility.
 - Independence and objectivity;
 - Proficiency and due professional care;
 - Quality assurance and improvement programme;
 - Managing the internal audit activity;
 - Nature of work;
 - Engagement planning;
 - Performing the engagement;
 - Communicating results;
 - Monitoring progress;
 - Communicating the acceptance of risks.

The PSIAS apply to all internal audit service providers, whether in-house or outsourced. During 2014-15 a self-assessment was undertaken to review our compliance with the Public Sector Internal Audit Standards. The review confirmed that there were no areas of non-compliance.

Internal Audit Coverage – April to August 2015

The level of internal audit resources required to examine all the Council's activities far exceed those available each year. It is, therefore, essential that the work of Internal Audit be properly planned to ensure that maximum benefit is gained from the independent appraisal function that internal audit provides.

Resources must be appropriately targeted by assessing the Council's total audit needs and preparing a plan that ensures systems are reviewed on a risk basis according to the impact they have on service delivery.

The Internal Audit Plan for 2015/16 is based, to a large extent, on the Council's Corporate Risk Register. This was complemented by:

- Priorities identified by Corporate Directors;
- Heads of Service key risks,
- The requirements of the Council's Section 151 Officer;
- External Audit and
- Those concerns / issues raised by Internal Audit in previous audits and our knowledge of potentially high-risk areas.

The Plan was submitted and approved by the Council's Audit Committee on 16th April 2015. The plan provided for a total commitment of 1,296 productive days for the year. Table 1 below provides the outturn for the service for the period April to August 2015 and further detail is provided in Appendix B. The current structure for the Shared Service comprises of 18.5 Full Time Equivalent employees (FTE's), which provides for a comprehensive Internal Audit Service to both the Vale of Glamorgan and Bridgend County Borough Councils. 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. At the commencement of this financial year, the service is carrying 2.5 vacant FTE posts.

Table 1 – Productive outturn for the period April to August 2015

Directorate	2015/16 Full Year Plan Days	Proportion Of Plan Day April to Aug. 15	April to Aug. Actual Days
Resources	355	148	121
Legal and Regulatory Service	80	33	13
Children (Including Schools)	155	65	35
Communities	155	65	67
Wellbeing	130	54	49
Cross Cutting – Including External Client, Unplanned and Fraud and Error	421	175	176
Total	1,296	540	461

As can be seen from the table above, the actual outturn for the Section shows that the overall productive days originally planned have not been achieved; there is a shortfall of 79 days. The Table further shows that the proportion of productive days achieved vary from that expected by Directorate activity. However, this will be addressed as the year progresses.

A total of 14 reviews have been completed so far to-date, twelve (86%) of which have been closed with either a substantial or reasonable assurance opinion level. Of the remaining two reviews (14%), although necessary, they did not culminate in an overall audit opinion.

Internal Control Weaknesses

There are no internal control weaknesses identified so far to date from the work undertaken for the period.

Our overall opinion on a system is based on both the materiality and impact of the system and our opinion on the internal control arrangements within the system. The combination of these factors then results in a category of risk to the Council as shown in Table 2 below:

Table 2.

SYSTEM CONTROL		MATERIALITY AND IMPACT		
		HIGH	MEDIUM	LOW
1	Satisfactory	Moderate	Minimal	Minimal
2	Reasonable	Moderate	Moderate	Minimal
3	Limited – Significant Improvements required	Of Concern	Moderate	Moderate
4	No Assurance – Fundamental weaknesses identified.	Significant	Of Concern	Moderate

Therefore, having regards to the reviews completed so far to-date and the overall opinions given, my overall opinion is the Council's overall internal control arrangements are considered to be **reasonable**, resulting in a “**minimal**” level of risk.

Internal Audit - Successes

Some of our successes so far this year include:

- Internal Audit Plans for 2015/16 have been approved by both Audit Committees and Corporate Management in a timely manner.
- We continue to provide an excellent internal audit provision to both Bridgend County Borough Council and the Vale of Glamorgan Council, so much so that both Audit Committees have supported the proposal to extend the Shared Service Partnership Agreement for a further two years until 31st January 2018; which has been approved by both Cabinets.
- We continue to support staff in obtaining professional qualification including CIPFA - Corporate Governance, Institute of Internal Auditors (IIA) and the Association of Accounting Technicians (AAT) as well as continuing professional development (CPD).
- We continue to build on our excellent working relationship with Members, Chief Officers and staff within both Councils.

Resources, Qualifications and Experience

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 the Council's governance arrangements. The Internal Audit Annual Plan was presented to the Audit Committee in April 2015; based on a provision of 1,296 productive days.

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 2015 the staffing structure is listed in table 3 below.

Table 3

2015-16 Staffing Structure	FTE
Operational Manager Audit - Head of Audit	1
Principal Auditor	2
Group Auditor	2
Group Auditor (Information Systems)	1
Auditor (2.5 posts are vacant at present)	10
Trainee Auditor	1
Trainee Auditor (Information Systems)	1
Administrative Assistant	0.5
Total	18.5

The total resource of 18.5 Full Time Equivalents (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. At the commencement of this financial year the Section is carrying 2.5 vacant posts.

In accordance with the Public Sector Internal Audit Standards; the Head of Audit must ensure that Internal Auditors possess the knowledge, skills and competencies needed to perform their individual responsibilities. Internal Auditors are therefore encouraged to study for and obtain professional qualifications. In addition, it is a requirement of the standard that the Head of Audit must hold a professional qualification and be suitably experienced. The following information outlined in table 4 below demonstrates the experience and qualification mix for the Internal Audit Shared Service.

Experience and Qualifications

Table 4

No of Years Experience	Auditing	%	In Local Government	%	Professional Qualifications	No of Staff.
Up to 1 year	0		0		Accountants (CIPFA; FCCA; ICAEW)	3
1 to 2 years	1	6.25	1	6.25	Certified Information Systems Auditor (CISA)	1
2 to 5 years	5	31.25	3	18.15	Institute of Internal Auditors – full membership	1
5 to 10 years	5	31.25	8	50	Institute of Internal Auditors – practitioner level; part qualified or audit certificate	2
Over 10 years	5	31.25	4	25	Association of Accounting Technicians (AAT)	2
					Part Qualified AAT	3
					Studying (CISA, AAT, IIA, CIPFA etc.)	4
Total Staff	16		16		Total	16

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.

Internal Audit – Other Activities

- **Anti-Fraud** – the Internal Audit Shared Service continues to assist in promoting an anti-fraud and corruption culture.
- **National Fraud Initiative** – The Council, via Internal Audit, has again participated in the National Fraud Initiative (NFI) as part of the statutory external audit requirements. This brings together data from across the public sector including local authorities, NHS, other government departments and other agencies to detect “matches” i.e. anomalies in the data which may or may not be indicative of fraud, for further investigation.

- **Advice and Guidance** – Internal Audit continues to provide advice and guidance both during the course of audits and responding to a wide range of ad-hoc queries.
- **Attendance at and contribution to, working groups etc.**, The Section continues to contribute to the development of the Council and ensuring that we are up to date with best practice by attending the following:-
 - Audit Committee;
 - Scrutiny Committees (as required);
 - Cabinet (as required);
 - Corporate Management Board / Team (as required);
 - The Welsh Chief Auditors Group and all its sub-groups (including South Wales Computer Audit Group; South East Education Audit Group; Social Services Audit Group).
- **Investigation Work** – We continue to support Senior Management in providing resources and expertise in investigating allegations of fraud and misappropriation.

Internal Audit – Review of Performance Management and Quality Assurance Framework

The Public Sector Internal Audit Standards requires that the Head of Internal Audit develops and maintains a quality assurance and improvement programme that covers all aspects of the internal audit activity. The section has a “Quality Assurance and Improvement Programme (QAIP) that has been presented to, and approved by, the Audit Committee.

1. **Performance Management** – the section’s key performance indicators are set out in the section below.
2. **Quality Assurance** – each individual audit report and supporting working papers / documents are reviewed by either a Principal Auditor or the Head of Audit. Appropriate standards have been set by the Head of Internal Audit in accordance with the Standards. The file reviews ensure the audits comply with the Section’s internal processes and procedures and the overall Public Sector Internal Audit Standards. Where necessary corrective action is taken.

Internal Audit – Performance Indicators

The Section has one key indicator as follows:

- **The Percentage of Audits Completed in Planned Time**

Justification of this performance indicator: to ensure that Internal Audit provides sufficient coverage to ensure that the requirements of the Council's Section 151 Officer and External Audit are met and that Internal Audit can give sufficient assurance to the Audit Committee regarding the Council's system of internal control, risk management and governance arrangements.	
Full Year Target: 89.6%	April to August 2015 Achievement: 80% Vale 75% BCBC
Therefore due to the small number of audits completed in quarter 1 the target has not been met but this will be addressed during the year. ☹	
The Audit Committee and the Internal Audit Shared Service Board will be kept informed of progress against the audit plan throughout the year. The Section has started the year with 2.5 vacant posts.	

The Section also participates annually in the Welsh Chief Auditors Group benchmarking exercise. The results for 2014/15 have only just been published and are as follows:

Performance Indicator 2014/2015	IASS Performance For the BCBC	Overall Average Performance 2014/15	Overall Average Performance 2013/14
Percentage of Planned Audits Completed	98%	84%	80%
Number of Audits Completed	113	111	126
Percentage of Audits Completed in Planned Time	89%	71%	71%
Percentage of directly chargeable time, actual versus planned	94%	88%	94%
Average number of days from audit closing meeting to issue of draft report.	9 days	8.2 days	9.5 days
% of staff leaving during the Financial Year	10%	11%	22%

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 of Glamorgan Council places us once again in the top quartile.

Governance Arrangements

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

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

Good Governance is about doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable way.

Bridgend County Borough Council is committed to the principles of good governance and as a result has adopted a formal Code of Corporate Governance (COCG) for the last five years. The Code of Governance is based upon the six principles as defined by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Society of Local Authority Chief Executives (SOLACE) and incorporates the “Making the Connections” governance principles and values as set out by the Welsh Government.

The COCG also makes provision for a joint commitment by Members and Officers to the principles it contains, as well as a statement of assurance jointly signed by the Leader of the Council and the Chief Executive. This helps to ensure that the principles of good governance are not only fully embedded but also cascade through the Council and have the full backing of the Leader of the Council and elected Members, as well as the Chief Executive and the Corporate Management Board. The work of the Internal Audit Shared Service represents a fundamental function in delivering the Council’s Corporate Governance responsibilities.

The Council has proactively responded to central government’s austerity drive that has created a period of unprecedented financial pressures in the public sector. Substantial savings are necessary and the latest Medium Term Financial Strategy estimates this to be in the region of £50million for the next four years on top of the £11.2million already identified for 2014/15.

As stated earlier in the report, based on the work underway and completed by Internal Audit for the period April to August 2015; no significant control issues have been identified. It is clear that the scale of the challenges to come will mean that “business as usual”, however well managed, will not be enough. The challenge will be to consider alternative delivery models for services across the Council and this will be essential to mitigate the impact of cuts and assist in continuing to provide priority services. Therefore, as the Council

continues to experience reduced resources, increased demands on services and new and innovative forms of delivery; there is a need to ensure that the control environment; including governance and risk management; remains robust, proportionate and is as efficient and effective as possible.

<u>Cod</u>	<u>Job</u>	<u>Job Name</u>	<u>Days</u>	<u>Budget</u>	<u>Date Commenced</u>	<u>Date Closed</u>	<u>Opinion</u>
ASSURANCE							
	Directorate	RESOURCES					
	517 BCBC - Virtualisation		11.62	15.00	01/04/2015		
	518 BCBC - End Point Security		19.16	20.00	01/04/2015	24/08/2015	Reasonable
	527 BCBC - Timesheets		11.70	15.00	01/04/2015		
	539 BCBC - CAATS/ Report Development		0.68	5.00	01/04/2015		
	542 BCBC - Information Governance Board		0.14	3.00	01/05/2015		
	544 BCBC - Built Environment Process Review		33.86	30.00	01/06/2015		
	548 BCBC - Debtors		3.34	15.00	26/06/2015		
	549 BCBC - Absence Management		13.41	15.00	25/06/2015		
	550 BCBC - ICT Back -Ups		4.80	15.00	26/06/2015		
	551 BCBC - Northgate Revs & Bens		6.15	10.00	01/07/2015		
	553 BCBC - Banking Contract		13.48	25.00	01/07/2015		
	558 BCBC - Built Environment Fees & Charges		2.84	15.00	10/08/2015		
Total	Directorate	RESOURCES	121.17	183.00			
	Directorate	LEGAL & REGULATORY SERVICES					
B	529 BCBC - Money Laundering		13.11	10.00	01/04/2015		
Total	Directorate	LEGAL & REGULATORY SERVICES	13.11	10.00			
	Directorate	CHILDREN					
B	520 BCBC - Schools Summary Report 14-15		5.00	5.00	21/04/2015		
	521 BCBC - Business Knowledge Database		12.40	15.00	27/04/2015		
	528 BCBC - Learners Transport Project		9.39	8.00	01/04/2015		
	556 BCBC - School Agency Staff Procurement		5.91	10.00	17/07/2015		
	557 BCBC Early Yrs Intervention & Prevention		2.64	15.00	03/08/2015		
Total	Directorate	CHILDREN	35.34	53.00			
	Directorate	COMMUNITIES					
B	530 BCBC - Waste Disposal / Collections		15.20	20.00	01/04/2015	12/08/2015	Reasonable
	543 BCBC - Supporting People Grant		6.79	7.00	10/06/2015		
	546 BCBC - Highways Maintenance		16.39	15.00	16/06/2015		
Total	Directorate	COMMUNITIES	38.38	42.00			
	Directorate	WELLBEING					
B	523 BCBC - Bus Services Support Grant		13.82	14.00	01/04/2015	30/07/2015	Reasonable
	526 BCBC - Home Care - Domiciliary Care		23.38	25.00	01/04/2015		

Total	Directorate	WELLBEING	37.20	39.00			
	Directorate	BCBC CROSS CUTTING					
		505 BCBC - Advice & Guidance Resources	4.76	5.00	01/04/2015		
		506 BCBC - Advice & Guidance - L&R	0.47	5.00	01/04/2015		
		507 BCBC - Advice & Guidance Communities	1.93	5.00	01/04/2015		
		508 BCBC- Advice & Guidance SS & Wellbeing	1.25	5.00	01/04/2015		
		509 BCBC - Advice & Guidance Children's	0.41	5.00	01/04/2015		
		510 BCBC - Audit Committee / CMB Qtr 1 & 2	20.44	30.00	01/04/2015		
		511 BCBC - Audit Planning	19.63	20.00	01/04/2015		
		512 BCBC - Finalising jobs 2014-15	14.70	2.00	01/04/2015	20/07/2015	N/A
		513 BCBC - C/F ICT Business Continuity	1.05	2.00	01/04/2015	02/07/2015	Reasonable
		514 BCBC - C/F External Inspections	7.36	7.50	01/04/2015	23/07/2015	Reasonable
		515 BCBC - C/F Payroll	19.22	20.00	01/04/2015	30/06/2015	Reasonable
		516 BCBC - C/F S106	1.01	1.00	01/04/2015	27/05/2015	Substantial
		524 BCBC - Lone Worker Follow Up	5.07	5.00	01/04/2015	19/06/2015	Reasonable
		525 BCBC - Pencoed Library Follow up	2.97	3.00	01/04/2015	08/06/2015	Reasonable
		536 BCBC - IA Benchmarking & PIs	4.86	5.00	01/04/2015	24/07/2015	
		537 BCBC - CMB and Resources SMT	1.08	15.00	01/04/2015		
		538 BCBC - Homelessness Grant Certification	10.00	10.00	11/05/2015	24/07/2015	Reasonable
		541 BCBC - IASS Monitoring	2.91	3.00	11/05/2015		
		545 BCBC - Brynteg School Follow up	2.43	5.00	11/06/2015		
Total	Directorate	BCBC CROSS CUTTING	121.55	153.50			
Total	Function	ASSURANCE	366.75	480.50			
		ANTI-FRAUD & CORRUPTION					
	Directorate	BCBC CROSS CUTTING					
B		540 BCBC - NFI	12.06	25.00	01/04/2015		
Total	Directorate	BCBC CROSS CUTTING	12.06	25.00			
Total	Function	ANTI-FRAUD & CORRUPTION	12.06	25.00			
		GOVERNANCE					
	Directorate	COMMUNITIES					
B		531 BCBC - Communities First	12.06	10.00	01/04/2015		
		532 BCBC - Planning	1.01	15.00	01/04/2015		
Total	Directorate	COMMUNITIES	13.07	25.00			
	Directorate	WELLBEING					

B	552 BCBC - Safeguarding		11.39	20.00	06/07/2015		
	555 BCBC - Leisure; sports and play		0.14	15.00	15/07/2015		
Total	Directorate	WELLBEING	11.52	35.00			
	Directorate	BCBC CROSS CUTTING					
B	522 BCBC - Governance Review		16.96	15.00	01/04/2015	17/06/2015	Reasonable
	533 BCBC - VVP		9.09	8.00	01/04/2015		
Total	Directorate	BCBC CROSS CUTTING	26.05	23.00			
Total	Function	GOVERNANCE	50.64	83.00			
		RISK & PERFORMANCE MANAGEMENT					
	Directorate	COMMUNITIES					
B	519 BCBC - Subsidised Bus Services		15.03	10.00	15/04/2015	24/08/2015	Reasonable
Total	Directorate	COMMUNITIES	15.03	10.00			
	Directorate	BCBC CROSS CUTTING					
B	534 BCBC - Access to Records - SAR's		8.24	7.00	01/04/2015		
	547 BCBC - Data Sharing		7.80	8.00	06/04/2015		
Total	Directorate	BCBC CROSS CUTTING	16.05	15.00			
Total	Function	RISK & PERFORMANCE MAN	31.08	25.00			
		Grand Total	460.53				

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

24th SEPTEMBER 2015

REPORT OF THE CORPORATE DIRECTOR - RESOURCES

FORWARD WORK PROGRAMME – 2015-16

1. Purpose of Report.

1.1 To present to Members an update on the 2015 – 2016 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 implications arising from this report.

7. Financial Implications.

7.1. None

8. Recommendation.

8.1. That Members note the updated Forward Work Programme to ensure that all aspects of their core functions are being adequately reported.

Ness Young
Corporate Director - Resources
24th September 2015

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Background Documents

None

**AUDIT COMMITTEE
SCHEDULE OF MEETINGS AND FORWARD WORK PROGRAMME
2015 – 2016**

DATE OF MEETING	FORWARD WORK PROGRAMME	OFFICER RESPONSIBLE	UPDATE
2015			
25 th June	Information and Action Requests (if applicable).	Chief Internal Auditor (CIA)	N/A
	Updated Forward Work Programme.	CIA	Complete
	Pre-audited Statement of Accounts 2014/15.	Head of Finance & ICT	Complete
	Annual Governance Statement 2014-15	Head of Finance & ICT	Complete
	Complete Audits (if applicable).	CIA	Complete
	External Auditors / Inspection Reports (where applicable).	Head of Finance & ICT / WAO / KPMG	
	IASS Outturn Report April and May 2015.	CIA	Complete
Carried Forward from April 2015 Committee	IASS Outturn Report April 2014 to March 2015 and the Head of Audit's Annual Opinion.	CIA	Complete
24 th September	Information and Action Requests	CIA	Submitted
	Updated Forward Work Programme	CIA	Submitted
	Statement of Audited Accounts and Final Annual Governance Statement 2014/15	Head of Finance and ICT / KPMG	Submitted
	Treasury Management Outturn 2014/15	Head of Finance and ICT	Submitted
	Internal Audit 5 months Outturn Report April to August 2015.	CIA	Submitted
	Completed Audits Report (where applicable)	CIA	Submitted
	External Auditors / Inspection Reports (where applicable).	Head of Finance & ICT / WAO / KPMG	
19 th November	Up dated Forward Work Programme	CIA	
	Information and Action Requests (where applicable)	CIA	
	Fraud update (including NFI)	Head of Finance & ICT / Benefits Manager / CIA	
	Corporate Risk Assessment Review 2015/16.	Head of Finance and ICT / Risk & Insurance Manager	
	Completed Audits Report (if applicable)	CIA	
	Internal Audit Outturn Report – April 2015 to October 2015.	CIA	
	External Auditors / Inspection Reports (where applicable).	Head of Finance & ICT / WAO / KPMG	
2016			
28 th January	Up dated Forward Work Programme	CIA	
	Information and Action Requests (if applicable)	CIA	
	Internal Audit 9 months Outturn Report April 2015 – December 2015	CIA	
	Completed Audits (where applicable)	CIA	
	Report on the work undertaken on School Audits.	CIA	
	External Auditors / Inspection Reports (where applicable)	Head of Finance & ICT / WAO/ KPMG	
	Corporate Risk Assessment 2015-16	Head of Finance & ICT	

APPENDIX A

	Treasury Management Half Year Report 2015-16 and Treasury management strategy 2016-17	Head of Finance & ICT	
16th April	Information and Action Requests (where applicable)	CIA	
	Updated Forward Work Programme	CIA	
	Proposed Forward Work Programme 2016-17.	CIA	
	Internal Audit proposed Annual Strategy and Audit Plan 2016-2017.	CIA	
	Governance – Compliance with Public Sector Internal Audit Standards for 2015-16	CIA	
	Audit Committee – Terms of Reference	CIA	
	Internal Audit Shared Service Charter	CIA	
	Completed Audits (where applicable)	CIA	
	Head of Audit’s Annual Opinion Report and outturn for the Year 2015/16	CIA	
	External Auditors / Inspection Reports (if applicable): -	Head of Finance & ICT / WAO/ KPMG	