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Bridgend County Borough Council



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*Rydym yn croesawu gohebiaeth yn Gymraeg.
Rhowch wybod i ni os mai Cymraeg yw eich
dewis iaith.*

*We welcome correspondence in Welsh. Please
let us know if your language choice is Welsh.*



Gwasanaethau Gweithredol a Phartneriaethol / Operational and Partnership Services

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Gofynnwch am / Ask for: Andrew Rees

Ein cyf / Our ref:

Eich cyf / Your ref:

Dyddiad/Date: Thursday, 23 June 2016

Dear Councillor,

AUDIT COMMITTEE

A meeting of the Audit Committee will be held in the Council Chamber, Civic Offices Angel Street Bridgend CF31 4WB on **Thursday, 30 June 2016 at 10.00 am.**

AGENDA

1. Election of Chairperson
2. Election of Vice-Chairperson
3. Apologies for Absence
To receive apologies for absence from Members.
4. 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
5. Approval of Minutes 3 - 10
To receive for approval the minutes of the Audit Committee of 21 April 2016.
6. Pilot Scheme - Expansion of the Computer Audit Service 11 - 14
7. Annual Governance Statement 2015-16 15 - 38
8. Statement of Accounts 2015-16 39 - 178
9. Annual Treasury Management Report 2015-16 179 - 196
10. Information and Action Requests By Committee 197 - 200
11. Completed Audits 201 - 216

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12. Internal Audit - Outturn Report - April to May 2016 217 - 224
13. External Assessment 225 - 228
14. Updated forward Work Programme 2016-17 229 - 232
15. 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 meeting as a matter of urgency.

Yours faithfully

P A Jolley

Corporate Director Operational and Partnership Services

Distribution:

Councillors:

GW Davies MBE

JR McCarthy

JE Lewis

C Westwood

Councillors

D Sage

CL Jones

DK Edwards

G Davies

Councillors

CA Green

E Dodd

M Gregory

RE Young

Mrs J Williams – Lay Member

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD IN COMMITTEE ROOMS 2/3,
CIVIC OFFICES ANGEL STREET BRIDGEND CF31 4WB ON THURSDAY, 21 APRIL 2016 AT
2.00 PM

Present

Councillor E Dodd – Chairperson

GW Davies MBE	RC Jones	JR McCarthy	M Reeves
C Westwood	CL Jones	DK Edwards	G Davies
CA Green			

Officers:

Randal Hemingway	Head of Finance & Section 151 Officer
Andrew Rees	Senior Democratic Services Officer - Committees
Helen Smith	Chief Internal Auditor

Representing the Wales Audit Office

Steve Barry
Catryn Holzinger
Janet McNicholas
John Llewellyn

238. APOLOGIES FOR ABSENCE

Apologies for absence were received from the following Members:

Councillor JE Lewis
Councillor D Sage

239. DECLARATIONS OF INTEREST

Councillor DK Edwards declared a personal interest in agenda item number 9 - Annual Opinion Report of the Head of Internal Audit for the Period April 2015 to March 2016 as Chairperson of the Governing Body of Maesteg Comprehensive School.

240. APPROVAL OF MINUTES

RESOLVED: That the minutes of the meeting of the Audit Committee of 28 January 2016 be approved as a true and accurate record.

241. EXTERNAL AUDIT ANNUAL PLAN 2015-16

The Financial Audit Manager, Wales Audit Office presented the External Auditor's Annual Audit Plan 2015-16 together with a schedule of authorised grant signatories for the Council. She stated that the Annual Audit Plan outline had been prepared by the Council's External Auditor to meet the requirement of the auditing standards and proper audit practices.

The Financial Audit Manager outlined the key elements of the audit engagement of the Appointed Auditor and stated that the Financial Audit 2015-16 element of the plan set

out the proposed work, when it will be undertaken and how much it will cost and who will undertake it.

The Financial Audit Manager reported on the audit approach to be taken which consists of the three phases of Planning; Execution and Concluding and reporting. She set out the risks of material misstatement which she considered to be significant and which require special audit consideration and the work intended to address them in relation to:

- Financial Challenges
- Valuation of Property
- New working arrangements
- Severance schemes / Exit packages
- Fraud Risks
- Cardiff Capital Region City Deal
- County Borough Supplies

The Financial Audit Manager reported that the Wales Audit Office does not generate profits on fees with fee rates set at a level to recover that full cost. The Financial Audit Manager highlighted the timetable for covering the areas of work identified in the Audit Plan.

RESOLVED: That the content of the External Auditor's Annual Audit Plan 2015-16 and the schedule of authorised grant signatories be noted.

242. FINANCIAL RESILIENCE ASSESSMENT 2015-16

The Performance Audit Manager presented the Wales Audit Office report on the Financial Resilience Assessment of the Council. He stated that the Wales Audit Office believes that financial resilience is achieved when an authority has robust systems and processes to effectively manage its financial risks and opportunities and to secure a stable financial position.

The Performance Audit Manager informed the Committee that the Wales Audit Office in its report had identified that the Council has:

- an effective corporate framework for financial planning;
- effective financial controls, financial management is generally strong and it has a good track record of spending to budget; and
- a sound framework for reviewing and challenging financial performance through its Corporate Performance Assessment process and Section 151 Officer has a good track record for meeting financial targets.

He stated that the report had rated each of these elements, namely, Financial Planning; Financial Control and Financial Governance as Low Risk.

The Performance Audit Manager reported whilst the Council faces some significant challenges, its current arrangements for achieving financial resilience are sound. He stated that underpinning the Council's ability to make cuts are many savings proposals and although the Wales Audit Office recognise the impact of changes to funding on service areas is considered by Council, the review conducted of the Savings Proposal forms suggests there is opportunity for more detailed documentation of this in the forms.

He also stated that in relation to financial control, Directors are solely formally responsible for budgetary monitoring within their own Directorate, although informally this is delegated to Heads of Service, Group Managers and sometimes Service

Managers. However, this informal delegation is set to change in 2016-17, with the planned introduction of formally delegated financial management responsibilities at sub-Director level. He stated that Collaborative Planning is a budget management software tool, when installed, allows Directorates to undertake more financial management activities improving their access to financial information as well as generating efficiencies within the Finance Department. The Wales Audit Office recognises that having formally recognised financial management responsibilities helps effective financial management and it recommends that these changes are implemented as planned.

The Performance Audit Manager informed the Committee that the Council must assess all potential cost-cutting opportunities and also Income Generation and Charging opportunities. He stated that the Wales Audit Office review has highlighted that the Council does not currently have a strategic approach to Income Generation and Charging and is solely the responsibility of each individual Directorate. The Council is working towards an Income Generation and Charging policy and establishing a new commercialisation group that will review fees and charges and the generation of income. The review by the Wales Audit Office of Income Generation and Charging opportunities found that the Council does not have a strong strategic approach; however it has taken steps towards developing such a strategy. The Wales Audit Office recognise that there is still scope for more detailed analysis and assessment of Income Generation and Charging opportunities and that substantial work will be required to fully exploit those opportunities. Concern was expressed by the Committee at the recent loss of the Corporate Director Resources post and whether this would affect the ability of the Council to pursue Income Generation and Charging opportunities. The Performance Audit Manager informed the Committee that the Wales Audit Office had discussed the agenda for change at the time it carried out the corporate assessment and he acknowledged that services will have fewer staff but with greater demands placed on them. The Committee questioned who would adopt the strategic position formerly filled by the Corporate Director Resources. The Performance Audit Manager informed the Committee that the Financial Resilience Assessment had been undertaken prior to the recent re-structure with the risk ratings based on the findings made by the Wales Audit Office at the time. The Head of Finance informed the Committee that he welcomed that the Wales Audit Office had recognised the improvements made by the Council in relation to financial resilience. He also recognised the strong position the Council is in, in relation to financial planning; control and governance. He stated that the recent realignment of duties recognises the need to have capacity to drive forward the commercialisation of services which the Council manages. The Head of Finance informed the Committee that the piece of work on the commercialisation of services had yet to commence and that the first phase of the project would be to look at the potential for the full cost recovery of fees and charges. The second phase would be to look at the services provided by the Council where it does not currently make charges. The third strand to the project would involve exploring opportunities of providing services to other public bodies.

In response to a question from the Committee, the Performance Audit Manager informed that it was hoped to present the project brief for the next Financial Resilience Assessment to the next meeting of this Committee with a view to completing the next assessment in Autumn.

RESOLVED: That the content of the WAO Report on the Council's Financial Resilience Assessment 2015-16 be noted.

243. INFORMATION AND ACTION REQUESTS BY COMMITTEE

The Chief Internal Auditor presented a report which summarised actions and information requests made by the Audit Committee at its last meeting on 28 January 2016. She stated that a report on the IASS External Assessment would be reported to the next meeting of the Committee. She also informed the Committee that promotion of the Access to Leisure – Financially Disadvantaged Scheme would be reported to the next meeting of the Committee.

RESOLVED: That the report be noted.

244. COMPLETED AUDITS

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

The Committee questioned the reason for the audit opinion of the Trent system having reasonable assurance. The Head of Finance informed the Committee that there are opportunities to use further modules on the Trent system which currently have not been used. The Chief Internal Auditor informed the Committee that the reason for the audit opinion being reasonable was that some areas subject to the audit merited attention.

In response to a question from the Committee, the Chief Internal Auditor stated that she would provide the Committee with reasons for the shortfall of £2m in the disposals programme.

In response to a further question from the Committee, the Chief Internal Auditor would provide information in the Audit Plan on which Council services sit where in the organisation.

The Chief Internal Auditor referred to the follow up review of the procedures and financial arrangements relating to Section 117 of the Mental Health Act 1983 which had received limited assurance in that at the time of the review it could not be evidenced at the time where the decision was taken. It had since been established that a decision had been taken.

RESOLVED: That the Committee considered the summary of completed audits so as to ensure that all aspects of their core functions are being adequately reported.

245. SUMMARY OF 2015/16 AUDITS NOT UNDERTAKEN

The Chief Internal Auditor summarised the audit work that was included in the Internal Audit Plan 2015/16 which had not been undertaken, together with an explanation.

In response to a question from the Committee, the Chief Internal Auditor stated that she would provide a report to the Committee on the high percentage of savings achieved in Legal and Regulatory Services.

RESOLVED: That the report be noted.

246. ANNUAL OPINION REPORT OF THE HEAD OF INTERNAL AUDIT FOR THE PERIOD APRIL 2015 TO MARCH 2016

The Chief Internal Auditor as the Head of Internal Audit presented the annual opinion on the overall adequacy of the Council's internal control environment.

She stated that the annual opinion report gave a brief description of the role of Internal Audit, the control environment within which Internal Audit operates and provides a summary of work carried out during the period April 2015 to March 2016. A statement of Internal Audit's overall opinion on the internal control environment was also given in support of the Annual Governance Statement which the Council is required to include within the Statement of Accounts.

The Head of Internal Audit reported that the purpose of the Annual Opinion report is to satisfy the requirements of the Accounts and Audit (Wales) regulations 2014 as amended and the Head of Internal Audit's annual reporting requirements set out in the Public Sector Internal Audit Standards and she highlighted the information specified by the Standards. She stated that the opinion contained within the report relates to the system of internal control at the Council and the overall control environment in place. She also informed the Committee that the system of internal control is designed to manage risk to a reasonable level rather than to eliminate the risk of failure to achieve corporate / service policies, aims and objectives and can only provide reasonable and not absolute assurance of effectiveness.

The Head of Internal Audit was of the opinion on the basis of internal audit work undertaken during the period April 2015 to March 2016 and taking into account all available evidence, that a satisfactory assurance level can be applied to standards of internal control at Bridgend County Borough Council for the period stated.

The Head of Internal Audit informed the Committee of the productive outturn which showed that the overall productive days original planned had not been achieved, resulting in a shortfall of 16 productive days. She stated that the Section has improved on productivity and address the shortfall reported to the Committee in November 2015 where the number of productive days for the period was less than that expected by 75 days. The Head of Internal Audit also informed the Committee that 102 reviews had been completed, of which 78 (76%) have been closed with either a substantial or reasonable assurance opinion level. 4 reviews (4%) had identified weaknesses in the overall control environment; with one recording that non assurance could be placed on the control environment, which relates to a specific investigation. Of the remaining 20 (20%), 14 did not culminate in an overall audit opinion and 6 have been carried forward into 2016/17.

The Head of Internal Audit highlighted the Internal Audit successes and commented on the resources, qualifications and experience of the Internal Audit Service which has a total resource of 18.5 Full Time Equivalents with 3 vacant posts. Staff have worked exceptionally well to deliver the Audit Plan. The Head of Internal Audit commented that one of the Section's trainees has recently qualified as a Certified Information System Auditor qualifying in the top 5% worldwide. She stated that the Service had recently concluded the pilot with Newport Council on the provision of Computer Audit Services; however Cardiff Council was no longer interested in using this service.

The Head of Internal Audit informed the Committee that she had highlighted her concerns at the recent departure of the Corporate Director Resources and Section 151 Officer due to the significant challenges facing the Council. She stated that the role of Section 151 Officer (Chief Finance Officer) is one of the key statutory functions and it was for the Head of Paid Service (Chief Executive) to ensure a suitable replacement to fulfil those requirements. The Head of Internal Audit also informed the Committee that the Chief Executive had arranged for the Director of Finance of RCT Council to mentor the Head of Finance in his role as Chief Finance Officer.

The Committee expressed concern as to how the ICT Strategy would be taken forward following the recent re-structure of JNC Officers. The Head of Finance commented that the ICT Strategy would be taken forward by the Corporate Director Operational and Partnership Services, Head of Regulatory Services and Partnerships and the Group Manager ICT and that there is clear direction for the ICT service within the Strategy.

RESOLVED: That the Committee gave due consideration to the Head of Internal Audit's Annual Opinion covering the period April 2015 to March 2016 to ensure that all aspects of their core functions are being adequately reported.

247. DRAFT INTERNAL AUDIT STRATEGY AND ANNUAL RISK BASED AUDIT PLAN APRIL 2016 TO MARCH 2017

The Chief Internal Auditor presented the Council's draft Internal Audit Strategy and draft Annual Risk Based Audit Plan for the year April 2016 to March 2017.

She stated that the Plan provided for 1,053 productive days being delivered during 2016/17 which equates to approximately 6 full time equivalent employees. The draft Internal Audit Strategy for 2016-17 demonstrates how the Internal Audit Section will be delivered and developed in accordance with the Terms of Reference and how it links to the Council's objectives and priorities. She stated the Strategy will be reviewed and updated annually in consultation with stakeholders namely the Audit committee, Corporate Management Board, External Auditors and senior management.

The Chief Internal Auditor reported that the draft Annual Risk Based Audit Plan 2016-17 has been formulated to ensure compliance with the Standards contained within the Public Sector Internal Audit Standards. Draft detailed plans for each Directorate to ensure compliance with the Standards and to keep the Audit Committee fully informed.

The Chief Internal Auditor informed the Committee that available resources would be looked at within the team, the achievements made in the previous year and through discussion with each Director on what they wished to achieve and their concerns in order to determine which services would be included in the Audit Plan. She stated that the number of productive days had been arrived at on the basis of experience from the previous year.

RESOLVED: That the Committee approved the draft Internal Audit Strategy and draft Annual Risk Based Audit Plan for 2016/17.

248. INTERNAL AUDIT SHARED SERVICE CHARTER 2016/17

The Chief Internal Auditor reported on the Council's Internal Audit Shared Service Charter for 2016/17.

She advised that the Public Sector Internal Audit Standards (PSIAS) requires the Head of Audit to review the charter periodically but final approval resides with the Audit Committee. She stated that the Charter for 2016/17 had been reviewed to ensure that it continued to reflect the requirements of the PSIAS.

RESOLVED: That Committee approved the Internal Audit Shared Service Charter for 2016/17.

AUDIT COMMITTEE - THURSDAY, 21 APRIL 2016

249. UPDATED FORWARD WORK PROGRAMME 2015-16 AND PROPOSED FORWARD WORK PROGRAMME 2016-17

The Chief Internal Auditor presented an update on the 2015/16 Forward Work Programme and the proposed Forward Work Programme for 2016/17 for the Committee's consideration. She stated that in order to assist the Committee in ensuring that due consideration has been given by the Committee to all aspects of their core functions an updated Forward Work Programme was submitted.

RESOLVED: That the Committee noted and approved the updated Forward Work Programme to ensure that all aspects of their core functions are being adequately reported and considered.

250. URGENT ITEMS

There were no urgent items.

The meeting closed at 3.23 pm

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

30 JUNE 2016

REPORT OF THE CHIEF INTERNAL AUDITOR

PILOT SCHEME – EXPANSION OF THE COMPUTER AUDIT SERVICE

1. Purpose of Report.

1.1. To summarise for Members the lessons learnt from the recent pilot in which the specialist computer skills of the Internal Audit Shared Service Section have been utilised to undertake an audit for Newport City Council.

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. In June 2015, Audit Committee were informed that opportunities for extending the Internal Audit Shared Service to other neighbouring authorities would be explored, including the potential for expanding the specialist computer audit service.

3.2. Newport City Council expressed an interest in utilising this resource and it was agreed that a specialist computer audit review would be undertaken and 20 productive days were provisionally set aside to accommodate this.

3.3. The audit has recently been concluded and the draft report has been issued. As this was a pilot, it was agreed that feedback would be provided from both Chief Internal Auditors in order to identify any lessons that may have been learnt during this process to aide future improvements going forward.

4. Current situation / proposal.

4.1. Overall it is felt that this pilot has proved to be a success. During the feedback meeting it was acknowledged that the specialist computer knowledge and skills resulted in Newport City Council receiving a valuable audit report, the findings and recommendations of which will be invaluable moving forward. It was also recognised that the area reviewed would not have been covered in such detail in house as Newport City Council's Internal Audit Section does not have the level and depth of specialist knowledge that was required.

4.2. It is worth noting that since the pilot was initially discussed between the two respective Chief Internal Auditors, the IT department at Newport has been relocated (outsourced), and is still going through significant change.

4.3. There were lessons learnt from this pilot which will assist in developing any future work with other Local Authorities. The list below (which is not exhaustive) highlights

some of the challenges that were faced during the process and the means of resolution moving forward.

- This work took 5 months from approving the audit scope to issuing the draft report, which is in no way timely. The problems were largely down to the availability of staff and it has been suggested that moving forward a date for exit meetings should be agreed at the initial scoping meeting. This will ensure that all relevant officers from both Authorities are working to the same agreed deadline.
- There were initial issues in identifying and contacting key Officers and accessing data and systems for which reliance was placed on staff in Newport to address. However suggested improvements have since been discussed which will minimise reliance on others.
- The pilot has enabled the roles of both Internal Audit Sections to be clarified. As stated Newport City Council agreed to “buy in” our computer expertise and therefore it would have been counterproductive if a member of Newport City Council’s Internal Audit team had to be heavily involved in this work. In the future these requirements will be addressed and solutions put in place before the work commences.
- Furthermore, a method for issuing draft and final reports has also been agreed which again will streamline the process moving forward.
- Finally in the spirit of collaboration and partnership working, Newport City Council’s Logo will also be appended to the final report.

4.4. It is therefore pleasing that this work has been undertaken and that colleagues in Newport City Council have provided constructive feedback which will assist in improving any future service provided to other Local Authorities / Public bodies.

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 note the report.

Helen Smith
Chief Internal Auditor
30th June 2016

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Chief Internal Auditor

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Background documents

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

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

30 JUNE 2016

REPORT OF THE CORPORATE DIRECTOR – OPERATIONAL AND PARTNERSHIP SERVICES

ANNUAL GOVERNANCE STATEMENT 2015-16

1. Purpose of the Report

- 1.1 The purpose of this report is to seek approval of the Annual Governance Statement (AGS) for inclusion in the Council's Statement of Accounts for 2015-16.

2. Connection to Corporate Improvement Objectives and Other Corporate Priorities

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

3. Background

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

4. Current Situation / Proposal

CIPFA/SOLACE Governance Framework Core Principles

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

1. Focusing on the Council's purpose and on outcomes for the community and creating and implementing a vision for the local area; (*Putting the Citizen First*); (*Achieving Value for Money*).
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles; (*Knowing Who Does What and Why*);

3. Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour; (*Living Public Service Values*);
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk; (*Fostering Innovation Delivery*);
5. Developing the capacity and capability of Members and officers to be effective; (*Being a Learning Organisation*);
6. Engaging with local people and other stakeholders to ensure robust public accountability; (*Engaging with Others*);

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

4.4 The inclusion of the AGS within the Statement of Accounts provides an overall assessment of the Council's corporate governance arrangements and an appraisal of the controls in place to manage the Council's key risks and identifies where improvements need to be made. Should approval of the AGS be provided by the Audit Committee, the AGS will be signed by the Leader of the Council, the Chief Executive and the Section 151 Officer. The AGS for 2015-16 is attached as Appendix A.

5. Effect upon Policy Framework & Procedural Rules

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

6. Equality Impact Assessment

6.1 There are no equality implications.

7. Financial Implications

7.1 There are no financial implications.

8. Recommendations

8.1 It is recommended that Audit Committee:

- Review the Annual Governance Statement (Appendix A) and approve its inclusion in the Statement of Accounts 2015-16.

Andrew Jolley

Corporate Director – Operational and Partnerships Services

Contact Officer Yuan Shen, Group Manager – Corporate Performance, Partnerships and Transformation

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

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Annual Governance Statement 2015-16

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 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 make appropriate use and prevent 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 2016. The description of the arrangements in place is built around the core principles set out in the Council's Code of Corporate Governance. During 2015-16 a review of the Council's Code of Corporate Governance was undertaken by Internal Audit. The finding of the internal audit was that the Council had embedded corporate governance into all aspects of its key functions.

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 reviewed and published its Corporate Plan 2013-2017, including the Improvement Priorities, for 2015-16. The priorities were aligned with the key outcomes of the Local Service Board's 'Bridgend County Together' Single Integrated Partnership Plan. This ensured that the Council delivered on the commitments made with partner organisations. The Plan also took 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 included 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 gave direction for Directorate Business Plans. Arrangements were in place for progress against the improvement priorities to be reviewed on a quarterly basis. The Corporate Plan identified a number of outcome-focused success indicators, some of which were benchmarking measures. All of the indicators included in the Plan were aimed at measuring the success of our joined up working with citizens and partners.

4.4 During the year, the Council developed a revised set of corporate priorities and a new corporate plan for 2016-2020, taking account of the significant challenges ahead of our communities – not least the increasing demands made on many of our services against the background of a shrinking budget. The new plan sets out how the Council is to change and what its focus will be over the next four years. The three corporate priorities are as follows:

- Supporting a successful economy
- Helping people to become more self-reliant
- Smarter use of resources

- 4.5 Alongside the corporate plan, the Council approved a Medium Term Financial Strategy (MTFS) for the period 2016-17 to 2019-20. This provides an integrated planning and financial framework for the next four years, including 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 new priorities. Quarterly budget monitoring reports are submitted to Cabinet and to Scrutiny Committee, with the Corporate Resources and Improvement Scrutiny Committee nominated as the lead Scrutiny Committee.
- 4.6 The Council has a range of projects and 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 Transformation Management Programme including:
- School modernisation programme;
 - Remodelling Adult Social Care;
 - Remodelling Childrens Social Services;
 - Successful Economy Programme;
 - Strategic Review of the School Curriculum and Estate;
 - Third Sector Programme;
 - Digital Transformation programme;
 - Rationalising the Estate programme;
 - Corporate Procurement Review; and
 - Strategic collaboration projects e.g. City Deal.
- 4.7 The Auditor General's latest Annual Improvement Report on the Council was received in September 2015. The overall conclusion was that the Council continued to make progress in delivering improvements in its priority areas and recognised the need to support improvement of children's services, and that its forward planning arrangements and track record suggested it was well placed to secure improvement in 2015-16. The Auditor General did not make any statutory recommendations, but made 13 specific proposals for improvement. Those proposals have been considered and actions have been or are being taken to tackle those areas where improvement should be made.
- 4.8 The Auditor General carried out an audit of the Council's Improvement Plan for 2015-16 and certified in May 2015 that "the Council has discharged its duties under section 15(6) to (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties".
- 4.9 The Auditor General also audited the Council's assessment of its performance in 2014-15 in accordance with the Measure and his Code of Audit Practice and certified in November 2015 that the Council has discharged its duties under sections 15(2), (3), (8) and (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.
- 4.10 The Auditor General undertook a Corporate Assessment of the Council in 2015-16. The purpose of the assessment was to provide a position statement on the authority's capacity and capability to deliver continuous improvement. The focus of the assessment was on the extent to which arrangements are helping to improve service performance and outcomes for citizens.

The assessment considered the authority's track record of performance and outcomes as well as examining the key arrangements necessary to underpin improvements in services and functions.

The auditors interviewed, met with, observed, and conducted online surveys of elected members, senior officers and frontline staff, both individually and collectively.

The outcome of the assessment is very positive. The Auditor General's overall conclusion is that *"the Council is developing appropriate plans for the future and subject to aligning ICT and human resource functions with the transformation programme, is well placed to secure improvement"*.

The Auditor General found no reason to make any formal recommendations, or conduct an inspection, or recommend that Ministers of Welsh Government intervene. He did, however, make eight proposals for improvement (including some of those included in the above mentioned AIR report). The Council has already taken initial actions to address five of the proposals, with action being taken to improve the remainder. The Council endeavours to make further improvement in all of the identified areas.

4.11 Other activities that demonstrate the Council's commitment to Principle 1 - **"Putting the Citizen First"**, included:

- Ongoing use of the Citizens' Panel and extensive public consultation and engagement activity undertaken with customers on various council services and policies and in particular on the new corporate priorities and budget reduction proposals;
- Delivery of the Council's Communications, Marketing and Engagement Strategy 2015-16; and
- Customer contact centre as focal point for customer engagement.

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 announces 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; and
 - 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 Corporate Director – Operational and Partnership 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, through its work programme, 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. Due to the resignation of the Corporate Director – Resources, changes to the management structure were proposed by the Chief Executive and were agreed by Council in April 2016.
- 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 was the Section 151 Officer appointed under the 1972 Local Government Act and carried overall responsibility for ensuring that the Council's financial management arrangements conformed 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. In April 2016, the post of Corporate Director was deleted from the management structure following the departure of the post holder. Functions and responsibilities of the role have been accommodated amongst the remaining members of the Corporate Management Board. The newly designated Head of Finance has assumed the Section 151 responsibilities previously undertaken by the Corporate Director – Resources, as agreed by Council. The newly appointed Section 151 Officer

is a member of the Corporate Management Board on the same basis as other members of CMB.

- 5.9 The Corporate Director – Social Services and Wellbeing is statutory Director for Social Services, as defined by the Local Authority Social Services Act 1970, which outlines the six core responsibilities across all the Social Services functions, including ensuring that the Authority has proper safeguards to protect vulnerable children and adults.
- 5.10 The role of the Assistant Chief Executive was changed at Council to that of Corporate Director of Operational and Partnerships Services, acknowledging the scale and complexity of an increased portfolio of services. The post holder also continues to carry out the role of Monitoring Officer which holds overall responsibility for ensuring compliance with the law and his staff work closely with departments to advise on legal matters.
- 5.11 The Corporate Director – Education and Family Support (formerly Corporate Director – Education and Transformation, until April 2016) is the Chief Education Officer, as prescribed by the Education Act 1996 and statutory Director for Children and Young People, as defined by the Children Act 2004.
- 5.12 Following changes made in December 2014, the Corporate Director – Social Services and Wellbeing held line management responsibility for the social care functions for children and adults. This has enabled the new ways of working laid down by the Social Services and Wellbeing (Wales) Act 2014 to be embedded within the service. The CSSIW report of 2014-15, published in October 2015, recognises that these changes have created additional leadership capacity to meet the challenges ahead within social services.
- 5.13 The Council's Performance Management Framework, revised and adopted by Cabinet in June 2014, continues to guide the Council's integrated Corporate, business and financial planning and performance management processes and practice. The document clearly defines the Council's 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.
- 5.14 In his Corporate Assessment report, published in January 2016, the Auditor General for Wales noted that the Council has clarified roles and responsibilities and established effective arrangements for holding people to account. He also found that Cabinet members and the Corporate Management Board were working closely together to develop the options for the future role of the Council and to identify new opportunities for engaging with local communities.

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 In developing its new Corporate Plan for 2016-2020, the Council identified a new set of principles. These have been developed to help steer the Council to become the sort of organisation that it needs to be in order to meet new challenges:

- Wherever possible the Council will support communities and people to create their own solutions and reduce dependency on the Council.
- The Council will focus diminishing resources on communities and individuals with the greatest need.
- The Council will use good information from service users and communities to inform its decisions.
- The Council will encourage and develop capacity amongst the third sector to identify and respond to local need.
- The Council will not let uncertainty over the future of public services prevent meaningful and pragmatic collaboration with other public sector bodies.
- The Council will work as one Council and discourage different parts of the organisation from developing multiple processes or unnecessarily different approaches.
- The Council will transform the organisation and many of its services and in so doing will deliver financial budget reductions as well as improvements.

6.3 The Council has a clear and simple vision, that is, always to act as **'One Council working together to improve lives'**.

6.4 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.

6.5 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.

6.6 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.

- 6.7 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.
- 6.8 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.
- 6.9 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, and the Local Service Board via the Single Integrated Partnership Plan (SIPP) entitled “Bridgend County Together”. 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 The 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 national and collaborative initiatives.

7.9 The Council has developed a robust approach to the management of risk. 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. Following a change made in 2014-15 the task of reviewing the risk register was carried out by the Senior Management Team (SMT). SMT 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 2015-16 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.
Using resources effectively	The Council has to consider its resources very carefully and make difficult spending decisions. This will carry on over the next few years as the public finance outlook continues to be bleak. If there is a shortfall in savings the Council might fail to achieve its MTFS. This could necessitate the unplanned use of reserves to bridge the funding gap or unplanned cuts to services which put vulnerable people at risk.
Local Government Reorganisation	Delivering the transformative change required to make MTFS savings, at a time when demand for some services is up, is already challenging. Without specific funding Local Government Reorganisation will add to these cost pressures and mean that larger savings will be required to balance the budget. This will make it harder to provide good quality

	public services.
Supporting vulnerable people,	Failure to remodel services will restrict the council's ability to safeguard people and respond to assessed needs as set out in the Social Services Act. It will also result in longer stays in hospital, greater need for expensive treatment and vulnerable people leading less fulfilled lives.
School Modernisation	Insufficient progress may have a negative impact on pupils' learning and wellbeing.
The economic climate and austerity	There could be further job losses and business failures within the local economy. Town centres will continue to suffer without regeneration because they will be less attractive places to visit and unable to compete with neighbouring centres.
Supporting vulnerable children, young people and their families	The wellbeing and safety of children may be compromised. They may be unable to thrive and make the best use of their talents.
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.
Healthy lifestyles	Unhealthy lifestyles have many affects including shortened life expectancy, worse emotional health and a loss of independence. High rates of obesity results in significant costs to the economy, health and social 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.
Equal pay claims	The result of the Abdulla case means that there is a risk of further equal pay claims against the Council.
The impact of homelessness	Homelessness can lead to increased stress, depression and isolation. The use of bed and breakfast accommodation results in high costs both in terms of finance for the Council and the wellbeing of individuals.
Collaboration with partners	If the Council fails to collaborate successfully with partners some of the most vulnerable people in the community will not have their needs met.
Educational attainment	There are risks to the emotional wellbeing of young people, their future employment prospects, the local economy and a range of Council services if young people leave education ill-equipped for employment.

7.11 In April 2015 SMT received a report on Health and Safety gap analysis. It was decided that the risk should be escalated to the corporate risk register. The risk describes the Council's duties and identifies that there are areas where there can be improvement in some health and safety arrangements.

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 –Section 151 Officer 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 Committee. 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 and the Public Sector Equality Duty. It published its Strategic Equality Plan 2016-2020 on 1 April 2016. The plan outlines the Council’s approach to ensuring equality of opportunity for customers, citizens, residents and visitors and seeks to ensure that Bridgend County Borough is a fair and welcoming place to be. The plan has been written based on what we know about our services and on the views and needs of Bridgend County Borough citizens and the people who use them. The council has a duty to publish Strategic Equality Plan annual reports with the most recent going to Cabinet Equalities Committee in January 2016. The annual reports review and reflect on previous work and outline 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. Updates are provided to the Cabinet Equalities Committee and to the Bridgend Equality Forum. Committee and Council reports requiring a policy decision are supported by equality impact assessments.
- 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 While undertaking his Corporate Assessment of Bridgend County Borough Council, the Auditor General for Wales found that Elected Members of the Council benefitted from a range of opportunities that equipped them with the skills they needed to discharge their roles effectively.
- 8.4 The Council’s appraisal process enables individuals to understand how they contribute to achieving the aims of the Council. Appraisals give individuals and their manager an opportunity to review performance, agree personal objectives and learning and development requirements, which will help to achieve personal objectives and learning and development requirements, which will help to achieve those objectives.

Appraisals take place between January and June each year and targets are linked to service priorities reflected in annual business plans. There is also a Six Month Appraisal Review which identifies progress on targets or any additional objectives that need to be included.

- 8.5 The appraisal process also incorporates management competencies that reflect the types of behaviours the Council wishes to promote and develop. These help to foster an understanding of expectations and support the identification of learning and development needs and performance management arrangements. The Appraisal system is an important part of the Council's Performance Management Framework.
- 8.6 The Member Development Programme is regularly reviewed by the Democratic Services Committee to ensure that any training activities are appropriate, relevant and timely.
- 8.7 In 2015-16 a cross party group of 3 Elected Members participated in the 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. The Academy also supported the personal development of these Members and promoted collaborative working across Wales.

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 and using their feedback to help shape our services and policies. The Council has a consultation and engagement toolkit in place to help managers to ensure consultation activities are robust as well as following Participation Cymru's National Principles for Public Engagement in Wales that have been adopted by the council. The Council's planning and decision-making processes are designed to include consultation with stakeholders. The Council's Communications, Marketing and Engagement Strategy provides a framework for engagement activities, which are undertaken by the Council.
- 9.2 The Council has a Citizens' Panel made up of people aged 16 or over 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.
- 9.3 During 2015-16, the Council consulted on a wide range of issues including the following (this list is not exhaustive):
 - Shaping Bridgend's Future (Corporate Priorities and MTFS review);
 - Blue badge parking;
 - Active travel 2015;
 - Household waste and recycling review;
 - Various schools proposals.

The Shaping Bridgend's Future consultation included 15 community engagement events 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 over the whole MTFS period.

The Council is also using social media to promote its services and engage with the public, holding regular Q&A sessions/debates as part of consultation exercises to capture citizen's feedback. This has been successfully implemented as part of the "household waste and recycling review" and the "Shaping Bridgend's Future" consultations.

- 9.4 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.
- 9.5 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. The Council has also implemented a webcasting facility which provides live streaming and an archive facility for those meetings which are considered to be of key public interest.
- 9.6 The Local Service Board (now the Public Service Board) 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. The members of the LSB during the year were:
- Abertawe Bro Morgannwg University Health Board
 - Bridgend Association of Voluntary Organisations
 - Bridgend Business Forum
 - Bridgend College
 - Bridgend County Borough Council
 - Community Rehabilitation Company Wales
 - National Probation Service
 - Natural Resources Wales
 - Public Health Wales
 - South Wales Fire and Rescue Authority
 - South Wales Police
 - Valleys to Coast Housing Association
 - Welsh Government

During 2015-16, the LSB consulted widely with children, young people and local citizens. The purpose of the consultation was to find out why residents in some areas felt more unsafe and disengaged from their communities and service delivery than others and then to work with those communities to develop activities and inform service delivery to address this. Every secondary school age student in the borough was given the opportunity to take part through their ICT lessons. Over 3000 students responded. The survey helped identify two communities in Bridgend County who felt most disengaged. Further consultation with these two communities is underway.

Citizen involvement will continue to be a key feature of the work of the Public Services Board which was developed during the year and established on 1 April 2016.

- 9.7 The Wellbeing of Future Generations (Wales) 2015 Act (Act) gained royal assent on 29 April 2015. The Act establishes Public Services Boards in each local authority, which replaced Local Service Boards from 1 April 2016.

The four statutory members of Bridgend Public Services Board are:

- Bridgend County Borough Council
- Abertawe Bro Morgannwg University Health Board
- South Wales Fire and Rescue Authority
- Natural Resources Wales

9.8 In the first year the main focus of the PSB will be the statutory requirement to publish the Assessment of Local Wellbeing by April 2017. The PSB will also be responsible for implementing Bridgend County Together, the Single Integrated Partnership Plan for Bridgend, until it publishes its Wellbeing Plan in April 2018.

9.9 In the Medium Term Financial Strategy 2016-17 to 2019-20, over 10% of budget reductions identified over the 4 year period were identified as coming from collaboration and service transformation. Council had recently agreed that collaboration 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 Overview and 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 Chairpersons liaise with each other ensure the effective scrutiny of collaborative collaboration topics to ensure that work programmes are co-ordinated to prevent duplication.
- 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 February 2016, all Elected Members were offered training on Treasury Management to assist them in scrutinising the Annual Treasury Management Strategy of the Council. The effectiveness of member training was recognised by the most recent Estyn Inspection which noted 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 The Council has adopted the WLGA model of role descriptions for all committee Member and Chairpersons including the Audit Committee. These have been adapted to reflect the specific roles undertaken in the Council. The role descriptions form part of Personal Development Review Process which enables 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 (including to the review of budget proposals); they undertake reviews of specific areas of Council operations and make recommendations to Cabinet for improvement.

10.7 Internal Audit also provides independent and objective assurance. It undertakes a continuous audit of Council services that 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 2015-16, in carrying out its duties, Internal Audit worked 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 (CIA'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. The Council's External Auditors have recently undertaken a desk top assessment of compliance and have verbally reported that the Internal Audit Shared Service is

complaint. It is planned that, in accordance with the Standards and during 2016-17 the Shared Service will undergo an external assessment, which has been agreed by the Council's Audit Committee.

- 10.8 Internal Audit completed a programme of reviews in accordance with the Annual Audit Plan for 2015-16. As part of the normal audit reporting process, recommendations were made and agreed with the relevant chief officers to address any issues that could impact upon the system of internal control. . The internal audit arrangement 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 Based on the internal audit work carried out for the year, the Head of Internal Audit concluded that the Council's framework of governance, risk management and control is considered to be reasonable and that "there are no significant cross cutting internal control weaknesses identified which would have an impact on the Council's Annual Governance Statement". She did, however, specify some weaknesses and made a total of 58 recommendations, of which management has given written assurance that all of these will be implemented.
- 10.10 The Head of Internal Audit has found that 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 six years. In 2015-16, 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. During 2015-16 the Council was subject to two significant pieces of assessment work both of which were undertaken on behalf of the Auditor General for Wales, the Financial Resilience Assessment and the Corporate Assessment.
- 10.12 The Financial Resilience Assessment was undertaken during May to October 2015 and focused on delivery of the 2014-15 savings plans and the 2015-16 financial planning period. The assessment considered whether the Council has appropriate arrangements in place to secure and maintain its financial resilience in the medium term (typically three to five years ahead). While there may be more certainty for the Council over an annual cycle, financial pressures impact beyond the current settlement period. When reaching their view, the auditors considered evidence of the Council's approach to managing its finances in the recent past and over the medium term. The work focused on answering the following question: Is Bridgend CBC managing budget reductions effectively to ensure financial resilience? Whilst also considering whether:
- financial planning arrangements effectively support financial resilience;
 - financial control effectively supports financial resilience; and
 - financial governance effectively supports financial resilience.

Overall the assessment concluded that "Whilst the Council faces significant financial challenges, its current arrangements for achieving financial resilience are sound".

10.13 The purpose of the Corporate Assessment was to provide a position statement of an improvement authority's capacity and capability to deliver continuous improvement. It also considered the authority's track record of performance and outcomes as well as examining the key arrangements that were necessary to underpin improvements in services and functions. The fieldwork focused on the extent to which arrangements were contributing to delivering improved service performance and outcomes for citizens. The corporate assessment sought to answer the following question, "Is the Council capable of delivering its priorities and improved outcomes for citizens?"

As a result of this work, the Auditor General has concluded that the Council is developing appropriate plans for the future and is well placed to secure improvement. The Auditor General came to this conclusion because the Council:

- is consulting on key strategic themes designed to improve its focus on priority activity for the future;
- has effective governance arrangements in place to support improvement and drive change;
- has performance management arrangements that are driving improvement in key service areas but the way in which performance evaluation is presented is inconsistent;
- strong financial and asset management arrangements are in place but the Council has not yet established a vision for the way in which human resource and ICT services will be delivered in the future and;
- collaborates across a wide range of activities and whilst it is able to identify improved outcomes from some activities it is not yet able to evaluate the impact of Local Service Board activity.

10.14 The Public Services Ombudsman for Wales reports on each council in Wales the number of complaints received and investigated. In August 2015 the Council received its Annual Letter for 2014-15. The letter noted a decrease in the number of complaints received, 33 in 2014-15 compared to 39 in 2013-14. The comparative figure for the local authority average was 42 for 2014-15 (40 for 2013-14). No investigations were commenced by the Ombudsman in 2014-15. The letter noted that whilst there had been a decrease in the number of complaints relating to Children's Social Services, there had been an increase in complaints relating to Adult Social Services. The Ombudsman issued one "upheld" report but there were no Quick Fixes or Voluntary Settlements recording during the year.

10.15 The Care and Social Services Inspectorate Wales (CSSIW) Annual Review for Bridgend 2014-15 concluded that the Council remained realistic about the challenges posed by the need to deliver improving services within the context of reducing financial resources. This has accelerated the drive to greater efficiency, improving strategic partnership working, more integrated services and a growing commitment to regional commissioning which aligns with the preparations for the new Social Services and Wellbeing (Wales) Act 2014. The review identified that, in January 2015, the Corporate Director – Social Service and Wellbeing assumed line management responsibility for children's social services and overall line management of children's safeguarding. In addition, the appointment of a new head of adult social care has provided additional leadership capacity for the council's challenges.

CSSIW report recognised that within adult social care the Council's remodelling and transformation programme continued to be the central foundation for

strengthening the prevention and wellbeing agenda across Bridgend, and regionally across the Western Bay Health and Social Care Collaboration (Western Bay). A number of specific areas for follow up and improvement were identified in the body of this report. In relation to adult social services this included the ongoing implementation of the service changes in readiness for the Social Services and Wellbeing (Wales) Act and the progress made towards the implementation of the extra care model, as well as bringing the district nursing service into the integrated referral management centre.

The report also set out the progress that had been made within children's social services, primarily the reduction in the numbers of children looked after and introduction of safeguarding hubs. Areas for improvement included the improvement of review performance and outcomes, the redesign of looked after children provision for adolescents with complex needs and challenging behaviour, the monitoring of the re-referrals rate as well as monitoring the LAC reduction Strategy. Strengthened political support was recognised, with the Council having two cabinet members for social services, one for children's and one for adults.

- 10.16 In October 2012, Estyn Inspection carried out a major inspection of the quality of education services for children and young people in Bridgend. The Report identified that the Council had more strengths than areas for improvement, but concluded that the Council fell into the category of follow-up activity. There were follow up visits in March and December 2014. Estyn concluded in its letter to the Council in January 2015 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".

11. Significant Governance Issues

- 11.1 Across the whole of the United Kingdom, local councils are facing unprecedented challenges following reduced Government funding and increased demands on essential services. Between 2016-17 and 2019-20, the Council is expecting to have to make budget reductions of £35.5 million. Budget cuts of this scale present a significant challenge that will require the Council to make many difficult decisions about which services can be maintained and which cannot. It 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. As the Council continues to experience reduced resources, increased demands on services and new and innovative forms of delivery, it is necessary to ensure that the control environment, including governance and risk management, remains robust, proportionate and as efficient and effective as possible.
- 11.2 The Council remains unwavering in its commitment towards improving and finding ways of delivering local services, providing better outcomes for residents and achieving savings that will ensure they can deliver a succession of balanced budgets.
- 11.3 Based on the internal and external audit work completed for the year 2015-16 there are no significant cross cutting control issues that would impact on the Council's Annual Governance Statement. The weaknesses that have been identified are service specific and the recommendations made to improve the overall control environment have been accepted and are being / will be implemented.

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.....

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

30 JUNE 2016

REPORT OF THE SECTION 151 OFFICER

STATEMENT OF ACCOUNTS 2015-16

1. Purpose of this report

- 1.1 The purpose of this report is to present the unaudited Statement of Accounts for 2015-16 and the Harbour Authority Return for 2015-16 to Audit Committee for noting.

2. Connections to Corporate Improvement Objectives / Other Corporate Priorities

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

3. Background

- 3.1 The preparation of the Statement of Accounts is a requirement of the Accounts and Audit (Wales) Regulations 2014 and its content is defined by the 'Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and CIPFA's Service Reporting Code of Practice (SERCOP).
- 3.2 The Statement of Accounts for 2015-16 have to be signed and dated by the responsible financial officer before the 30 June 2016, certifying that it presents a true and fair view of the financial position of the Council. The audited Accounts will be brought back to Audit Committee then for approval by 30 September 2016. The Code sets out the accounting principles and practices required to prepare a Statement of Accounts. However, it is the role of the responsible financial officer to make appropriate decisions in accordance with his/her professional judgement about the best and proper practices to be followed.

4. Current Situation / Proposal

- 4.1 The Council's Statement of Accounts for the financial year ended 31 March 2016 has been prepared and a copy is attached as Appendix A. The Statement of Accounts comprises a number of different statements relating to financial performance and reserves as well as a statement on corporate governance arrangements.
- 4.2 Also attached at Appendix B is the Annual Return for the Harbour Authority for noting.
- 4.3 Each year the Council prepares detailed revenue budgets for its activities and regularly reviews these budgets to take account of changes in plans, processes or assumptions and if necessary re-profile the original budgets. The following table

provides a summary of the revenue budget against spend for 2015-16. The revised budgets differ from those set at the beginning of the year as account has been taken of agreed transfers from contingencies. Overall there was a net under-spend on Directorates' budgets of £1.639 million. Details of the reasons why are provided on pages 6 to 14 in the Statement of Accounts 2015-16.

	Original Budget	Budget Transfers	Revised Budget	Actual	Variance
	15-16	In Year	15-16	15-16	15-16
	£'000	£'000	£'000	£'000	£'000
Directorates					
Education and Transformation	105,775	220	105,995	105,667	(328)
Communities	24,913	315	25,228	25,014	(214)
Social Services and Wellbeing	62,056	(771)	61,285	61,099	(186)
Resources	14,672	(100)	14,572	14,058	(514)
Legal & Regulatory Services	6,053	29	6,082	5,685	(397)
Total Directorate Budgets	213,469	(307)	213,162	211,523	(1,639)
Precepts & Levies	6,928	(16)	6,912	6,902	(10)
General Contingencies	5,732	(863)	4,869	3,728	(1,141)
Council Tax Reduction Scheme	14,254	(385)	13,869	13,348	(521)
Insurance Premiums	1,637	(3)	1,634	1,602	(32)
Capital Financing	10,315	57	10,372	10,660	288
General Government Grants	(1,400)	-	(1,400)	(1,400)	-
NNDR Discretionary Rate Relief	111	27	138	134	(4)
Net Expenditure	251,046	(1,490)	249,556	246,497	(3,059)
Appropriation (from) Reserves	-	-	-	(3,786)	(3,786)
Appropriation to PFI Reserve	299	-	299	299	-
Appropriation to Reserves	857	1,490	2,347	10,790	8,443
Net Budget	252,202		252,202	253,800	1,598
Revenue Support Grant	(148,002)	-	(148,002)	(148,002)	-
Non Domestic Rates	(40,408)	-	(40,408)	(40,408)	-
Council Tax	(63,792)		(63,792)	(65,544)	(1,752)
Net (Under)/Overspend on Services	-	-	-	(154)	(154)

4.4 The net under-spend for the year after allowing for capital financing and contingency costs, transfers to and from earmarked reserves and additional council tax income is £0.154 million. This is transferred to the Council Fund which increases to £7.604 million as at 31 March 2016 (£7.450 million at 31 March 2015). In February 2016, the Medium Term Financial Strategy (MTFS) recommended that in the face of continued uncertainty regarding the economy and public finances that the Council seeks to increase its Council Fund. This represents a 2.1% increase on the Council Fund from the balance at the 31 March 2015.

4.5 The reserves included in the accounts for 31 March 2016 are summarised in the table below:

Opening Balance 2014-15 £'000	Movement 2014-15 £'000	Closing Balance 2014-15 £'000	Reserve	Drawdown 2015-16	Additions 2015-16	Closing Balance 2015-16 £'000
7,395	55	7,450	Council Fund Balance		154	7,604
2,467	(57)	2,410	Delegated Schools Balance	(256)		2,154
3,051	356	3,407	Maesteg School PFI Equalisation		299	3,706
32,381	3,256	35,637	Earmarked Reserves	(11,316)	10,990	35,311
45,294	3,610	48,904		(11,572)	11,443	48,775

- 4.6 The Delegated Schools Balances represent amounts held by schools that are committed to be spent on schools and are not available to the Council for general use. Whilst the majority of schools have surplus balances, some are carrying deficits into 2016-17. In line with the the School Funding (Wales) Regulations 2010, and 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.
- 4.7 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.
- 4.8 There has been a slight drop in Earmarked reserves from £35,637 million to £35,311 million. However, there has been either expenditure funded from reserves or the unwinding of reserves no longer required within the movement totalling £11.316 million and then new reserves created or enhancements to existing reserves of £10.990 million. Further information can be found in note 31b of the main financial statements.
- 4.9 In addition to spending money providing services on a day to day basis, the Council also spends money providing new facilities, enhancing assets within the Council's portfolio or providing capital grants to others. The total capital spending during 2015-16 was £25.1 million. Assets created, improved or under development as a result of this spend included:
- Vibrant and Viable developments – replacement of car park and new residential and retail accommodation at The Rhiw
 - All Wales Community Care Information System
 - Parc Derwen Primary School
 - Developments at the former Ogmores Comprehensive School
 - Celtic Court Refurbishment
 - Disabled Facility Grants
 - Carriage reconstruction and street lighting
- 4.10 The Annual Governance Statement (AGS) highlights the challenges the Council faces in the delivery of the £35.5 million savings identified in the Medium Term Financial Strategy.

5. Effect upon policy framework & procedural rules

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

6. Equality Impact Assessment

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

7. Financial implications

7.1 These are reflected in the body of the report.

8. Recommendation

8.1 It is recommended that Audit Committee:-

- note the unaudited Statement of Accounts for 2015-16 (Appendix A);
- note the Harbour Authority Annual Return 2015-16 (Appendix B).

Randal Hemingway CPFA
Head of Finance and Section 151 Officer
16 June 2016

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Background Documents:

Statement of Accounts 2015-16
Harbour Authority Annual Return 2015-16



Statement of Accounts 2015-16

Electronic Version - unsigned

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Narrative Report

1. The Statement Of Accounts

The Accounts for 2015-16 have been produced in line with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2015-16. This is in accordance with International Financial Reporting Standards (IFRS). The main changes include the adoption of the following standard:-

IFRS 13 – Fair Value Measurement – This requires changes to the measurement for assets classed as surplus assets, which are now required to be valued at fair value. Financial Instruments are also required to be disclosed at fair value.

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 £0.154 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 property, plant and equipment 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 in cash terms.

For 2015-16, the Council showed a deficit on the Comprehensive Income and Expenditure Statement of £14.547 million. This contrasts with the budget outturn underspend of £154,000.

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 £137.983 million, which is an increase in net worth of £43.283 million from 2014-15 (which was £94.7 million). This increase is in part the result of the Actuarial review of the Council's Pension Fund Net Liabilities as at 31 March 2016, which was assessed to have decreased since 31 March 2015 by £27.740 million.

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 increased by £0.609 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**

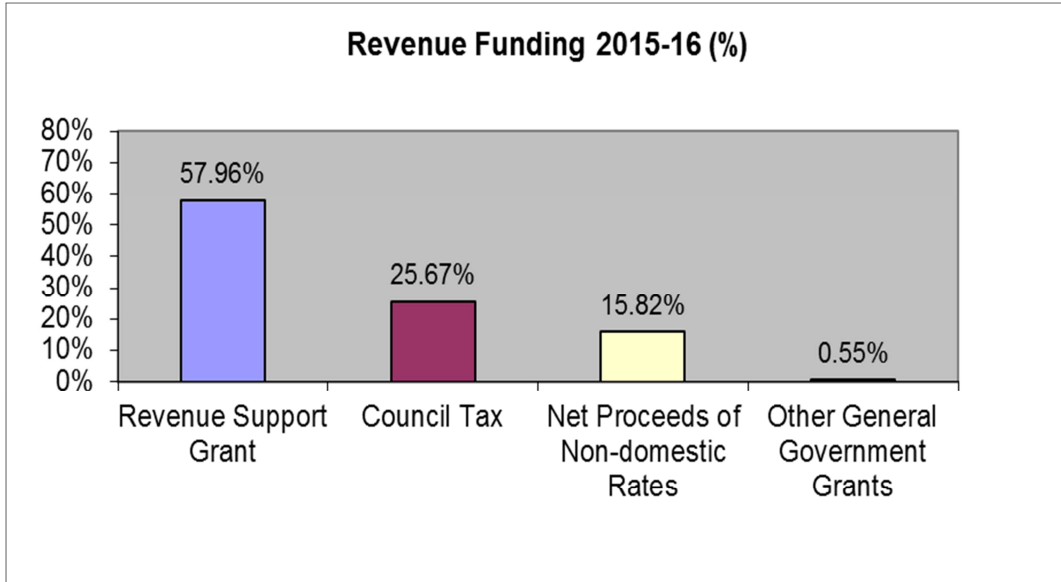
The Council incurs two types of expenditure – revenue expenditure and capital expenditure.

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.

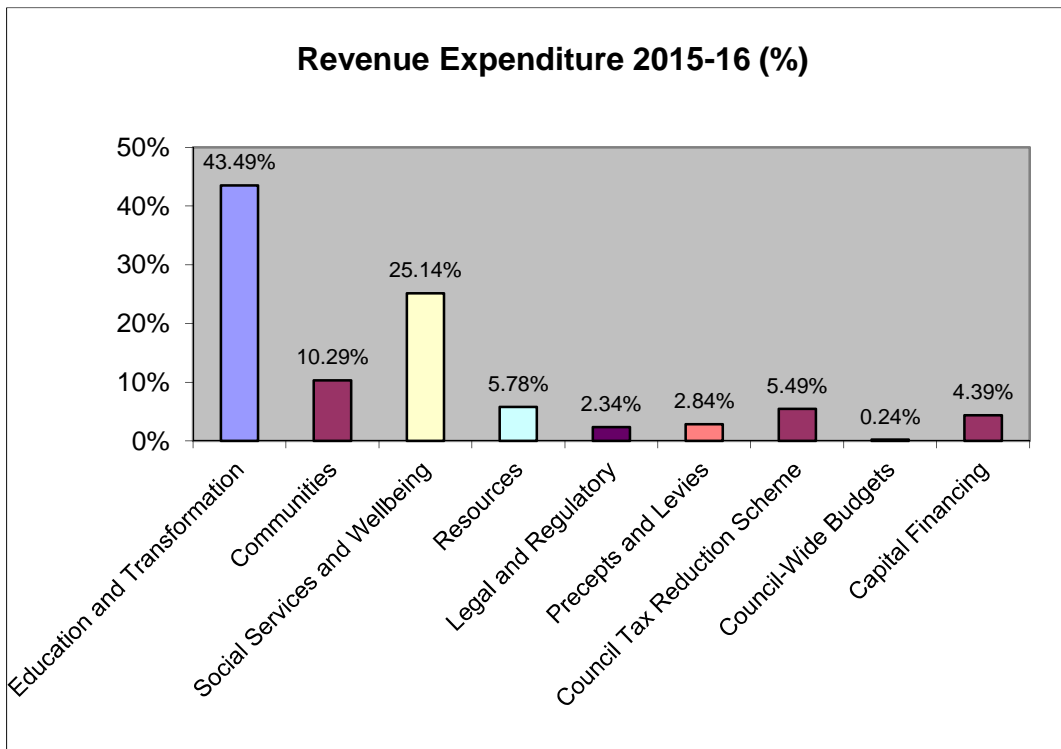
Capital expenditure covers spending on assets such as roads, new schools, redevelopment and the major renovation of buildings. These assets will provide benefits to the community for several years and the expenditure is mainly financed by borrowing and capital grants.

a) Revenue spending on council services

Where the money came from.....



Where the money was spent.....



In 2015-16, the net spend on revenue services was £211.523 million. This compares to £213.162 million anticipated when the budget was revised, resulting in a £1.639 million under-spend on Directorate Budgets. It is important to note that due to moves of services between Directorates year-on-year comparisons can not be made. The overall position for the Council was a

slight under-spend of £154,000 after allowing for appropriations to and from Earmarked Reserves, additional income from Council Tax and an under-spend on council-wide budgets.

The following table shows how the actual expenditure on services during 2015-16 compared with the budget set for the year. Explanations are provided for significant differences between spend and budget.

Comparison of actual spend with budget 2015-16

	Original Budget 15-16 £'000	Budget Transfers In Year £'000	Revised Budget 15-16 £'000	Actual 15-16 £'000	Variance 15-16 £'000
Directorates					
Education and Transformation	105,775	220	105,995	105,667	(328)
Communities	24,913	315	25,228	25,014	(214)
Social Services and Wellbeing	62,056	(771)	61,285	61,099	(186)
Resources	14,672	(100)	14,572	14,058	(514)
Legal & Regulatory Services	6,053	29	6,082	5,685	(397)
Total Directorate Budgets	213,469	(307)	213,162	211,523	(1,639)
Precepts & Levies	6,928	(16)	6,912	6,902	(10)
General Contingencies	5,732	(863)	4,869	3,728	(1,141)
Council Tax Reduction Scheme	14,254	(385)	13,869	13,348	(521)
Insurance Premiums	1,637	(3)	1,634	1,602	(32)
Capital Financing	10,315	57	10,372	10,660	288
General Government Grants	(1,400)	-	(1,400)	(1,400)	-
NNDR Discretionary Rate Relief	111	27	138	134	(4)
Net Expenditure	251,046	(1,490)	249,556	246,497	(3,059)
Appropriation (from) Reserves	-	-	-	(3,786)	(3,786)
Appropriation to PFI Reserve	299	-	299	299	-
Appropriation to Reserves	857	1,490	2,347	10,790	8,443
Net Budget	252,202		252,202	253,800	1,598
Revenue Support Grant	(148,002)	-	(148,002)	(148,002)	-
Non Domestic Rates	(40,408)	-	(40,408)	(40,408)	-
Council Tax	(63,792)	-	(63,792)	(65,544)	(1,752)
Net (Under)/Overspend on Services	-	-	-	(154)	(154)

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. The transfer of budget to reserves was as a result of budget monitoring throughout the year. At the half year position, an under spend on corporate budgets of £775,000 was identified and transferred to earmarked reserves to support the Council's Capital Programme and a further amount of £750,000 was transferred at quarter 3 offset by other smaller budget virements on reserves.

Reasons for differences between budget and spend

The financial position as at 31 March 2016 showed an under-spend on service expenditure within the year of £1.639 million and overall a balanced budget. A summary of the most significant variances is outlined below:-

Education and Transformation Directorate

The net budget for the Directorate for 2015-16 was £105.995 million and the actual outturn was £105.667 million, resulting in an under spend of £328,000. There was £333,000 drawn down from earmarked reserves during the year for specific pressures, including £256,000 draw down of school balances and £45,000 for demolitions.

The most significant variances are detailed below:

EDUCATION & TRANSFORMATION DIRECTORATE	Net Budget	Actual Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Inclusion	3,570	2,639	(931)	-26.1%
Youth Service	422	326	(96)	-22.7%
School Improvement	785	861	76	9.7%
Home to School / College Transport	4,310	4,648	338	7.8%
Dismissal / Retirement Costs	983	1,403	420	42.7%

Inclusion

- The LEA Special Needs budget under spent by £107,000 due to strict vacancy management pending budget reductions in 2016-17.
- The Schools Special Needs budget under spent by £218,000 primarily as a result of vacancy management (£168,000), and reduced spend on one-to-one support due to difficulties in recruiting staff.
- There was an under spend of £493,000 on the budget for out of county education placements due to a reduction in the number and cost of placements (28 external placements compared with 32 in March 2015) with Recoupment income also exceeding budget by £113,000.

Youth Service

- There was an under spend on the Youth Service budget which was as a result of an under spend on staffing of £29,000 and additional grant income received in year of £52,000.

School Improvement

- There is an over spend on the School Improvement budget of £76,000 as a result of additional support provided by the Corporate Director to schools in difficulty and facing challenges, including additional teaching support and resources. In particular a considerable financial investment was required to support Year 11 pupils in Coleg Cymunedol Y Dderwen to ensure that they had the best opportunity to be successful in this summer's GCSEs.

Home to School / College Transport

- There is an over spend of £338,000 on Home to School / College transport as savings due to further retendering of contracts were less than anticipated. In addition, the 2015-16 MTFS savings have not been fully achieved partly due to the limited rationalisation of contracts because of increases in the number of pupils eligible for transport. Route efficiencies have not been fully realised as the agreed change to the Learner Travel policy by Cabinet will not now be implemented until September 2016 and this will not bring the same level of savings as were originally identified. Further efficiencies to SEN and Looked After Children (LAC) transport have been ongoing but have been impacted by some increased demand for individual transport due to the needs of individual children and our duty as a Local Authority to ensure that they are transported in line with our statutory responsibilities and our current Learner Travel policy.

Dismissal / Retirement Costs

- The over spend of £420,000 relates to an increased number of school redundancies and early retirements in 2015-16, as a result of falling school rolls, or pressure on school budgets, which have been approved by the Corporate Director. An earmarked reserve was established at the end of 2014-15 to meet any additional costs above budget, but this has not been drawn down due to the Directorate's overall under spend.

Schools' Delegated Budgets

- School balances reduced from £2.410 million at the end of March 2015 to £2.154 million at the end of March 2016 (a reduction of £256,000), representing 2.36% of the funding available. Total deficit budgets equate to £621,000 and total surplus budgets equate to £2.775 million.
- There are 6 schools (3 primary, 3 secondary) with deficit budgets and 14 schools (11 primary, 2 secondary, 1 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, in line with the agreed 'Guidance and procedures on managing surplus school balances'.

Social Services and Wellbeing Directorate

The Directorate's net budget for 2015-16 was £61.285 million and the actual outturn was £61.099 million resulting in an under spend of £186,000. This is made up of an under spend of £649,000 on Adult Social Care, an over spend of £29,000 on Sport, Play and Active Wellbeing services and an over spend of £434,000 on Safeguarding and Family Support. There was £244,000 drawn down from earmarked reserves throughout the year for specific pressures, including £117,000 for the Adult Social Care Change Team, £26,000 towards the LAC strategy and £34,000 for residual Job Evaluation costs.

The most significant variances are detailed below:

SOCIAL SERVICES AND WELLBEING DIRECTORATE	Net Budget	Actual Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Older People Residential Care	8,261	7,607	(654)	-7.9%
Older People Home Care	7,941	8,177	236	3.0%
Learning Disabilities Residential Care	1,487	1,595	108	7.3%
Learning Disabilities Day Opportunities	3,238	3,067	(171)	-5.3%
Administrative and Central Services	606	808	202	33.3%
Looked After Children	10,923	11,420	497	4.6%
Family Support Services	978	795	(183)	-18.7%
Commissioning and Social Work	4,364	4,559	195	4.5%

Older People Residential Care

- A net under spend of £654,000 is a result of increased income from client contributions and for respite care and reductions in nursing placements (£236,000) and running costs (£50,000). A significant increase in income from previous forecast is due to deferred fee income in relation to income secured against clients' property. This income is currently drawn down at year end but will be drawn down and monitored quarterly in 2016-17.

Older People Home Care

- The over spend is due to the increased demand for homecare hours, which are higher than those forecasted by the service. This is as expected as the increased demand is being managed by supporting people within the community rather than through residential care. The Directorate is in the process of remodelling the homecare service with a view to retaining only critical and complex care internally and transferring other care to independent providers.

Learning Disabilities Residential Care

- An over spend of £108,000 has arisen as a result of the continued provision of an increase in the number of residential placements. These placements will continue into the new financial year. The Directorate will monitor this pressure during 2016-17 and re-align budgets where possible.

Learning Disabilities Day Opportunities

- There is an under spend of £171,000 on the day opportunities budget as a consequence of staff vacancies within the service, part of which was held in anticipation of budget reductions in 2016-17. The under spend on these posts will not reoccur in 2016-17.

Administrative and Central Services

- The Directorate is carrying a budget pressure from some unrealised 2015-16 budget reductions. Whilst these have been mitigated by additional savings generated elsewhere in the 2015-16 budget, the Directorate will re-align budgets in 2016-17 where possible to ensure the over spend does not reoccur.

Looked After Children (LAC)

- The number of LAC at 31st March 2016 was 382 compared to 390 at the end of March 2015. However there still remains a budget pressure within

this area. There is a £115,000 over spend on out of county residential care based on 12 active placements. In addition, there was a £110,000 over spend on independent fostering placements. There was also a £185,000 over spend against in-house residential and respite provision, related to MTFs efficiencies. The Directorate is working closely with Early Help and Intervention in developing a joint plan.

Family Support Services

- There is an under spend of £183,000, mainly as a result of under-utilised direct payments (£106,000), which have been re-claimed, and partly due to under spends on salary budgets and residence orders, both of which have reduced in total from those granted in 2014-15. In terms of direct payments, the service has recently re-tendered for a direct payment support provider with the intention of increasing the number of direct payments and therefore fully utilise direct payment budgets. The new provider, Avanta, will take over in July 2016.

Commissioning & Social Work

- There is an over spend of £195,000 due to the use of agency staff across the service.

Communities Directorate

The net budget for the Directorate for 2015-16 was £25.228 million and the actual outturn is £25.014 million resulting in an under spend of £214,000. There was £727,000 drawn down from earmarked reserves for specific pressures, including £135,000 for the establishment of the Awen Trust, £120,000 for waste management procurement, £124,000 for highways works and £86,000 in respect of lost car parking income following the closure of the Rhiw Car Park.

The most significant variances are detailed below:

COMMUNITIES DIRECTORATE	Net Budget	Actual Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Development	334	265	(69)	-20.7%
Housing and Community Regeneration	1,341	949	(392)	-29.2%
Regeneration	1,780	1,700	(80)	-4.5%
Streetworks	7,899	7,936	37	0.5%
Highways and Fleet	6,273	6,438	165	2.6%
Transport and Engineering	881	898	17	1.9%
Parks and Open Spaces	2,105	2,329	224	10.6%
Culture	3,449	3,365	(84)	-2.4%

Development

- There is an under spend on the Development budget of £69,000. This is mainly due to increased income (£30,000) and staff vacancy management (£22,000) in Development Control, and staff vacancy management (£15,000) in Development Planning, both offsetting an under-recovery of fee income in Development Technical Support (£12,000).

Housing and Community Regeneration

- There is an under spend of £392,000 on the Housing and Community Regeneration service. This mainly comprises an under spend of £250,000 relating to the ongoing improved management of demand for temporary accommodation. The introduction of Ty Ogwr and Cornerstone (providers of housing related support funded through Supporting People Grant) has seen the under spend on this service area increase during 2015-16 as they accommodate those that previously might have been in B&B settings.
- In addition there are under spends of £50,000 as a result of core funded staff working on grant funded projects during 2015-16, an additional £35,000 of savings across the service which will contribute towards the MTFS for housing in 2016-17, and a £44,000 under spend relating to other budget headings.

Regeneration

- There is an under spend of £80,000 on the Regeneration budget. This is mainly a combination of staff vacancy management (£50,000) and a delay in the implementation of broadband at the Kenfig Nature Reserve that had been planned for 2015-16 (£11,000).

Streetworks

- Included in this budget heading is an over spend on the waste disposal budget (£275,000). This is mainly as a result of increased waste disposal costs arising from a higher than predicted tonnage of black bag waste presented at the kerbside for disposal by residents of the County Borough, along with the delay in the procurement process to appoint a contractor to operate and manage the MREC (£416,000). This has been partly offset by savings from an interim Anaerobic Digestion procurement project (£150,000).
- There has been an under spend on waste collection costs (£119,000) which has mainly been achieved from the closure of the Penllwyngwent HWRC site.
- Other budgets areas (Enforcement/Other Cleaning /Bereavement Services) within Streetworks have also offset the over spend (£141,000) via a combination of staff vacancy management and increased income recovery.

Highways and Fleet

- There is an over spend on Highways maintenance of £212,000. This is mainly due to an over spend on Waterton depot costs (£30,000), a revenue contribution to the Inner By Pass Capital Scheme (£118,000), and higher than usual costs experienced for Highway damage charges (£50,000).
- Fleet services has over spent by £93,000 due to a downturn in income against budget. This has been offset by an under spend on Street lighting energy costs (£72,000) as a consequence of installing more energy efficient units.

Transport and Engineering

- The small net over spend of £17,000 masks a number of large under and over spends.
- There is a £320,000 over spend on the car park budget primarily as a result of the delay in the implementation of MTFS savings targets - charging for blue badges (£165,000) and increase in charges for staff passes (£60,000) - combined with historic staff car pass income shortfalls (£50,000).

- There is an over spend on maintenance at Bridgend Bus Station (£50,000).
- Traffic Management and Road Safety has over spent by £65,000. Of this, £20,000 is due to the shortfall on the MTFS saving relating to School Crossing Patrols (SCPs), due to the decision taken not to remove all SCPs and implement savings in line with GB standards. The balance of the over spend is due to a shortfall in internal fee income (£30,000).
- Policy and Development has over spent by £125,000. This consists of a £50,000 shortfall in fee income, a £15,000 over spend on transport studies and a £60,000 over spend on staffing costs following the use of agency staff to fill vacancies prior to a staff restructure.
- The over spends identified have been offset by Engineering services exceeding their income target (£310,000) primarily due to the proportion of EU/non-EU funded projects that they have worked on compared with previous years, and consequent ability to charge full costs. There has also been an under spend within Transport Co-ordination due to staff vacancy management (£180,000). The staff vacancy management will contribute to the 2016-17 MTFS budget reduction targets.

Parks and Open Spaces

- This service area had a £437,000 savings target for 2015-16. There was a delay in the implementation of the staffing restructure which has led to an over spend of £207,000. The restructure has now been implemented and will be met in full in 2016-17.

Culture

- There has been an under spend under Cultural Services of £84,000. This mainly relates to staff vacancy management under Adult Community Learning (£60,000).

Resources Directorate

The net budget for the Directorate for 2015-16 was £14.572 million and the actual outturn was £14.058 million resulting in an under spend of £514,000. There was £338,000 million drawn down from earmarked reserves during the year for specific pressures, including £143,000 for demolition costs, £135,000 feasibility funding for capital schemes and £44,000 for schemes funded from the Change Fund.

The most significant variances are detailed below:

RESOURCES DIRECTORATE	Net Budget	Actual Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Property (Estates)	1,776	1,722	(54)	-3.0%
HR	3,932	3,899	(33)	-0.8%
ICT	4,068	3,668	(400)	-9.8%
Finance	1,659	1,564	(95)	-5.7%
Housing Benefit	478	746	268	56.1%
Audit Fees	887	756	(131)	-14.8%

Property Services

- An under spend on Facilities Management of £280,000 has arisen primarily as a result of reduced business rates and running costs on Council premises. This has been partly offset by an over spend relating to voids on non-operational assets (£100,000), and additional costs incurred on the 21st Century Schools programme that were not eligible to be funded from capital (£90,000).

Human Resources

- The net under spend of £33,000 has arisen mainly as a result of an under spend on Disclosure and Barring Service (DBS) checks (£65,000), offset by additional costs associated with staff counselling and occupational health (£30,000).

ICT

- The net under spend of £400,000 has arisen as a result of under spends on software and from staffing vacancies in anticipation of future years budget reductions. This under spend was intended to finance the revenue costs associated with implementing agile working and the move from Raven's Court. However, due to the delay in this project, this funding remains unspent in 2015-16 and an earmarked reserve has been established to meet the costs in 2016-17.

Finance

- The net under spend of £95,000 in relation to accountancy services arose following restructuring of the service during 2015 to meet budget reductions for 2015-16 and 2016-17 and is a combination of reduced staffing costs and additional income generation from agreed charges for services.

Housing Benefit

- The net over spend of £268,000 comprises an over spend of £522,000 on payments of housing benefit, partly offset by an under spend of £254,000 on the administration of housing benefit claims. The over spend has partly arisen due to an increase in bad debt provision following work undertaken by the Inland Revenue to identify people who are working and claiming housing benefit, and the subsequent increase in the level of debtors. The under spend is mainly due to the transfer of fraud activity to DWP and savings generated as a consequence.

Audit Fees

- The under spend of £131,000 comprises an under spend of £55,000 on internal audit fees, as a result of staffing vacancies, and £85,000 relating to reduced external audit fees. This is partly offset by lower income from the recharge of bank charges, in particular CHAPS fees.

Legal and Regulatory Services Directorate

The net budget for the Directorate for 2015-16 was £6.082 million and the actual outturn was £5.685 million resulting in an under spend of £397,000. There was £359,000 drawn down from earmarked reserves during the year for specific pressures, including £295,000 for redundancy costs on establishment of the Shared Regulatory Service and smaller schemes funded from the Change Fund.

The most significant variances are detailed below:

LEGAL AND REGULATORY SERVICES DIRECTORATE	Net Budget	Actual Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Legal Services	2,253	2,010	(243)	-10.8%
Democratic Services	1,561	1,521	(40)	-2.6%
Procurement	284	219	(65)	-22.9%
Partnerships	353	314	(39)	-11.0%

Legal Services

- The under spend on Legal Services is mainly a combination of additional income from the Registrar's service of £60,000, staffing vacancies and recovery of fees for legal services.

Democratic Services

- The under spend is a combination of small under spends on member and officer salaries, resources and training.

Procurement

- The under spend relates to vacancy management in preparation for future MTFS budget reductions. These under spends will not reoccur in 2016-17.

Partnerships

- The under spend on partnerships and performance management relates to vacancy management in preparation for future MTFS budget reductions. These under spends will not reoccur in 2016-17.

Council Wide Budgets

This section of the accounts includes budgets, provisions and services which are council wide, and not managed by an individual Directorate. This includes capital financing and insurance premiums. The revised net budget for council wide services and budgets was £36.394 million and the actual outturn was £34.975 million, resulting in an under spend of £1.420 million.

The most significant variances are detailed below:

CORPORATE BUDGETS	Net Budget	Actual Outturn	Variance Over/(under) budget	% Variance
	£'000	£'000	£'000	
Capital Financing	10,372	10,660	288	2.8%
Council Tax Reduction Scheme	13,869	13,348	(521)	-3.8%
Insurance Premiums	1,634	1,602	(32)	-2.0%
Other Corporate Budgets	10,519	9,364	(1,155)	-11.0%

Capital Financing

- The net over spend of £288,000 is mainly as a result of the repayment of additional premiums to reduce future financing costs, which were partly met

from the draw down of earmarked reserves and partly offset by reduced capital financing costs generally.

Council Tax Reduction Scheme

- The under spend of £521,000 is a result of lower demand than forecast for the Council Tax Reduction Scheme. This is a demand led budget which is based on full take up. Budget reduction proposals of £300,000 in both 2016-17 and 2017-18 are built into the MTFS so this level of under spend is not expected to reoccur.

Other Corporate Budgets

- A net under spend of £1.420 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 and software costs;
 - Lower inflation rates generally;
 - Lower demand on price pressures than anticipated;

This under spend has enabled a number of new corporate earmarked reserves to be established to meet pressures in 2016-17, including contributions to the capital reserve, to support the capital programme and funding of demolition works, to avoid costs associated with vacant premises.

The under spend on Directorate budgets has also enabled a number of new Directorate earmarked reserves to be established, to meet service specific pressures that are anticipated to arise in 2016-17, many of which were originally planned to be undertaken in 2015-16.

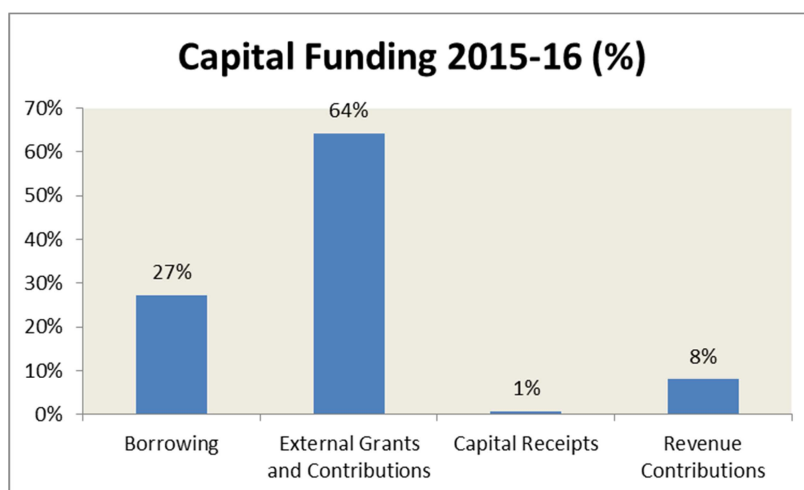
As reported in the MTFS in March 2016, the under spend on accrued council tax income has been transferred into the service reconfiguration reserve to support the cost of transformation programmes, such as the Digital Transformation and Extra Care schemes.

b) Capital spending in 2015-16

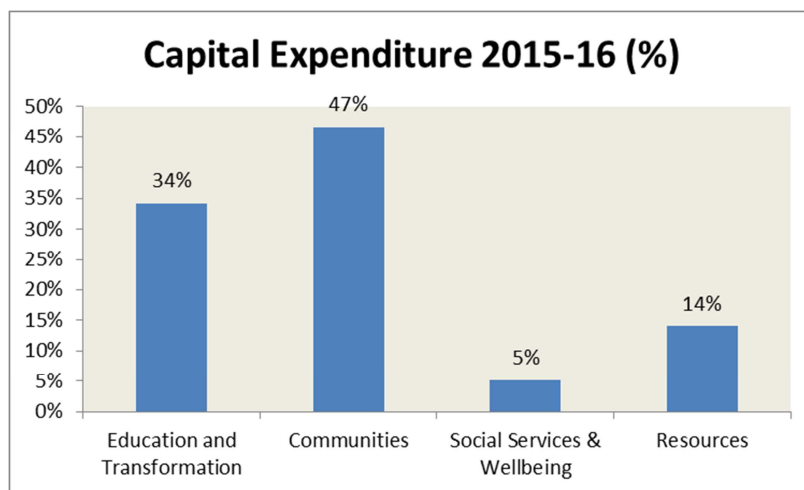
In addition to spending money on providing services on a day to day basis, the Council also spends money on providing new facilities, improving assets and the infrastructure, enhancing assets or providing capital grants to others. The total capital spending in 2015-16 was £26.047 million. Assets created, improved or under development as a result of this spend included:

- Vibrant and Viable developments – replacement of car park and new residential and retail accommodation at The Rhiw
- All Wales Community Care Information System
- Parc Derwen Primary School
- Developments at the former Ogmore Comprehensive School
- Celtic Court Refurbishment
- 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 has 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:-

	2015-16 £m
Authorised limit for external debt	
Borrowing	140
Other long term liabilities	30
Total	170
Operational Boundary	
Borrowing	105
Other long term liabilities	25
Total	130

As can be seen from the Balance Sheet as at 31 March 2016 long term borrowing totalled £97.434 million (£97.444 million 2014-15) and long term liabilities totalled £21.759 million (£20.847 million 2014-15) 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 2016 can be summarised as follows:-

Opening Balance 2014-15 £'000	Movement 2014-15 £'000	Closing Balance 2014-15 £'000	Reserve	Drawdown 2015-16	Additions 2015-16	Closing Balance 2015-16 £'000
7,395	55	7,450	Council Fund Balance		154	7,604
2,467	(57)	2,410	Delegated Schools Balance	(256)		2,154
3,051	356	3,407	Maesteg School PFI Equalisation		299	3,706
32,381	3,256	35,637	Earmarked Reserves	(11,316)	10,990	35,311
45,294	3,610	48,904		(11,572)	11,443	48,775

The Delegated Schools Balances represent amounts held by schools that are committed to be spent on schools and are not available to the Council for general use. Whilst the majority of schools have surplus balances, some are carrying deficits into 2016-17. In line with the the School Funding (Wales) Regulations 2010, and 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 31b 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 2016. 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 2015-16 is £245.270 million (£273.010 million in 2014-15), a reduction of £27.74m. 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 2015-16 compared to 2014-15

The Council's accounts for the financial year 2015-16 have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 ('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 Narrative Report, the main change is the introduction of IFRS13 and this has been reflected in the production of the Statement of Accounts for 2015-16

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 and be maintained at a minimum level of £7 million, with a planned rise in line with the Council's Medium Term Financial Strategy of 2.7% of Gross Revenue Expenditure by 2019-20. 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 Council that officer is the Head of Finance.
- 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 Council'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 2016 and of its income and expenditure for the year ended 31 March 2016.,

Signed :

Section 151 Officer : *KANDAL HEMINGWAY*

Date : *16/06/16*

Annual Governance Statement 2015-16**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 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 make appropriate use and prevent 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 2016. The description of the arrangements in place is built around the core principles set out in the Council's Code of Corporate Governance. During 2015-16 a review of the Council's Code of Corporate Governance was undertaken by Internal Audit. The finding of the internal audit was that the Council had embedded corporate governance into all aspects of its key functions.

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 reviewed and published its Corporate Plan 2013-2017, including the Improvement Priorities, for 2015-16. The priorities were aligned with the key outcomes of the Local Service Board's 'Bridgend County Together' Single Integrated Partnership Plan. This ensured that the Council delivered on the commitments made with partner organisations. The Plan also took 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 included 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 gave direction for Directorate Business Plans. Arrangements were in place for progress against the improvement priorities to be reviewed on a quarterly basis. The Corporate Plan identified a number of outcome-focused success indicators, some of which were benchmarking measures. All of the indicators included in the Plan were aimed at measuring the success of our joined up working with citizens and partners.

4.4 During the year, the Council developed a revised set of corporate priorities and a new corporate plan for 2016-2020, taking account of the significant challenges ahead of our communities – not least the increasing demands made on many of our services against the background of a shrinking budget. The new plan sets out how the Council is to change and what its focus will be over the next four years. The three corporate priorities are as follows:

- Supporting a successful economy
 - Helping people to become more self-reliant
 - Smarter use of resources
- 4.5 Alongside the corporate plan, the Council approved a Medium Term Financial Strategy (MTFS) for the period 2016-17 to 2019-20. This provides an integrated planning and financial framework for the next four years, including 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 new priorities. Quarterly budget monitoring reports are submitted to Cabinet and to Scrutiny Committee, with the Corporate Resources and Improvement Scrutiny Committee nominated as the lead Scrutiny Committee.
- 4.6 The Council has a range of projects and 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 Transformation Management Programme including:
- School modernisation programme;
 - Remodelling Adult Social Care;
 - Remodelling Childrens Social Services;
 - Successful Economy Programme;
 - Strategic Review of the School Curriculum and Estate;
 - Third Sector Programme;
 - Digital Transformation programme;
 - Rationalising the Estate programme;
 - Corporate Procurement Review; and
 - Strategic collaboration projects e.g. City Deal.
- 4.7 The Auditor General's latest Annual Improvement Report on the Council was received in September 2015. The overall conclusion was that the Council continued to make progress in delivering improvements in its priority areas and recognised the need to support improvement of children's services, and that its forward planning arrangements and track record suggested it was well placed to secure improvement in 2015-16. The Auditor General did not make any statutory recommendations, but made 13 specific proposals for improvement. Those proposals have been considered and actions have been or are being taken to tackle those areas where improvement should be made.
- 4.8 The Auditor General carried out an audit of the Council's Improvement Plan for 2015-16 and certified in May 2015 that "the Council has discharged its duties under section 15(6) to (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties".
- 4.9 The Auditor General also audited the Council's assessment of its performance in 2014-15 in accordance with the Measure and his Code of Audit Practice and certified in November 2015 that the Council has discharged its duties under sections 15(2), (3), (8) and (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.
- 4.10 The Auditor General undertook a Corporate Assessment of the Council in 2015-16. The purpose of the assessment was to provide a position statement on the

authority's capacity and capability to deliver continuous improvement. The focus of the assessment was on the extent to which arrangements are helping to improve service performance and outcomes for citizens.

The assessment considered the authority's track record of performance and outcomes as well as examining the key arrangements necessary to underpin improvements in services and functions.

The auditors interviewed, met with, observed, and conducted online surveys of elected members, senior officers and frontline staff, both individually and collectively.

The outcome of the assessment is very positive. The Auditor General's overall conclusion is that *"the Council is developing appropriate plans for the future and subject to aligning ICT and human resource functions with the transformation programme, is well placed to secure improvement"*.

The Auditor General found no reason to make any formal recommendations, or conduct an inspection, or recommend that Ministers of Welsh Government intervene. He did, however, make eight proposals for improvement (including some of those included in the above mentioned AIR report). The Council has already taken initial actions to address five of the proposals, with action being taken to improve the remainder. The Council endeavours to make further improvement in all of the identified areas.

4.11 Other activities that demonstrate the Council's commitment to Principle 1 - **"Putting the Citizen First"**, included:

- Ongoing use of the Citizens' Panel and extensive public consultation and engagement activity undertaken with customers on various council services and policies and in particular on the new corporate priorities and budget reduction proposals;
- Delivery of the Council's Communications, Marketing and Engagement Strategy 2015-16; and
- Customer contact centre as focal point for customer engagement.

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 announces 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; and
 - 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 Corporate Director – Operational and Partnership 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, through its work programme, 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. Due to the resignation of the Corporate Director – Resources, changes to the management structure were proposed by the Chief Executive and were agreed by Council in April 2016.
- 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 was the Section 151 Officer appointed under the 1972 Local Government Act and carried overall responsibility for ensuring that the Council's financial management arrangements conformed 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. In April 2016, the post of Corporate Director was deleted from the management structure following the departure of the post holder. Functions and responsibilities of the role have been accommodated amongst the remaining members of the Corporate Management Board. The newly designated Head of Finance has assumed the Section 151 responsibilities previously undertaken by the Corporate Director – Resources, as agreed by Council. The newly appointed Section 151 Officer is a member of the Corporate Management Board on the same basis as other members of CMB.

- 5.9 The Corporate Director – Social Services and Wellbeing is statutory Director for Social Services, as defined by the Local Authority Social Services Act 1970, which outlines the six core responsibilities across all the Social Services functions, including ensuring that the Authority has proper safeguards to protect vulnerable children and adults.
- 5.10 The role of the Assistant Chief Executive was changed at Council to that of Corporate Director of Operational and Partnerships Services, acknowledging the scale and complexity of an increased portfolio of services. The post holder also continues to carry out the role of Monitoring Officer which holds overall responsibility for ensuring compliance with the law and his staff work closely with departments to advise on legal matters.
- 5.11 The Corporate Director – Education and Family Support (formerly Corporate Director – Education and Transformation, until April 2016) is the Chief Education Officer, as prescribed by the Education Act 1996 and statutory Director for Children and Young People, as defined by the Children Act 2004.
- 5.12 Following changes made in December 2014, the Corporate Director – Social Services and Wellbeing held line management responsibility for the social care functions for children and adults. This has enabled the new ways of working laid down by the Social Services and Wellbeing (Wales) Act 2014 to be embedded within the service. The CSSIW report of 2014-15, published in October 2015, recognises that these changes have created additional leadership capacity to meet the challenges ahead within social services.
- 5.13 The Council's Performance Management Framework, revised and adopted by Cabinet in June 2014, continues to guide the Council's integrated Corporate, business and financial planning and performance management processes and practice. The document clearly defines the Council's 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.
- 5.14 In his Corporate Assessment report, published in January 2016, the Auditor General for Wales noted that the Council has clarified roles and responsibilities and established effective arrangements for holding people to account. He also found that Cabinet members and the Corporate Management Board were working closely

together to develop the options for the future role of the Council and to identify new opportunities for engaging with local communities.

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 In developing its new Corporate Plan for 2016-2020, the Council identified a new set of principles. These have been developed to help steer the Council to become the sort of organisation that it needs to be in order to meet new challenges:

- Wherever possible the Council will support communities and people to create their own solutions and reduce dependency on the Council.
- The Council will focus diminishing resources on communities and individuals with the greatest need.
- The Council will use good information from service users and communities to inform its decisions.
- The Council will encourage and develop capacity amongst the third sector to identify and respond to local need.
- The Council will not let uncertainty over the future of public services prevent meaningful and pragmatic collaboration with other public sector bodies.
- The Council will work as one Council and discourage different parts of the organisation from developing multiple processes or unnecessarily different approaches.
- The Council will transform the organisation and many of its services and in so doing will deliver financial budget reductions as well as improvements.

6.3 The Council has a clear and simple vision, that is, always to act as '**One Council working together to improve lives**'.

6.4 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.

6.5 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.

- 6.6 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.
- 6.7 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.
- 6.8 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.
- 6.9 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, and the Local

Service Board via the Single Integrated Partnership Plan (SIPP) entitled “Bridgend County Together”. 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 The 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 national and collaborative initiatives.

7.9 The Council has developed a robust approach to the management of risk. 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. Following a change made in 2014-15 the task of reviewing the risk register was carried out by the Senior Management Team (SMT). SMT 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 2015-16 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.
Using resources effectively	The Council has to consider its resources very carefully and make difficult spending decisions. This will carry on over the next few years as the public finance outlook continues to be bleak. If there is a

Risk Description	Potential Impact
	shortfall in savings the Council might fail to achieve its MTFS This could necessitate the unplanned use of reserves to bridge the funding gap or unplanned cuts to services which put vulnerable people at risk.
Local Government Reorganisation	Delivering the transformative change required to make MTFS savings, at a time when demand for some services is up, is already challenging. Without specific funding Local Government Reorganisation will add to these cost pressures and mean that larger savings will be required to balance the budget. This will make it harder to provide good quality public services.
Supporting vulnerable people,	Failure to remodel services will restrict the council's ability to safeguard people and respond to assessed needs as set out in the Social Services Act. It will also result in longer stays in hospital, greater need for expensive treatment and vulnerable people leading less fulfilled lives.
School Modernisation	Insufficient progress may have a negative impact on pupils' learning and wellbeing.
The economic climate and austerity	There could be further job losses and business failures within the local economy. Town centres will continue to suffer without regeneration because they will be less attractive places to visit and unable to compete with neighbouring centres.
Supporting vulnerable children, young people and their families	The wellbeing and safety of children may be compromised. They may be unable to thrive and make the best use of their talents.
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.
Healthy lifestyles	Unhealthy lifestyles have many affects including shortened life expectancy, worse emotional health and a loss of independence. High rates of obesity results in significant costs to the economy, health and social 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.
Equal pay claims	The result of the Abdulla case means that there is a risk of further equal pay claims

Risk Description	Potential Impact
	against the Council.
The impact of homelessness	Homelessness can lead to increased stress, depression and isolation. The use of bed and breakfast accommodation results in high costs both in terms of finance for the Council and the wellbeing of individuals.
Collaboration with partners	If the Council fails to collaborate successfully with partners some of the most vulnerable people in the community will not have their needs met.
Educational attainment	There are risks to the emotional wellbeing of young people, their future employment prospects, the local economy and a range of Council services if young people leave education ill-equipped for employment.

7.11 In April 2015 SMT received a report on Health and Safety gap analysis. It was decided that the risk should be escalated to the corporate risk register. The risk describes the Council's duties and identifies that there are areas where there can be improvement in some health and safety arrangements.

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 –Section 151 Officer 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 Committee. 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 and the Public Sector Equality Duty. It published its Strategic Equality Plan 2016-2020 on 1 April 2016. The plan outlines the Council's approach to ensuring equality of opportunity for customers, citizens, residents and visitors and seeks to ensure that Bridgend County Borough is a fair and welcoming place to be. The plan has been written based on what we know about our services and on the views and needs of Bridgend County Borough citizens and the people who use them. The council has a duty to publish Strategic Equality Plan annual reports with the most recent going to Cabinet Equalities Committee in January 2016. The annual reports review and reflect on previous work and outline 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. Updates are provided to the Cabinet Equalities Committee and to the

Bridgend Equality Forum. Committee and Council reports requiring a policy decision are supported by equality impact assessments.

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 While undertaking his Corporate Assessment of Bridgend County Borough Council, the Auditor General for Wales found that Elected Members of the Council benefitted from a range of opportunities that equipped them with the skills they needed to discharge their roles effectively.
- 8.4 The Council's appraisal process enables individuals to understand how they contribute to achieving the aims of the Council. Appraisals give individuals and their manager an opportunity to review performance, agree personal objectives and learning and development requirements, which will help to achieve personal objectives and learning and development requirements, which will help to achieve those objectives. Appraisals take place between January and June each year and targets are linked to service priorities reflected in annual business plans. There is also a Six Month Appraisal Review which identifies progress on targets or any additional objectives that need to be included.
- 8.5 The appraisal process also incorporates management competencies that reflect the types of behaviours the Council wishes to promote and develop. These help to foster an understanding of expectations and support the identification of learning and development needs and performance management arrangements. The Appraisal system is an important part of the Council's Performance Management Framework.
- 8.6 The Member Development Programme is regularly reviewed by the Democratic Services Committee to ensure that any training activities are appropriate, relevant and timely.
- 8.7 In 2015-16 a cross party group of 3 Elected Members participated in the 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. The Academy also supported the personal development of these Members and promoted collaborative working across Wales.

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 and using their feedback to help shape our services and policies. The Council has a consultation and engagement toolkit in place to help managers to ensure consultation activities are robust as well as following Participation Cymru's National Principles for Public Engagement in Wales that have been adopted by the council. The Council's planning and decision-making processes are designed to include consultation with stakeholders. The Council's Communications, Marketing and Engagement Strategy provides a framework for engagement activities, which are undertaken by the Council.

9.2 The Council has a Citizens' Panel made up of people aged 16 or over 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.

9.3 During 2015-16, the Council consulted on a wide range of issues including the following (this list is not exhaustive):

- Shaping Bridgend's Future (Corporate Priorities and MTFS review);
- Blue badge parking;
- Active travel 2015;
- Household waste and recycling review;
- Various schools proposals.

The Shaping Bridgend's Future consultation included 15 community engagement events 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 over the whole MTFS period.

The Council is also using social media to promote its services and engage with the public, holding regular Q&A sessions/debates as part of consultation exercises to capture citizen's feedback. This has been successfully implemented as part of the "household waste and recycling review" and the "Shaping Bridgend's Future" consultations.

9.4 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.

9.5 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. The Council has also implemented a webcasting facility which provides live streaming and an archive facility for those meetings which are considered to be of key public interest.

9.6 The Local Service Board (now the Public Service Board) 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. The members of the LSB during the year were:

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

During 2015-16, the LSB consulted widely with children, young people and local citizens. The purpose of the consultation was to find out why residents in some areas felt more unsafe and disengaged from their communities and service delivery than others and then to work with those communities to develop activities and inform service delivery to address this. Every secondary school age student in the borough was given the opportunity to take part through their ICT lessons. Over 3000 students responded. The survey helped identify two communities in Bridgend County who felt most disengaged. Further consultation with these two communities is underway.

Citizen involvement will continue to be a key feature of the work of the Public Services Board which was developed during the year and established on 1 April 2016.

- 9.7 The Wellbeing of Future Generations (Wales) 2015 Act (Act) gained royal assent on 29 April 2015. The Act establishes Public Services Boards in each local authority, which replaced Local Service Boards from 1 April 2016.

The four statutory members of Bridgend Public Services Board are:

- Bridgend County Borough Council
- Abertawe Bro Morgannwg University Health Board
- South Wales Fire and Rescue Authority
- Natural Resources Wales

- 9.8 In the first year the main focus of the PSB will be the statutory requirement to publish the Assessment of Local Wellbeing by April 2017. The PSB will also be responsible for implementing Bridgend County Together, the Single Integrated Partnership Plan for Bridgend, until it publishes its Wellbeing Plan in April 2018.

- 9.9 In the Medium Term Financial Strategy 2016-17 to 2019-20, over 10% of budget reductions identified over the 4 year period were identified as coming from collaboration and service transformation. Council had recently agreed that collaboration 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 Overview and 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 Chairpersons liaise with each other ensure the effective scrutiny of collaborative collaboration topics to ensure that work programmes are co-ordinated to prevent duplication.
- 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 February 2016, all Elected Members were offered training on Treasury Management to assist them in scrutinising the Annual Treasury Management Strategy of the Council. The effectiveness of member training was recognised by the most recent Estyn Inspection which noted 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 The Council has adopted the WLGA model of role descriptions for all committee Member and Chairpersons including the Audit Committee. These have been adapted to reflect the specific roles undertaken in the Council. The role descriptions form part of Personal Development Review Process which enables 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 (including to the review of budget proposals); they undertake reviews of specific areas of Council operations and make recommendations to Cabinet for improvement.
- 10.7 Internal Audit also provides independent and objective assurance. It undertakes a continuous audit of Council services that 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 2015-16, in carrying out its duties, Internal Audit worked 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. The Council's External Auditors have recently undertaken a desk top assessment of compliance and have verbally reported that the Internal Audit Shared Service is compliant. It is planned that, in accordance with the Standards and during 2016-17 the Shared Service will undergo an external assessment, which has been agreed by the Council's Audit Committee.
- 10.8 Internal Audit completed a programme of reviews in accordance with the Annual Audit Plan for 2015-16. As part of the normal audit reporting process, recommendations were made and agreed with the relevant chief officers to address any issues that could impact upon the system of internal control. . The internal audit arrangement 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 Based on the internal audit work carried out for the year, the Head of Internal Audit concluded that the Council's framework of governance, risk management and control is considered to be reasonable and that "there are no significant cross cutting internal control weaknesses identified which would have an impact on the Council's Annual Governance Statement". She did, however, specify some weaknesses and made a total of 58 recommendations, of which management has given written assurance that all of these will be implemented.
- 10.10 The Head of Internal Audit has found that 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 six years. In 2015-16, 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. During 2015-16 the Council was subject to two significant pieces of assessment work both of which were undertaken on behalf of the Auditor General for Wales, the Financial Resilience Assessment and the Corporate Assessment.
- 10.12 The Financial Resilience Assessment was undertaken during May to October 2015 and focused on delivery of the 2014-15 savings plans and the 2015-16 financial planning period. The assessment considered whether the Council has appropriate arrangements in place to secure and maintain its financial resilience in the medium term (typically three to five years ahead). While there may be more certainty for the Council over an annual cycle, financial pressures impact beyond the current settlement period. When reaching their view, the auditors considered evidence of the Council's approach to managing its finances in the recent past and over the medium term. The work focused on answering the following question: Is Bridgend CBC managing budget reductions effectively to ensure financial resilience? Whilst also considering whether:
- financial planning arrangements effectively support financial resilience;
 - financial control effectively supports financial resilience; and
 - financial governance effectively supports financial resilience.

Overall the assessment concluded that "Whilst the Council faces significant financial challenges, its current arrangements for achieving financial resilience are sound".

- 10.13 The purpose of the Corporate Assessment was to provide a position statement of an improvement authority's capacity and capability to deliver continuous improvement. It also considered the authority's track record of performance and outcomes as well as examining the key arrangements that were necessary to underpin improvements in services and functions. The fieldwork focused on the extent to which arrangements were contributing to delivering improved service performance and outcomes for citizens. The corporate assessment sought to answer the following question, "Is the Council capable of delivering its priorities and improved outcomes for citizens?"

As a result of this work, the Auditor General has concluded that the Council is developing appropriate plans for the future and is well placed to secure improvement. The Auditor General came to this conclusion because the Council:

- is consulting on key strategic themes designed to improve its focus on priority activity for the future;
- has effective governance arrangements in place to support improvement and drive change;
- has performance management arrangements that are driving improvement in key service areas but the way in which performance evaluation is presented is inconsistent;
- strong financial and asset management arrangements are in place but the Council has not yet established a vision for the way in which human resource and ICT services will be delivered in the future and;
- collaborates across a wide range of activities and whilst it is able to identify improved outcomes from some activities it is not yet able to evaluate the impact of Local Service Board activity.

10.14 The Public Services Ombudsman for Wales reports on each council in Wales the number of complaints received and investigated. In August 2015 the Council received its Annual Letter for 2014-15. The letter noted a decrease in the number of complaints received, 33 in 2014-15 compared to 39 in 2013-14. The comparative figure for the local authority average was 42 for 2014-15 (40 for 2013-14). No investigations were commenced by the Ombudsman in 2014-15. The letter noted that whilst there had been a decrease in the number of complaints relating to Children's Social Services, there had been an increase in complaints relating to Adult Social Services. The Ombudsman issued one "upheld" report but there were no Quick Fixes or Voluntary Settlements recording during the year.

10.15 The Care and Social Services Inspectorate Wales (CSSIW) Annual Review for Bridgend 2014-15 concluded that the Council remained realistic about the challenges posed by the need to deliver improving services within the context of reducing financial resources. This has accelerated the drive to greater efficiency, improving strategic partnership working, more integrated services and a growing commitment to regional commissioning which aligns with the preparations for the new Social Services and Wellbeing (Wales) Act 2014. The review identified that, in January 2015, the Corporate Director – Social Service and Wellbeing assumed line management responsibility for children's social services and overall line management of children's safeguarding. In addition, the appointment of a new head of adult social care has provided additional leadership capacity for the council's challenges.

CSSIW report recognised that within adult social care the Council's remodelling and transformation programme continued to be the central foundation for strengthening the prevention and wellbeing agenda across Bridgend, and regionally across the Western Bay Health and Social Care Collaboration (Western Bay). A number of specific areas for follow up and improvement were identified in the body of this report. In relation to adult social services this included the ongoing implementation of the service changes in readiness for the Social Services and Wellbeing (Wales) Act and the progress made towards the implementation of the extra care model, as well as bringing the district nursing service into the integrated referral management centre.

The report also set out the progress that had been made within children's social services, primarily the reduction in the numbers of children looked after and introduction of safeguarding hubs. Areas for improvement included the improvement of review performance and outcomes, the redesign of looked after children provision for adolescents with complex needs and challenging behaviour, the monitoring of the re-referrals rate as well as monitoring the LAC reduction

Strategy. Strengthened political support was recognised, with the Council having two cabinet members for social services, one for children's and one for adults.

- 10.16 In October 2012, Estyn Inspection carried out a major inspection of the quality of education services for children and young people in Bridgend. The Report identified that the Council had more strengths than areas for improvement, but concluded that the Council fell into the category of follow-up activity. There were follow up visits in March and December 2014. Estyn concluded in its letter to the Council in January 2015 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".

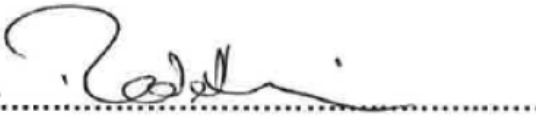
11. Significant Governance Issues

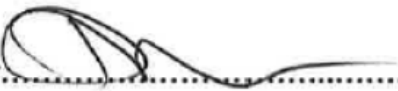
- 11.1 Across the whole of the United Kingdom, local councils are facing unprecedented challenges following reduced Government funding and increased demands on essential services. Between 2016-17 and 2019-20, the Council is expecting to have to make budget reductions of £35.5 million. Budget cuts of this scale present a significant challenge that will require the Council to make many difficult decisions about which services can be maintained and which cannot. It 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. As the Council continues to experience reduced resources, increased demands on services and new and innovative forms of delivery, it is necessary to ensure that the control environment, including governance and risk management, remains robust, proportionate and as efficient and effective as possible.
- 11.2 The Council remains unwavering in its commitment towards improving and finding ways of delivering local services, providing better outcomes for residents and achieving savings that will ensure they can deliver a succession of balanced budgets.
- 11.3 Based on the internal and external audit work completed for the year 2015-16 there are no significant cross cutting control issues that would impact on the Council's Annual Governance Statement. The weaknesses that have been identified are service specific and the recommendations made to improve the overall control environment have been accepted and are being / will be implemented.

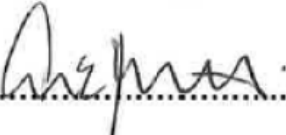
12. Certification of Annual Governance Statement

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** 16/06/16

Chief Executive Officer..........**Date** 16/06/16

Leader of the Council..........**Date** 16/06/16

Statement of Accounting Policies

1. General principles

The Statement of Accounts summarises the Council's transactions for the 2015-16 financial year and its position at the year end of 31 March 2016. 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) 2015-16 and the *Service Reporting Code of Practice* 2015-16 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 2015-16 (SeRCOP)*. For 2015-16, 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. Assets that are part-way through creation at year end and are not yet in a usable condition are classified as Assets Under Construction.

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 Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable together with any accrued interest and interest charged to the 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 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.

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.

A change to the treatment of trading operations transactions has required a Prior Period Adjustment to the Comprehensive Income and Expenditure Statement. There is no impact upon the 2014-15 Balance Sheet or Cash Flow Statement. The changes in policy are due to Code of Practice guidance that only significant trading operations need to be disclosed separately. None of the Council's trading operations are considered to be significant and all transactions are therefore now included in Net Cost of Services. This change to accounting policy results in a nil overall effect on Total Comprehensive Income and Expenditure.

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.

The Council instructed external valuers Cooke & Arkwright to provide valuations as at 31 December for all of the Council's investment portfolio in line with IFRS13. When the fair values of Investment Properties, Surplus Assets and Assets Held for Sale cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using the following valuation techniques:

Level 2 inputs: quoted prices for similar assets or liabilities in active markets at the valuation date

Level 3 inputs: valuations based on most recent valuations, adjusted to current valuation by the use of indexation and impairment review

The majority of the investment properties were valued at Level 2 inputs with a number valued at Level 3 inputs.

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 Council.



Core Financial Statements 2015-16

Movement in Reserves Statement For Years Ended 31 March 2015 & 2016

	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 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	(70,036)				(70,036)		(70,036)
Other Comprehensive (Expenditure) and Income					-	5,292	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 30)	(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
Movement in Reserves during 2015-16							
Balance at 31 March 2015 carried forward	7,450	41,454	14,534	153	63,591	31,109	94,700
Surplus or (deficit) on provision of services	(14,547)				(14,547)		(14,547)
Other Comprehensive (Expenditure) and Income					-	57,830	57,830
Total Comprehensive (Expenditure) and Income	(14,547)	-	-	-	(14,547)	57,830	43,283
Adjustments between accounting basis & funding basis under regulations (Note 4)	14,418		3,818	30	18,266	(18,266)	-
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(129)	-	3,818	30	3,719	39,564	43,283
Transfers to Earmarked Reserves (Note 31)	283	(283)	-	-	-	-	-
Increase/(Decrease) in 2015-16	154	(283)	3,818	30	3,719	39,564	43,283
Balance at 31 March 2016 carried forward	7,604	41,171	18,352	183	67,310	70,673	137,983

Comprehensive Income and Expenditure Statement 2015-16

2014-15				2015-16			Notes
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
222,432	(34,142)	188,290	Children's and Education Services	175,585	(32,841)	142,744	
61,353	(16,237)	45,116	Adult Social Care	58,639	(16,507)	42,132	
27,999	(9,446)	18,553	Highways, Roads and Transport Services	26,406	(9,555)	16,851	
58,704	(55,802)	2,902	Housing Services	61,999	(59,588)	2,411	
34,619	(7,936)	26,683	Central Services to the Public	34,597	(6,819)	27,778	
17,675	(3,028)	14,647	Cultural and Related Services	11,906	(2,118)	9,788	
22,397	(10,430)	11,967	Environmental and Regulatory Services	20,845	(9,032)	11,813	
15,340	(10,024)	5,316	Planning Services	12,674	(9,038)	3,636	
4,941	(417)	4,524	Corporate and Democratic Core	4,489	(362)	4,127	
560	-	560	Non-Distributed Costs	590	-	590	
466,020	(147,462)	318,558	Cost Of Services	407,730	(145,860)	261,870	
			Other Operating Expenditure				
11,199	-	11,199	Payments of precepts	11,944	-	11,944	5
6,894	-	6,894	Levies payable	6,823	-	6,823	5
718	-	718	(Gain) / loss on disposal of non current (fixed) assets	2,181	-	2,181	
18,811	-	18,811	Other Operating Expenditure	20,948	-	20,948	
			Financing and Investment Income and Expenditure				
4,577	-	4,577	Interest payable on debt	4,546	-	4,546	
167	-	167	Interest element of finance leases (lessee)	69	-	69	
1,471	-	1,471	Interest payable on PFI unitary payments	1,434	-	1,434	12
10,090	-	10,090	Net Interest on Net Defined Benefit Liability	8,450	-	8,450	36
-	(853)	(853)	Investment Interest & Other Interest Receivable	-	(903)	(903)	
-	(647)	(647)	Changes in fair value of investment properties (Gain) / loss on trading accounts (not applicable to a service)	-	(1,082)	(1,082)	6
16,305	(1,500)	14,805	Financing and Investment Income and Expenditure	14,499	(1,985)	12,514	
			Taxation and Non-Specific Grant Income				
	(150,943)	(150,943)	RSG		(148,002)	(148,002)	7
	(43,794)	(43,794)	NNDR		(40,274)	(40,274)	9
	(73,164)	(73,164)	Council Tax		(77,487)	(77,487)	10
	(12,825)	(12,825)	Recognised capital grants and contributions		(13,622)	(13,622)	8
	(1,412)	(1,412)	Non service related government grants		(1,400)	(1,400)	8
-	(282,138)	(282,138)	Taxation and Non-Specific Grant Income	-	(280,785)	(280,785)	
501,136	(431,100)	70,036	(Surplus) or Deficit on Provision of Services	443,177	(428,630)	14,547	
	(74,036)	(74,036)	(Surplus) or deficit on revaluation of Property, Plant and Equipment		(27,114)	(27,114)	
48,654		48,654	Impairment losses on non-current assets charged to the Revaluation reserve	3,614		3,614	
20,090		20,090	Actuarial (gains) / losses on pension liabilities	(34,330)		(34,330)	36
		(5,292)	Other Comprehensive (Income) and Expenditure			(57,830)	
		64,744	Total Comprehensive (Income) and Expenditure			(43,283)	

Balance Sheet for Years Ended 31 March 2015 and 2016

31 March 2015		31 March 2016	Notes
£'000		£'000	
	Property, Plant & Equipment		22
354,330	- other land and buildings	378,233	
7,927	- vehicles, plant, furniture and equipment	10,198	
83,373	- infrastructure	77,491	
4,808	- community assets	4,808	
15,848	- assets under construction	5,985	
9,767	- surplus assets not held for sale	8,256	
73	Heritage Assets	73	24
	Investment Property		
4,103	- Investment property	5,185	23
	Long Term Investments		
-	Long Term Investments	2,007	
	Long Term Debtors		
17	Housing Advances	12	25
261	Finance Leases	133	25
480,507	Long Term Assets	492,381	
	Short Term Investments		37
11,027	Short Term Investments	14,543	
7,478	Assets held for sale	4,035	27
463	Inventories	419	
29,272	Short Term Debtors	27,472	26
6,573	Cash and Cash Equivalents	7,182	
54,813	Current Assets	53,651	
	Short Term Borrowing		37
(879)	Short Term Borrowing	(960)	
(43,458)	Short Term Creditors	(37,302)	28
(44,337)	Current Liabilities	(38,262)	
	Provisions		29
(2,424)	Provisions	(3,480)	
(97,444)	Long Term Borrowing	(97,434)	37
	Other Long Term Liabilities		
(20,847)	PFI & Other Long Term Liabilities	(21,759)	30
(273,010)	Net pensions liability	(245,270)	32b
(2,558)	Capital Grants Receipts in Advance	(1,844)	
(396,283)	Long Term Liabilities	(369,787)	
94,700	Net Assets	137,983	
	Usable reserves		31
7,450	- Council Fund	7,604	
41,454	- Earmarked reserves	41,171	31b
14,534	- Capital Receipts Reserve	18,352	31a
153	- Capital Grants Unapplied	183	
	Unusable Reserves		32
115,916	- Revaluation Reserve	134,810	32a
(273,010)	- Pensions Reserve	(245,270)	32b
196,059	- Capital Adjustment Account	184,893	32c
(3,632)	- Financial Instruments Adjustment Account	(739)	32d
(4,224)	- Short-term Accumulating Compensated Absences Account	(3,021)	32e
94,700	Total Reserves	137,983	

Cash Flow Statement as at 31 March 2015 and 2016

2014-15 £'000		2015-16 £'000	Notes
70,036	Net (surplus) / deficit on the Provision of Services	14,547	
(96,271)	Adjustments to net deficit on the provision of services for non-cash movements	(29,018)	39
12,825	Adjustments for Items included in the net deficit on the provision of services that are investing and financing activities	13,623	
(13,410)	Net Cash Flows from Operating Activities	(848)	40
23,972	Investing Activities	23,076	41
(12,666)	Financing Activities	(22,837)	42
(2,104)	Net increase in Cash & Cash Equivalents	(609)	
(4,469)	Cash & Cash Equivalent at the beginning of the Reporting Period	(6,573)	
(6,573)	Cash & Cash Equivalents at the end of the Reporting Period	(7,182)	



Notes to the Core Financial Statements 2015-16

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

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code. The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) takes effect from 1 April 2016. The Code confirms that the changes arising from the Infrastructure Code do not require retrospective adjustment to the accounts. Under the Infrastructure Code transport infrastructure assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. This will consist of seven components: carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land. The disclosure will require a transfer of assets between infrastructure and the new highways network asset categories. This is likely to result in a revaluation gain due to the change from depreciated historic cost to depreciated replacement cost basis. Thus the new valuation will reflect the current cost of replacement rather than the original cost of works, which would have been built up over a significant time period. In addition there are a number of minor amendments to International Financial Reporting Standards, but these are not judged to have any material impact on the accounts.

2. Critical Judgements in Applying Accounting Policies

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

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

The Council is deemed to control the services provided under the outsourcing agreement for the provision of a Comprehensive School in Maesteg and also to control the residual value of the school at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the School (valued at £24.4 million) has been recognised as Property, Plant and Equipment on the Council's Balance Sheet.

The Council has a number of interests in other entities. On 1 October 2015, cultural related services transferred from the Council into a not-for-profit organisation now trading as the 'Awen Trust'. The Trust is managed by a Board of Trustees and will deliver cultural related services on behalf of the Council for a management fee. Following an assessment of all of the Council's interests in other entities, the arrangements are not sufficiently material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information. In order to ensure compliance with the Code, a range of narrative disclosures have been made in other sections of the accounts.

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 2016 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 School Land and Buildings was revalued at 31 December 2015. All other assets had desk top valuations on a DRC basis on the 31 March 2015 following a full revaluation 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.

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.

Investment Properties, Surplus Assets and Assets Held for Sale

Fair Value estimations

The Council instructed external valuers Cooke & Arkwright to provide valuations as at 31 December 2015 for all of the Council's investment portfolio. These were valued in line with IFRS13.

When the fair values of Investment Properties, Surplus Assets and Assets Held for Sale cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using the following valuation techniques:

1. For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date;
2. For level 3 inputs, valuations based on the most recent valuations adjusted to current valuation by the use of indexation and impairment review.

Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgment is required in establishing fair values. These judgments typically include considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value. The external valuers used the most appropriate valuation techniques to determine fair value.

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 Council 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 2014-15 for comparative purposes and the adjustments for 2015-16:-

Statement of Accounts

2015-16

2015-16	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	22,434			22,434			(22,434)			(22,434)
Revaluation losses on Property, Plant & Equipment	11,093			11,093			(11,093)			(11,093)
Movement in market value of investment property	(1,082)			(1,082)			1,082			1,082
Capital grant and contributions applied	(13,606)			(13,606)			13,606			13,606
Revenue Expenditure Funded from Capital under Statute	696		14	710			(710)			(710)
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	6,140			6,140	(2,142)		(3,998)			(6,140)
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.					(2,464)		2,464			-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement										
Statutory Provision for the financing of capital investment	(8,513)			(8,513)			8,513			8,513
Capital expenditure charged against the Council Fund balance	(1,262)			(1,262)			1,262			1,262
Adjustments primarily involving the Capital Grants Unapplied Account :										
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(16)		16	-						-
Application of grants to capital financing transferred to the Capital Adjustment Account				-						-
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	(3,959)	3,959		-						-
Use of Capital Receipts Reserve to finance new capital expenditure		(146)		(146)			146			146
Other Amounts (including Mortgage Repayments)		5		5			(5)			(5)
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	(2,893)			(2,893)				2,893		2,893
Adjustments primarily involving the Pensions Reserve										
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	26,600			26,600		(26,600)				(26,600)
Employer's contributions to pension schemes	(20,010)			(20,010)		20,010				20,010
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	(1,203)			(1,203)					1,203	1,203
Total Adjustments 2015-16	14,419	3,818	30	18,267	(4,606)	(6,590)	(11,167)	2,893	1,203	(18,267)

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
		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)	(61,586)	1,688	(392)	(77,579)

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:

2014-15 £'000		2015-16 £'000
	Precepts	
9,625	Police and Crime Commissioner for South Wales	10,207
1,574	Community Councils	1,737
11,199	Sub total	11,944
	Levies	
6,585	South Wales Fire and Rescue Authority	6,484
208	Coroners Service	223
95	Archive Service	96
(13)	Margam Crematorium Joint Committee	1
19	Swansea Bay Port Health Authority	19
6,894	Sub total	6,823
18,093	Total	18,767

6. Trading activities

As stated in the Prior Period Adjustments note, the Council has no significant trading operations that should be accounted for separately.

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 2015-16 was £148.0 million (£150.9 million for 2014-15).

8. Government grants

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

2014-15	Specific Grants credited to Services	2015-16
£'000		£'000
49,512	Housing Benefit Subsidy	49,536
6,307	DCELLS Post 16 Grant	6,502
4,143	Foundation Phase Grant/Education Improvement Grant	5,200
7,275	Other Children	4,836
1,582	Other Wellbeing	1,704
1,504	Others	5,139
6,152	Supporting People	5,816
2,806	Concessionary Fares Grant	2,973
3,025	Flying Start	3,178
2,854	Sustainable Waste Grant	2,796
813	Housing/Council Tax Benefit Administration	708
390	Local Transport Services	-
1,511	Communities First	1,478
1,840	Families First	1,898
89,714	Total	91,764

2014-15	Other Government Grants credited to Taxation and Non-specific Grant Income	2015-16
£'000		£'000
1,412	Improvement Agreement Grant	1,400
12,825	Capital Grants and Contributions	13,622
14,237	Total	15,022
103,951	Total	106,786

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 – 51,071.48 dwellings for 2015-16 (50,566.20 in 2014-15). The average amount for a Band D property is £1,482.94 in 2015-16 (£1,413.33 in 2014-15 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	25	10,088	14,761	13,804	9,805	7,022	3,973	1,363	283	86

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

2014-15 £'000		2015-16 £'000
73,164	Council Tax Collectable	77,487
	Less:	
(1,574)	Payable to Community Councils	(1,737)
(9,625)	Payable to South Wales Police	(10,207)
	Provision for non-payment of Council Tax	
(1,159)	(Increase)	(17)
60,806	Net Proceeds from Council Tax	65,526

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 48.2p in 2015-16 (47.3p in 2014-15). 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 £40.274 million in 2015-16 (£43.794 million in 2014-15).

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. 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 was being treated as a finance lease, however the Council paid off the liability at the end of the financial year, leaving no future liability as set out in the tables below.

31 March 2015 £'000		31 March 2016 £'000
807	Leisure Contract - capital investment	-
807	Total	-

Operating Leases

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

31 March 2015 £'000		31 March 2016 £'000
1,058	Not later than one year	787
2,469	Later than one year	2,021
8,034	Later than five years	7,583
11,561	Total	10,391

Expenditure charged in the year to the Service areas was £0.851 million made up of minimum lease payments of £0.404 million and £0.447 million for contingent rents (£0.975 million in 2014-15 made up of £0.401 million minimum lease payments and £0.574 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 2015 £'000		31 March 2016 £'000
39	Not later than one year	48
170	Later than one year	168
824	Later than five years	800
1,033	Total	1,016

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:-

2014-15	Unitary Charge	2015-16
£'000		£'000
635	Service Charge Element	636
1,471	Interest Element	1,434
476	Finance Lease Liability	513
2,582	Total	2,583

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	2016-17	2017-18 to	2022-23 to	2027-28 to	2032-33 to
	£'000	2021-22	2026-27	2031-32	2033-34
		£'000	£'000	£'000	£'000
Service Charge Element	502	2,511	2,511	2,511	1,005
Interest Element	1,395	6,264	4,702	2,436	147
Finance Lease Liability	552	3,470	5,032	7,298	2,435
Total	2,449	12,245	12,245	12,245	3,587

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 2016, the balance on the PFI equalisation earmarked reserve is £3.706 million (£3.407 million as at 31 March 2015).

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 :-

2014-15			Partner	Purpose of Partnership	2015-16		
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
608	608	325	Abertawe Bro-Morgannwg University Health Board	Integrated Service Provision using a Pooled Fund. Provision of day opportunities for people recovering from mental health problems.	615	615	328
2,261	2,686	492	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	2,654	2,625	569
0	0	0	Abertawe Bro-Morgannwg University Health Board	Integrated service provision using a pooled fund for the purpose of providing community support services	4,414	4,414	2,346

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 2015-16 has been calculated as shown in the table below. It is based on the opening Capital Financing Requirement (CFR) of the Council.

2014-15		2015-16
£'000		£'000
177,033	CFR 1 April	176,010
0	Crematorium Adjustment *	(177)
108	HALO Adjustment	124
(19,776)	PFI School	(19,300)
(816)	Innovation Centre	(770)
(41)	Finance Leases	
(1,078)	Leisure Contract Capital Liability	(1,086)
(82)	Factor A Adjustment	(82)
(3,946)	Supported Borrowing significant asset Adj	(3,813)
(24,845)	CFR Adj Para 19 2008/Unsupported Borrowing Adj	(24,974)
126,557	Adjusted CFR	125,932
5,062	Basic MRP 4%	5,037
132	MRP significant asset	132
476	PFI School - MRP Charge	513
47	Innovation Centre MRP Charge	51
41	Finance Leases MRP Charge	-
117	HALO MRP Charge	1,086
0	Crematorium MRP Charge	49
2,145	Unsupported Borrowing MRP	1,646
8,020	Total MRP	8,514

The adjustment to the opening CFR relates to the separation out of loans relating to Coychurch Crematorium. The Joint Committee has decided to pay additional MRP in order to pay off the balance of the loans earlier. Therefore, for transparency, it has been separated out on the above table from 2015-16.

15. Officers' Remuneration

Four separate disclosures 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

The ratio for Bridgend is 6.64 and median salary is £19,742, i.e. the Remuneration of the Chief Executive is 6.64 times more than the median remuneration of the Council's employees. The comparable ratio in 2014-15 was 6.49 and the median salary was £19,317.

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:

2014-15 inc Redundancy Costs	Remuneration Band	Number of Employees				
		Movement in Bandings	2015-16 inc Redundancy Costs	2015-16 exc Redundancy Costs	Number of Teachers inc in Figures exc Redundancy	Number of Non-Teachers inc in Figures exc Redundancy
18	£60,000-£64,999	5	23	18	15	3
14	£65,000-£69,999	5	19	14	14	0
6	£70,000-£74,999	-1	5	4	4	0
5	£75,000-£79,999	2	7	6	1	5
3	£80,000-£84,999	6	9	3	1	2
1	£85,000-£89,999	1	2	1	1	0
4	£90,000-£94,999	0	4	2	2	0
4	£95,000-£99,999	-3	1	1	0	1
4	£100,000-£104,999	4	8	6	2	4
0	£105,000-£109,999	0	0	0	0	0
0	£110,000-£114,999	1	1	0	0	0
0	£115,000-£119,999	2	2	0	0	0
0	£120,000-£124,999	0	0	0	0	0
1	£125,000-129,999	-1	0	0	0	0
0	£130,000-£134,999	1	1	1	0	1
0	£160,000-£164,999	1	1	0	0	0
60		23	83	56	40	16

Note 1: This confirms there are 56 individuals with remuneration of £60,000 or more, comprising:-

- a) 45 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		Pension Contributions		Total Remuneration including Pension Contributions	
	15-16	14-15	15-16	14-15	15-16	14-15
	£	£	£	£	£	£
Chief Executive Officer & Head of Paid Service (see Note 1 below)	131,091	128,169	27,529	26,051	158,620	154,220
Corporate Director - Education and Transformation	102,355	99,646	21,494	20,726	123,849	120,372
Corporate Director - Communities	104,068	101,857	21,854	21,186	125,922	123,043
Corporate Director - Social Service & Wellbeing	102,355	99,646	21,494	20,726	123,849	120,372
Corporate Director - Resources & s151 Officer	104,068	104,068	21,854	21,646	125,922	125,714
Assistant Chief Executive - Legal & Regulatory Services	96,002	93,661	20,160	19,482	116,162	113,143

Notes

Note 1 : The Chief Executive Officers Salary excludes payment for Election Duties. These amounted to £5,250 for the Parliamentary Election, two local elections and five Community Council Elections

Note 2 : Pension Contributions relate to actual payments made

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 Packages Cost Band (Including Special Payments)	Compulsory Redundancies		Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages Each Band	
	15-16	14-15	15-16	14-15	15-16	14-15	15-16	14-15
£0-20,000	47	73	60	45	107	118	621,336	955,813
£20,001-£40,000	37	21	39	27	76	48	1,460,024	1,391,579
£40,001-£60,000	11	7	13	5	24	12	953,031	563,059
£60,001-£80,000	1	1	3	-	4	1	247,469	67,383
£80,001-£100,000	2	-	1	-	3	-	266,552	-
£100,001-£120,000	-	-	-	1	-	1	-	112,117
£120,001-£140,000	1	-	-	1	1	1	139,431	125,483
	99	102	116	79	215	181	3,687,843	3,215,434

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.

2014-15 £'000		2015-16 £'000
515	Basic Salary (all Members)	544
524	Senior Salary	508
40	Civic Salary	37
1,079	Total	1,089

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 2015-16 Bridgend County Borough Council incurred the following fees relating to external audit and inspection:

2014-15 £'000		2015-16 £'000
196	Financial Statement Audit	196
98	Performance Audit	97
294	External Audit Services	293
1	Statutory Inspection	-
47	Grant Claims and Returns	47
342	Total	340

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 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	2015-16 Budget £'000	2015-16 Spend £'000	2015-16 Closing Balances £'000
Primary Schools	50	44,610	43,077	1,533
Secondary Schools	9	41,861	41,699	162
Special Schools	2	7,482	7,022	460
Total	61	93,953	91,798	2,155

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 2015-16 is shown in Note 16. Grants were made to organisations whose senior management included Members including Groundwork Bridgend and Neath Port Talbot £Nil in 2015-16 (£43,748 in 2014-15), Bridgend County Borough Citizens Advice Bureau £190,339 (£228,690 in 2014-15) and Bridgend Association of Voluntary Organisations £244,375 in 2015-16 (£139,795 in 2014-15). 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 2015-16, no chief officer declared any material interests/relationships in a related party. This was the same in 2014-15.

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 2015-16, the Council contributed to the Joint Committee an amount of £95,436 (£95,437 in 2014-15). 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).

Margam Crematorium

Margam Crematorium is subject to the control of a Joint Committee of Members from Neath Port Talbot County Borough Council, who manage the Crematorium. Financial Statements for this Joint Committee are available on the Neath Port Talbot CBC website (www.npt.gov.uk)

County Borough Supplies

County Borough Supplies ceased trading on 31 March 2016. Until this time it was administered by the Council and supplies goods such as stationery. It was a Joint Committee with Members from Bridgend CBC, Rhondda Cynon Taf CBC, Merthyr Tydfil CBC and Caerphilly CBC. Closing financial statements for this Joint Committee are available on the Bridgend CBC website (www.bridgend.gov.uk).

Other Public Bodies

The Council has a number of pooled budget arrangements with Abertawe Bro-Morgannwg University Health Board as detailed in Note 13. It also pays a management fee to the Awen Trust for cultural related services which is a not for profit organisation.

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 (2014-15) is as follows:

Directorate Income and Expenditure 2014-15	Education & Transformation £'000	Wellbeing & Social Services £'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)	(50,781)	(91,118)
Total Income	(41,613)	(17,455)	(29,807)	(69,134)	(158,009)
Employee expenses	111,040	25,826	18,237	21,191	176,294
Other operating expenses	55,569	34,888	37,952	68,474	196,883
Total operating expenses	166,609	60,714	56,189	89,665	373,177
Net Cost of Services	124,996	43,259	26,382	20,531	215,168

Directorate Income and Expenditure 2015-16	Education & Transformation £'000	Wellbeing & Social Services £'000	Communities £'000	Other Services £'000	Total £'000
Fees, charges & other service income	(16,271)	(16,145)	(14,587)	(16,692)	(63,695)
Government grants	(22,185)	(2,433)	(13,691)	(50,958)	(89,267)
Total Income	(38,456)	(18,578)	(28,278)	(67,650)	(152,962)
Employee expenses	103,694	32,315	15,583	18,588	170,180
Other operating expenses	40,429	47,362	37,709	68,805	194,305
Total operating expenses	144,123	79,677	53,292	87,393	364,485
Net Cost of Services	105,667	61,099	25,014	19,743	211,523

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 :-

	2015-16	2014-15
	£'000	£'000
Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement		
Cost of Services in Service Analysis	211,523	215,168
Add services not included in main analysis	21,874	25,311
Add amounts not reported to management	29,896	79,637
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(1,423)	(1,558)
Net Cost of Services in Comprehensive Income and Expenditure Statement	261,870	318,558

Reconciliation to Subjective Analysis

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

Reconciliation to Subjective Analysis 2015-16	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	(63,695)	(4,105)	-	-	(67,800)	-	(67,800)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	(903)	(903)
Income from council tax	-	-	-	-	-	(77,487)	(77,487)
Government grants and contributions	(89,267)	-	-	-	(89,267)	(203,298)	(292,565)
Total Income	(152,962)	(4,105)	-	-	(157,067)	(281,688)	(438,755)
Employee expenses	170,180	1,834	(3,064)	-	168,950	8,450	177,400
Other service expenses	194,305	24,145	(1,262)	-	217,188	-	217,188
Support Service recharges	-	-	-	-	-	-	-
Depreciation, amortisation and impairment	-	-	34,222	-	34,222	-	34,222
Interest Payments	-	-	-	(1,423)	(1,423)	6,049	4,626
Precepts & Levies	-	-	-	-	-	18,766	18,766
Gain or Loss on Disposal of Non Current Assets	-	-	-	-	-	1,100	1,100
Total Expenditure	364,485	25,979	29,896	(1,423)	418,937	34,365	453,302
Surplus or deficit on the provision of services	211,523	21,874	29,896	(1,423)	261,870	(247,323)	14,547

Statement of Accounts

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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)	-	(6,380)	-	(73,271)	-	(73,271)
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	(91,118)	-	-	-	(91,118)	(208,974)	(300,092)
Total Income	(158,009)	-	(6,380)	-	(164,389)	(282,991)	(447,380)
Employee expenses	176,294	2,738	(678)	-	178,354	10,090	188,444
Other service expenses	196,883	22,573	(1,803)	-	217,653	-	217,653
Support Service recharges	-	-	-	-	-	-	-
Depreciation, amortisation and impairment	-	-	88,498	-	88,498	-	88,498
Interest Payments	-	-	-	(1,558)	(1,558)	6,215	4,657
Precepts & Levies	-	-	-	-	-	18,092	18,092
Gain or Loss on Disposal of Non Current Assets	-	-	-	-	-	72	72
Total Expenditure	373,177	25,311	86,017	(1,558)	482,947	34,469	517,416
Surplus or deficit on the provision of services	215,168	25,311	79,637	(1,558)	318,558	(248,522)	70,036

Notes to the Balance Sheet

22. Tangible Fixed Assets

a) Capital commitments

As at 31 March 2016 commitments of approximately £12.518 million existed on capital works contracts started before that date, details of which are shown in the table below.

2014-15 £'000		2015-16 £'000
-	Garw Valley South School Provision	8,867
894	Ogmore Comprehensive	65
5,049	Coety / Parc Derwen Primary School	200
107	Bridgend Town Centre Regeneration	36
-	Vibrant and Viable Places	3,350
840	Coychurch Crematoria Cremators	
1,209	Celtic Court Refurbishment	
2,744	Community Care Information System	
730	Maximising Space	
35	Lewistown Flying Start Provision	
11,608	Total	12,518

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.

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 2015	364,373	10,500	201,351	4,845	9,906	16,456	607,431	23,948	1,876
Additions	4,362	3,945	4,595	142		8,597	21,641	-	124
Accumulated Depreciation and Impairment written out to GCA	(11,618)	(1,143)			(24)		(12,785)	(1,404)	(1,143)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	22,804				651	46	23,501	1,598	
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(10,707)				1,000	(313)	(10,020)	-	
Derecognition - Disposals	(3,609)	(40)			(539)		(4,188)		
Derecognition - other							-	-	-
Assets reclassified (to)/from Held for Sale	(457)					(61)	(518)	-	-
Assets reclassified (to)/from Investment Property	-						-	-	-
Other Movements in Cost or Valuation	21,619			(142)	(2,738)	(18,739)	-	-	(857)
At 31 March 2016	386,767	13,262	205,946	4,845	8,256	5,986	625,062	24,142	-
Accumulated Depreciation and Impairments									
At 1 April 2015	(10,043)	(2,573)	(117,978)	(37)	(139)	(608)	(131,378)	(601)	(1,068)
Depreciation Charge for the year	(10,196)	(1,675)	(10,477)		(90)	-	(22,438)	(807)	(14)
Accumulated Depreciation and Impairment written out to the surplus / deficit on the provision of services	11,618	1,143			23		12,784	1,404	1,143
Impairment Losses/(Reversals) recognised in the Revaluation Reserve							-		
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services							-		
Derecognition - disposals	664	40			206		910	-	-
Assets reclassified (to)/from Held for Sale	19					11	30		
Other Movements	(597)					597	-	-	(61)
At 31 March 2016	(8,535)	(3,065)	(128,455)	(37)	-	-	(140,092)	(4)	-
Balance Sheet as at 1 April 2015	354,330	7,927	83,373	4,808	9,767	15,848	476,053	23,347	808
Balance Sheet as at 31 March 2016	378,232	10,197	77,491	4,808	8,256	5,986	484,970	24,138	-

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 the year	(14,754)	(1,382)	(10,211)	-	(268)	-	(26,615)	(772)	(51)
Accumulated Depreciation and Impairment written out to the surplus / deficit on the	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 - other	-	-	-	-	-	-	-	-	-
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) Non-current Assets 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 schools estate were valued as at 31 December 2015, with all other fixed assets being fully revalued as at 1 April 2014 but amended via a desk top exercise at 31 March 2015. These valuations were by Council Surveyors in accordance with the Statements of Asset Valuation, Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

d) Sources of finance for Capital Expenditure

2014-15 £'000		2015-16 £'000
6,889	Loans	7,084
15,996	Government grants	12,001
2,019	Capital receipts	146
1,803	Revenue contribution	1,262
108	Healthy Living Contract Capital Liability	124
1,647	Other contribution	5,682
28,462	Total	26,299

e) Revenue Expenditure Funded from Capital under Statute

These relate to capital expenditure that does not result in a tangible non-current asset. They include renovation grants and contributions towards capital expenditure incurred by other parties.

2014-15 £'000		2015-16 £'000
5,113	Revenue Expenditure Funded from Capital under Statute	4,658
5,113	Total	4,658

f) Capital financing requirement and the financing of capital expenditure

2014-15 £'000	Capital Financing Requirement	2015-16 £'000
177,033	Opening Capital Financing Requirement	176,010
	Capital Investment	
22,721	Property, Plant and Equipment	21,517
520	Investment Properties	-
5,113	Revenue Expenditure Funded from Capital under Statute	4,658
108	Healthy Living Contract Capital Expenditure	124
	Sources of Finance	
(17,643)	Grants & Contributions	(17,681)
(2,019)	Capital receipts applied	(146)
(1,803)	Revenue Contributions	(1,262)
(5,194)	Minimum Revenue Provision	(5,169)
(2,145)	Unsupported Borrowing MRP	(1,646)
(117)	Healthy Living Contract MRP	(1,086)
(41)	Finance Leases MRP	-
(47)	Innovation Centre MRP	(51)
-	Crematorium MRP	(49)
(476)	PFI School MRP	(513)
176,010	Closing Capital Financing Requirement	174,706
	Explanation for Movements in Year	
(1,262)	Decrease in Underlying Need to Borrow (supported by government financial assistance)	(1,306)
812	Increase in Underlying Need to Borrow (unsupported by government financial assistance)	1,528
(97)	Assets acquired under finance leases	(1,013)
(476)	Assets acquired under PFI Contract	(513)
(1,023)	Increase/(Decrease) in Capital Financing Requirement	(1,304)

g) Capital Grants Received in Advance

The table below shows the breakdown of capital grants received in advance under s.106 planning agreements:-

2014-15 £'000		2015-16 £'000
2,558	Developers' Contributions - capital element	650
2,558	Total	650

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:

2014-15 £'000		2015-16 £'000
573	Rental Income from Investment Property	568
(281)	Direct Operating Expenses arising from Investment Property	(378)
292	Net gain/(loss)	190

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

2014-15 £'000		2015-16 £'000
3,011	Balance at 1 April	4,103
520	Acquisitions	-
(75)	Disposals	-
647	Net gain / (loss) from fair value adjustments	1,082
4,103	Balance as at 31 March	5,185

24. Heritage Assets

2014-15 £'000		2015-16 £'000
73	Civic Regalia	73
73	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.

2014-15 £'000		2015-16 £'000
17	Mortgages	12
261	Waste Contract Vehicles Leased to contractor	133
278	Balance as at 31 March	145

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:

2014-15 £'000	Short-term Debtors	2015-16 £'000
12,818	Central Government Bodies	9,448
4,774	Other Local Authorities	5,849
1,277	NHS Bodies	809
10,403	Other Entities and Individuals	11,366
29,272	Balance as at 31 March	27,472

The Council collects NNDR payments on behalf of Welsh Government. As at the 31 March 2016, the Council had paid over more cash than it collected, this excess was included in the Balance Sheet as a debtor of £0.650 million. The equivalent for 2014-15 was a debtor of £0.199 million which represented monies not yet paid over by Welsh Government.

27. Assets Held for Sale

2014-15 £'000		2015-16 £'000
6,721	Balance at 1 April	7,478
	<u>Assets newly classified as held for sale:</u>	
6,494	Property, Plant & Equipment	488
	Assets declassified as held for resale	
	Property, Plant & Equipment	-
	Revaluation Gain/(Loss)	(1,069)
(5,737)	Assets Sold	(2,862)
7,478	Net gain/(loss)	4,035

28. Short Term Creditors

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

2014-15 £'000	Short Term Creditors	2015-16 £'000
(2,594)	Central Government Bodies	(7,087)
(6,228)	Other Local Authorities	(2,775)
(39)	NHS Bodies	(338)
(34,597)	Other Entities and Individuals	(27,102)
(43,458)	Balance as at 31 March	(37,302)

29. Provisions

The Council has two provisions as detailed below:

2014-15 £'000		Expenditure £'000	Increase £'000	2015-16 £'000
2,098	Insurance (BCBC)		1,047	3,145
326	Carbon Reduction Commitment	(304)	313	335
2,424	Balance as at 31 March	(304)	1,360	3,480

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 2015-16 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 2015-16. The payment will be made with the retrospective purchase of allowances in the summer 2016.

30. PFI and Other Long Term Liabilities

2014-15 £'000		Additions in Year £'000	Reduction in year £'000	Moved to Short Term Creditors £'000	2015-16 £'000
18,787	Maesteg School PFI Lease Liability	-		(552)	18,235
719	Innovation Centre Financial Liability			(55)	664
450	Waste Contract			(50)	400
47	Escrow (Football Club)	13			60
-	Welsh Government Loan - Llynfi Valley	2,400			2,400
844	Healthy Living Contract Capital Liability		(844)		-
20,847	Balance as at 31 March	2,413	(844)	(657)	21,759

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 2015-16, the amount written down was £513,000 and £552,000 has been transferred to Short Term Creditors leaving an outstanding long term liability of £18.235 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 2015-16 was £51,000 and £55,000 was transferred to Short Term Creditors resulting in a long term financial liability of £0.664 million at 31 March 2016.

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. The liability was repaid during the year and as such no liability remains as at 31 March 2016.

The Waste Contract liability is repayable at £50,000 per annum instalments.

The long term liability for the Football Club represents a fund that will be maintained and increased to allow for the future reinstatement to grass of the two 3G pitches at Bryntirion and Bridgend College – Pencoed at the end of their useful lives.

31. Usable Reserves

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

a) Useable capital receipts reserve

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

2014-15 £'000		2015-16 £'000
10,245	Balance at 1st April	14,534
6,296	Capital Receipts Received	3,959
12	Mortgage repayments (Council Fund)	5
(2,019)	Receipts used to finance capital expenditure	(146)
14,534	Balance as at 31st March	18,352

b) Revenue reserves

The revenue reserves in the Balance Sheet as at 31 March 2016 are detailed below with descriptions of what they represent:-

Opening Bal 2014-15 £'000	Move- ment 2014-15 £'000	Closing Bal 2014-15 £'000	Reserve	Expenditure 2015-16	Additions 2015-16	Closing Bal 2015-16 £'000
7,395	55	7,450	Council Fund Balance		154	7,604
2,467	(57)	2,410	Delegated Schools Balance	(256)		2,154
3,051	356	3,407	Maesteg School PFI Equalisation Fund		299	3,706
			Earmarked Balances :-			
348	354	702	Asset Management Plan	(430)	1,220	1,492
-	10	10	Building Control Reserve	-	2	12
987	(687)	300	Building Maintenance Reserve	(30)	86	356
300	327	627	Capital feasibility fund	(208)	212	631
5,513	921	6,434	Capital Programme Contribution	(2,538)	1,555	5,451
555	-	555	Car Parking Strategy	(84)		471
2,069	329	2,398	Change Management	(448)		1,950
196	(165)	31	Connecting Families	(31)		-
-	115	115	DDA Emergency Works	(12)		103
330	1,160	1,490	Directorate Issues	(1,316)	1,193	1,367
			- Digital Transformation	-	2,500	2,500
201	-	201	Election costs			201
1,257	(396)	861	ICT & Finance Systems	(146)		715
1,691	1,486	3,177	Insurance reserve	(1,166)	24	2,035
411	(150)	261	Invest to save / Joint projects	(261)		-
824	-	824	Looked After Children			824
11,046	(515)	10,531	Major Claims Reserve	(3,162)	3,300	10,669
300	(175)	125	Porthcawl Regeneration	(49)		76
1,200	(1,200)	-	Service Pressures Contingency			-
3,052	1,697	4,749	Service Reconfiguration / Severence Costs	(206)	700	5,243
-	-	-	- SRF Earmarked Reserve		149	149
1,044	-	1,044	Treasury Management Reserve	(1,044)		-
50	42	92	Unitary Development Plan		49	141
-	210	210	Waste Management Contract	(118)		92
300	-	300	Welfare Reform Bill			300
707	(107)	600	Wellbeing Projects	(67)		533
32,381	3,256	35,637	Balance as at 31 March	(11,316)	10,990	35,311
45,294	3,610	48,904		(11,572)	11,443	48,775

The transfer from all Earmarked Balances excluding the Council Fund Balance was £0.283 million in 2015-16 (transfer to Balances of £3.555 million in 2014-15) and represents a credit 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 2015-16 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

2014-15 Closing Balance £'000	School Types	Nos in Category	2015-16 Budget £'000	2015-16 Spend £'000	2015-16 Closing Balances £'000
1,571	Primary Schools	50	44,610	43,078	1,532
402	Secondary Schools	9	41,861	41,699	162
437	Special Schools	2	7,482	7,022	460
2,410	Total	61	93,953	91,799	2,154

The 2014-15 Closing Balance figure is included within the 2015-16 Budget.

ii) Maesteg School PFI Equalisation Fund

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

2014-15 £'000		2015-16 £'000
3,407	Maesteg PFI Equalisation Fund	3,706
3,407	Balance as at 31 March	3,706

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, the Special Regeneration Fund, the preparation of the Unitary 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 as well as service reconfiguration such as the Extra Care provision as outlined in the MTFS 2016-17.

- ICT & Digital Transformation
These two reserves will fund the Digital Transformation of the Council supporting channel shift together with the costs of planned system developments from 2016-17 to 2017-18. It includes developments including the roll out of the cashless catering system.
 - 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.
 - 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.
 - 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 £1.367 million, allocated to directorates as shown below:-

	£'000
Education and Transformation Directorate	99
Communities Directorate	445
Legal and Regulatory services	229
Resources Directorate	517
Social Services and Wellbeing	77

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.

2014-15 £'000		2015-16	
		£'000	£'000
98,804	Balance at 1 April		115,916
74,036	Upward Revaluation of Assets	27,114	
(48,654)	Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services	(3,614)	
25,382	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of services		23,500
(2,696)	Difference between fair value depreciation and historical cost depreciation	(2,464)	
(5,574)	Accumulated gains on assets sold or scrapped	(2,142)	
(8,270)	Amount written off to the Capital Adjustment Account		(4,606)
115,916	Balance as at 31 March		134,810

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.

2014-15 £'000		2015-16 £'000
(243,900)	Balance at 1 April	(273,010)
(20,090)	Actuarial gains or losses on pensions assets and liabilities	34,330
(26,800)	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	(26,600)
17,780	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	20,010
(273,010)	Balance as at 31 March	(245,270)

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)

2014-15 £'000		2015-16	
		£'000	£'000
257,644	Balance at 1 April		196,059
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :		
(28,008)	Charges for depreciation and impairment of non-current assets	(22,438)	
(59,716)	Revaluation losses on Property, Plant and Equipment	(11,093)	
(434)	Revenue Expenditure funded from Capital Under Statute	(710)	
(12)	Other amounts including Mortgage Payments	(5)	
(1,440)	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	(3,998)	
(89,610)	Adjusting amounts written out to the Revaluation Reserve	(38,244)	
2,696		2,464	
(86,914)	Net written out amount of the cost of non-current assets consumed in the year		(35,780)
	Capital financing applied in the year:		
2,019	Use of the Capital Receipts Reserve to finance capital expenditure	146	
12,817	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that has been applied to capital financing	13,610	
24	Application of grants to capital financing from the Capital Grants Unapplied Account		
8,020	Statutory provision for the financing of capital investment charged against the Council Fund	8,514	
1,803	Capital expenditure charged against the Council Fund	1,262	
24,683			23,532
646	Movement in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement		1,082
196,059	Balance as at 31 March		184,893

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. The full remaining balance on the account for Premiums was paid off during 2015-16. Therefore the balance going forward on this account relates to Lender Option Borrowing Option (LOBO) Loans.

2014-15 £'000		2015-16	
		£'000	£'000
(5,320)	Balance at 1 April		(3,632)
198	Premiums / Discounts Adjustments	76	
7	Loans / Investments Adjustments	7	
1,483	Premiums Paid	2,810	
(3,632)	Balance as at 31 March		(739)

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.

2014-15 £'000		2015-16	
		£'000	£'000
(3,832)	Balance at 1 April		(4,224)
3,832	Settlement or cancellation of accrual made at the end of the proceeding year	4,224	
(4,224)	Amounts accrued at the end of the current year	(3,021)	
(392)	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		1,203
(4,224)	Balance as at 31 March		(3,021)

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 Council'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 2016 are:

2014-15 £'000		2015-16 £'000
312	Social Services Home for the Elderly	293
53	Education	53
48	Nantymoel Workmans' Hall	49
1	Other	1
414	Net gain/(loss)	396

The balance includes a £250,000 bequest received in 2013-14 for Social Services Home for the Elderly.

34. Escrow accounts

The Council manages a number of escrow accounts comprising of £57,000 recognised for Bocam Park and £229,000 for Wind Farms at Forch Ness and Pant y Wal which have resulted from planning conditions. Also, there is 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 previous financial years has meant that the value at 31 March 2016 is £60,000. This will be held to meet the future costs of the restatement of the football pitch from an artificial service to grass.

2014-15 £'000		2015-16 £'000
47	Replacement facilities account	60
57	Bocam Park	57
132	Wind Farm	229
236	Balance as at 31 March	346

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 2015 £'000	Income £'000	Expenditure £'000	31 March 2016 £'000
Broadlands Consortium - Newbridge Fields - provision of playing fields facilities	126		(122)	4
Redrow - Lock's Lane, Porthcawl - ongoing maintenance of playing field and pavilion	81			81
Redrow - Brackla Park & Ride - upgrade B4181	302		(4)	298
Rockwoll - Pencoed	70		(8)	62
Parc Derwen Primary School design fees - Persimmon Homes	215		(215)	-
Parc Derwen Primary School - Consortium	166	1,738	(3,394)	(1,490)
Land at Tyn Y Coed Farm (Maendy Farm), Bryncethin - sports provision	510			510
Land at Tyn Y Coed Farm (Maendy Farm), Bryncethin - Education Capital	16			16
Bridge Renewal Dowry	1			1
Coychurch Primary	(75)	75		-
Bridgend Retail Park - crossing	90		(10)	80
Parc Derwen Taylor Wimpey	-	638	(638)	-
Affordable Housing	501			501
Other	1,025	150	(57)	1,118
Total	3,028	2,601	(4,448)	1,181

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 2015-16 include information provided by the pension administrators, Rhondda Cynon Taff CBC and Aon Hewitt Associates Limited as the pension's 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:-

Comprehensive Income & Expenditure Statement	Local Govt Pension Scheme		LGPS Unfunded Benefits		Teachers' Unfunded Benefits		Total	
	£m 2015-16	£m 2014-15	£m 2015-16	£m 2014-15	£m 2015-16	£m 2014-15	£m 2015-16	£m 2014-15
Cost of Services :								
Service cost comprising:								
current service cost	17.56	16.15	0.00	0.00	0.00	0.00	17.56	16.15
past service costs	0.59	0.56	0.00	0.00	0.00	0.00	0.59	0.56
(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	8.05	9.57	0.25	0.32	0.15	0.20	8.45	10.09
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	26.20	26.28	0.25	0.32	0.15	0.20	26.60	26.80
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)	(1.54)	(39.72)	0.00	0.00	0.00	0.00	(1.54)	(39.72)
Actuarial (gains) / losses due to changes in financial assumptions	(26.08)	62.72	(0.26)	0.59	(0.15)	0.26	(26.49)	63.57
Actuarial (gains) / losses due to changes in demographic assumptions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Actuarial (gains) / losses due to liability experience	(6.08)	(3.63)	(0.14)	(0.08)	(0.08)	(0.05)	(6.30)	(3.76)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(33.70)	19.37	(0.40)	0.51	(0.23)	0.21	(34.33)	20.09
Movement in Reserves Statement:-								
Reversal of net charges made for retirement benefits in accordance with IAS 19	(26.20)	(26.28)	(0.25)	(0.32)	(0.15)	(0.20)	(26.60)	(26.80)
Actual amount charged against the Council Fund Balance for pensions in the year :-								
Employers' Contributions payable to the scheme	19.09	16.84	0.49	0.5	0.43	0.44	20.01	17.78
Retirement Benefits Paid Out	-21.98	-22.48	(0.49)	(0.50)	(0.43)	(0.44)	(22.90)	(23.42)

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
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Present value of defined benefit obligation	689.16	698.52	7.63	8.27	4.56	5.07	701.35	711.86
Fair Value of Plan Assets	(456.08)	(438.85)	0.00	0.00	0.00	0.00	(456.08)	(438.85)
Net liability arising from defined benefit obligation	233.08	259.67	7.63	8.27	4.56	5.07	245.27	273.01

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

	Local Govt Pension Scheme	
	£m 2015-16	£m 2014-15
Opening fair value of scheme assets	438.85	383.45
Interest income on assets	14.06	16.48
Remeasurement gain/(loss): The return on plan assets, excluding the amount included in the net interest expense	1.54	39.72
Contributions by Employer	19.09	16.84
Contributions by Participants	4.55	4.84
Settlements	0.00	0.00
Net Benefits Paid Out	(21.98)	(22.48)
Balance as at 31 March	456.113	438.85

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

	Local Govt Pension Scheme		LGPS Unfunded Benefits		Teachers' Unfunded Benefits		Total	
	£m 2015-16	£m 2014-15	£m 2015-16	£m 2014-15	£m 2015-16	£m 2014-15	£m 2015-16	£m 2014-15
Opening balance at 1 April	698.52	614.31	8.27	7.94	5.07	5.10	711.86	627.35
Current Service Cost	17.56	16.15	0.00	0.00	0.00	0.00	17.56	16.15
Interest Cost	22.08	26.05	0.25	0.32	0.15	0.20	22.48	26.57
Contributions from scheme participants	4.55	4.84	0.00	0.00	0.00	0.00	4.55	4.84
Remeasurement (gains) and losses:								
Actuarial gains / losses arising from changes in financial assumptions	(26.08)	62.72	(0.26)	0.59	(0.15)	0.26	(26.49)	63.57
Actuarial gains / losses arising from changes in demographic assumptions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Actuarial gains / losses arising from changes in liability experience	(6.08)	(3.63)	(0.14)	(0.08)	(0.08)	(0.05)	(6.30)	(3.76)
Past Service Cost	0.59	0.56	0.00	0.00	0.00	0.00	0.59	0.56
Benefits Paid	(21.98)	(22.48)	(0.49)	(0.50)	(0.43)	(0.44)	(22.90)	(23.42)
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	689.16	698.52	7.63	8.27	4.56	5.07	701.35	711.86

Local Government Pension Scheme assets comprised:

	Fair Value of Scheme Assets 2015-16 £'m	Asset Split 2015-16 %	Fair Value of Scheme Assets 2014-15 £'m	Asset Split 2014-15 %
Cash and cash equivalents	85.703	3.47	18.019	4.11
Equity Instruments: <i>by industry type (FTSE Sector)</i>				
Oil & Gas	45.823	1.86	10.874	2.48
Basic Materials	33.003	1.34	9.207	2.10
Industrials	200.426	8.12	37.634	8.58
Consumer Goods	208.419	8.45	34.579	7.88
Health Care	138.365	5.61	22.623	5.15
Consumer Services	267.336	10.83	49.407	11.26
Telecommunications	11.111	0.45	3.392	0.77
Utilities	26.182	1.06	1.189	0.27
Financials	314.015	12.73	61.059	13.91
Technology	167.950	6.81	24.366	5.55
Pooled Equity Investment Vehicles	292.450	11.85	48.244	10.99
Sub-total equity	1,705.080	69.10	302.574	68.94
Bonds: <i>By Sector</i>				
Corporate	272.346	11.04	51.328	11.70
Government	242.357	9.82	42.334	9.65
Sub-total bonds	514.703	20.86	93.663	21.35
Property: <i>By Type</i>				
Retail	40.689	1.65	6.049	1.38
Office	20.587	0.83	4.045	0.92
Industrial	37.446	1.52	5.162	1.18
Other Commercial	63.383	2.57	9.338	2.13
Sub-total property	162.105	6.57	24.595	5.60
Total assets	2,467.591	100.00	438.850	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:

	2015-16 % pa	2014-15 % pa
Discount rate	3.4	3.2
Rate of pension increases	1.8	1.8
Rate of salary increases	3.3	3.3
Mortality Assumptions:		
Longevity at 65 for current pensioners :-		
Men	23.1	23.0
Women	26	25.9
Longevity at 65 for future pensioners :-		
Men	25.3	25.2
Women	28.4	28.3

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 2015/16 £m	Decrease in Assumption 2015/16 £m	Increase in Assumption 2014/15 £m	Decrease in Assumption 2014/15 £m
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(13.17)	13.42	(13.35)	13.61
Rate of increase in salaries (increase or decrease by 0.1%)	2.89	(2.86)	3.17	(3.14)
Rate of increase in pensions (increase or decrease by 0.1%)	10.51	(10.33)	10.19	(10.03)
Longevity (increase or decrease in 1 year)	17.51	(17.55)	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 will be carrying out the next Actuarial Valuation as at 31 March 2016. The current Employer's contribution rate to achieve a funding level of 100% of scheme liabilities will be reviewed at this point. 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	15.94
LGPS Unfunded	0.49
Teachers' Unfunded	0.43

The weighted average duration of the defined benefit obligation for the scheme members is 19.3 years, which is the same as for 2014-15.

Teachers

In 2015-16, the Council paid £7.6 million (£6.9 million for 2014-15) to the Teachers Pensions Agency in respect of teachers' pension costs. The increase was the result of a higher employer's contribution rate in 2015-16. In addition, the Council is responsible for all pension payments relating to added years awarded, together with the related increases. In 2015-16, these amounted to £0.5 million (£0.5 million for 2014-15).

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 2016 £'000	31 March 2015 £'000
Short Term Loans (Accrued Int. Long Term)	278	275
Escrow (Bocam Park) Short Term	57	57
Escrow (Wind Farms) Short Term	229	132
Education/Social Services Trust Funds	346	365
Other Trust Funds	50	50
Short Term Borrowing	960	879
Short Term Trade Payables(Creditors)	5,103	2,897
Other Short Term Financial Liabilities(Creditors)	1,176	1,379
Total Current Financial Liabilities	7,239	5,155

The short term trade payables (creditors) figure £5.103 million relates to trade payables for goods and services received. 64% of this is not overdue for payment and 36% is due within 6 months. The other short term financial liabilities figure of £1.176 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 2015-16, is made up as follows:-

Short Term Liability Relating to Other Long Term Liabilities	31 March 2016 £'000	31 March 2015 £'000
Maesteg School PFI Lease Liability	552	513
Innovation Centre Financial Liability	55	51
HALO Financial Liability	-	117
Waste Contract (MREC)	50	50
Total	657	731

The £5.103 million, £1.176 million and £0.657 million shown in the two tables above are all included in the Short Term Creditors Balance Sheet figure of £37.302 million which also includes creditors that do not meet the definition of a financial liability so is not detailed here. Note 28 provides more detailed information of the total short term creditors figure.

International Financial Reporting Standard (IFRS) 13 Fair Value introduces additional fair value disclosures from the 1 April 2015 and replaces the various definitions of “fair value” in earlier accounting standards with a uniform one. Fair value of a financial liability is now defined as the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values only need to be disclosed for the Council’s long term financial liabilities as the fair value of our short-term instruments, including trade payables are assumed to approximate to the carrying amount so fair values have not been disclosed above.

There are 3 levels in the fair value hierarchy for calculations, however due to the type of financial liabilities we hold the only level applicable to the Council at 31 March 2016 is level 2 where the fair value is calculated from inputs other than quoted prices that are observable for the asset or liability – this is interest rates or yields for similar instruments. The fair value of the long term financial instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2016, which provides an estimate of the value of payments in the future in today’s terms, using the following methods and assumptions:

- The fair value of Public Works Loan Board (PWLB) have been discounted at the market rates for local authority loans of the same remaining term to maturity at the 31 March. In previous years the fair values were provided by the PWLB based on premature repayment rates, however, this is no longer appropriate as this would be the price that would be paid to cancel it with PWLB not the price to transfer, therefore the fair value has reduced since 2014-15 as shown in the table below.
- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options. Lender’s options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair value of other long term financial liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA rated corporate bond yield.

The long term borrowing figure in the balance sheet of £97.434 million is made up as follows:

Long Term Borrowing	Fair Value Level	31 March 2016			31 March 2015		
		Principal Sum Outstanding	Balance Sheet	Fair Value	Principal Sum Outstanding	Balance Sheet	Fair Value
		£'000	£'000	£'000	£'000	£'000	£'000
PWLB (long term)	2	77,617	77,617	103,678	77,617	77,617	118,094
Total PWLB debt		77,617	77,617	103,678	77,617	77,617	118,094
LOBO's	2	19,250	19,817	29,878	19,250	19,827	30,130
Total Market Loans		19,250	19,817	29,878	19,250	19,827	30,130
Total Long Term Borrowing		96,867	97,434	133,556	96,867	97,444	148,224

PFI and other long term liabilities figure in the balance sheet of £21.759 million are detailed below:

Other Long Term Liabilities	Fair Value Level	31 March 2016		31 March 2015	
		Balance Sheet £'000	Fair Value £'000	Balance Sheet £'000	Fair Value £'000
Maesteg PFI Lease Liability	2	18,235	26,499	18,787	28,419
Innovation Centre Financial Liability	2	664	961	719	1,073
HALO Financial Liability	2	-	-	844	1,458
Escrow (Football Club)	-	60	60	47	47
Waste Contract (MREC)	2	400	406	450	454
Llynfi	-	2,400	2,400	-	-
Total Other Long Term Liabilities		21,759	30,452	20,847	31,623

The fair value of financial liabilities held at amortised cost is higher than their balance sheet 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.

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:

Short Term Investments and Cash and Cash Equivalents	31 March 2016 Balance Sheet £'000	31 March 2015 Balance Sheet £'000
Investments (< 1 year)	14,543	11,027
Total Short Term Investments	14,543	11,027
Cash & Cash Equivalents (Deposits)	9,502	8,502
Cash in Hand/Overdrawn	(2,320)	(1,929)
Total Cash & Cash Equivalents	7,182	6,573
Short Term Trade Receivables (Debtors)	5,771	5,330
Total Current Financial Assets	27,496	22,930

The £5.771 million trade receivable (debtor) figure above is for goods and services delivered and an age debt analysis of these trade debtors is shown below in the Credit Risk section. This figure is included in the Short Term Debtors figure of £27.472 million in the balance sheet which also

includes debtors that do not meet the definition of a financial liability and Note 26 provides more detailed information of the total short term debtors figure.

Under IFRS 13 the fair value of a financial asset is now defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair values only need to be disclosed for the Council's long term financial liabilities as the fair value of our short-term instruments, including trade receivables are assumed to approximate to the carrying amount so fair values have not been disclosed above.

There were two new long term investments in 2015-16. A £2 million investment for one year taken out in October 2015, but this was transferred to short term in the Balance Sheet at 31 March 2016 so is included in the table above. There was also a £2 million investment for two years taken out in November 2015 so the Long Term Investments figure in the balance sheet is £2.007 million (no balance at 31 March 2015) and the Fair Value (Level 2 in the fair value hierarchy as per the liabilities above) is £2.011 million which has been calculated by discounting at the market rate for a similar instrument with equivalent remaining term to maturity.

There are Long Term Debtors carried in the Balance Sheet which are financial assets. These are Housing Advances (£12,552.73) which are made of 5 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 (£133,000) 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 2016 Gross Assets (Liabilities) £000	31 March 2015 Gross Assets (Liabilities) £000
Bank Accounts in Credit	2,121	2,322
Total Financial Assets	2,121	2,322
Bank Overdrafts	(2,229)	(2,415)
Total Financial Liabilities	(2,229)	(2,415)
Net Position on Balance Sheet	(108)	(93)

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 25 February 2015 accepted the Treasury Management Strategy 2015-16 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.

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include entities with a minimum long-term credit rating of A- that are domiciled in the UK or a foreign country with a minimum sovereign rating of AA+, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Overseas subsidiaries of foreign banking groups will normally be assessed according to the country of domicile of the parent organisation.

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 25 November 2015 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 may invest with any of the counterparty types shown below in the approved counterparties table, subject to the cash limits (per counterparty) and the time limits shown.

Approved Counterparties

Credit Rating	Banks (including building societies) Unsecured	Banks (including building societies) Secured	Government	Corporates	Registered Providers
UK Central Government	N/A	N/A	£ Unlimited	N/A	N/A
			50 Years		
UK Local Authorities *	N/A	N/A	£12,000,000	N/A	N/A
			10 Years		
AAA	£3,000,000	£4,000,000	£4,000,000	£2,000,000	£2,000,000
	5 Years	20 Years	50 Years	20 Years	20 Years
AA+	£3,000,000	£4,000,000	£4,000,000	£2,000,000	£2,000,000
	5 Years	10 Years	25 Years	10 Years	10 Years
AA	£3,000,000	£4,000,000	£4,000,000	£2,000,000	£2,000,000
	4 Years	5 Years	15 Years	5 Years	10 Years
AA-	£3,000,000	£4,000,000	£4,000,000	£2,000,000	£2,000,000
	3 Years	4 Years	10 Years	4 Years	10 Years
A+	£3,000,000	£4,000,000	£2,000,000	£2,000,000	£2,000,000
	2 Years	3 Years	5 Years	3 Years	5 Years
A	£3,000,000	£4,000,000	£2,000,000	£2,000,000	£2,000,000
	13 Months	2 Years	5 Years	2 Years	5 Years
A-	£3,000,000	£4,000,000	£2,000,000	£2,000,000	£2,000,000
	6 Months	13 Months	5 Years	13 Months	5 Years
BBB+	£1,000,000	£2,000,000	£1,000,000	£1,000,000	£1,000,000
	100 Days	6 Months	2 Years	6 Months	2 Years
BBB or BBB-	£1,000,000	£2,000,000	N/A	N/A	N/A
	Next day only	100 Days			
None	£1,000,000	N/A	£2,000,000	N/A	£2,000,000
	6 Months		25 Years		5 Years
Pooled Funds	£4,000,000				
	Per Fund				

* excluding parish and community councils

Unsecured investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail, whereas secured investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

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 as defined by WG Investment Guidance:-

- The investment is denominated in pound sterling
- The investment is not a long-term investment (contractually committed to be paid within 12 months/364 days)
- not defined as capital expenditure by legislation, and
- The investment is made with:
 - a) a body or in an investment scheme of high credit quality; or
 - b) the UK Government;
 - c) a UK local authority
 - 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	£10m
Total investments without credit ratings or rated below the Council’s definition of “high credit quality”	£6m
Total investments with institutions domiciled in foreign countries with a sovereign rating below AA+	£3m

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

Investments Limits	Cash limit
Any single organisation, except the UK Central and Local Government	£4m
UK Central Government	unlimited
UK Local Authorities (per counterparty)	£12m
Any group of organisations under the same ownership	£4m per group
Any group of pooled funds under the same management	£4m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£4m per country
Registered Providers	£5m in total
Unsecured investments with Building Societies	£6m in total

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 utilised during 2015-16. 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 2015-16 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 principal at 31 March 2016 totalled £26.00 million as detailed below and shown in the balance sheet as Long Term Investments (£2.007 million), Short Term Investments (£14.543 million) and included within Cash and Cash Equivalents (£9.501 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 2016 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	Notice Period Deposit Account £'000	Deposits Maturing Within 1 Month £'000	Deposits Maturing Within 2- 3 Months £'000	Deposits Maturing Within 6 Months to 1 Year £'000	Deposits Maturing Within 1-2 Years £'000	Total £'000
Bank	AA-	500						500
Bank	A	1,000	2,000			2,000		5,000
Local Authorities (unrated)				10,000	5,500	2,000	2,000	19,500
Unrated Building Societies					1,000			1,000
Total		1,500	2,000	10,000	6,500	4,000	2,000	26,000

The Council does not generally allow credit for its customers (trade debtors) such that all the trade debtors is recognised as short term, however, £2.390 million of the £5.771 million balance (shown above in financial assets) is past its due date for payment. The past due but not impaired amount can be analysed by age as shown in the table below:

Trade Debtors Past Due but not impaired	31 March 2016 £'000	31 March 2015 £'000
Less than three months	923	1,308
Three to six months	582	259
Six months to one year	343	130
More than one year	541	406
Total	2,390	2,104

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 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
	2015-16	2015-16	31-03-16	31-03-16
Less than one year	50%	0%	0%	0
Between 1 and 2 years	25%	0%	0%	0
Between 2 and 5 years	50%	0%	0%	0
Between 5 and 10 years	60%	0%	9.59%	9,289
10 years and above	100%	40%	70.54%	68,328
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 2016	31 March 2015
	£'000	£'000
Less than one year	7,897	5,884
Between one and two years	705	774
Between two and five years	4,878	2,642
Between five and ten years	14,510	11,181
More than ten years	79,282	84,057
Uncertain date*	19,817	19,827
Total Financial Liabilities	127,089	124,365

* The £19.250 million (19.87%) and £19.817 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 2016) 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 2016-17 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 2015-16 £m	Actual Principal Outstanding 31-03-16 £m
Total Projected Principal Outstanding on Borrowing	101.87	96.87
Total Projected Principal Outstanding on Investments(including cash/cash equivalents deposits)	8.00	26.00
Net Principal Outstanding	93.87	70.87
Fixed interest rates (net principal) exposure	140.00	55.12
Variable interest rates Exposure (net principal) exposure	50.00	15.75

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 does and will be posted to the Surplus or Deficit on the Provision of Services.

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 2016, 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	(185)	185
Impact on Surplus or Deficit on Provision of Services	(52)	185

The figures for an approximate impact of a 1% fall in interest rates for borrowing 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

2014-15 £'000		2015-16 £'000
(87,723)	Depreciation & Impairment of Assets	(33,527)
(9,798)	Movement in Stock, Debtors & Creditors	4,238
(774)	Revenue Expenditure Funded from Capital Under Statute	(696)
(9,020)	Pension Fund Adjustments	(6,590)
1,976	Provisions	(556)
(718)	Gain/Loss on Disposal of non current asset	(2,181)
647	Changes in Fair Value of Investment Property	1,082
7,346	Minimum Revenue Provision	7,950
1,793	Revenue Contribution to Capital	1,262
(96,271)	Adjustments to net deficit on the provision of services for non-cash movements	(29,018)

40. Operating Activities

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

2014-15 £'000		2015-16 £'000
(19,007)	Cash Flow on Revenue Activities	(6,016)
4,789	Interest Paid	4,545
1,638	Interest element of finance lease and PFI rental payments	1,503
(830)	Interest Received	(880)
(13,410)	Net Cash Flows from Operating Activities	(848)

41. Investing Activities

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

2014-15 £'000		2015-16 £'000
23,348	Purchase of Property, Plant and Equipment and Investment Property	21,517
7,022	Purchase / (Proceeds) from Long and Short Term Investments	5,523
(6,398)	Proceeds from sale of Property, Plant and Equipment and Investment Property	(3,964)
23,972	Net Cash Flows from Investing Activities	23,076

42. Financing Activities

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

2014-15 £'000		2015-16 £'000
-	Cash Receipts of short and long term borrowing	(3,991)
(13,970)	Other Receipts from financing activities	(20,916)
624	Repayments of short and long term borrowing	1,507
680	Cash Payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	563
(12,666)	Net Cash Flows from Financing Activities	(22,837)

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.

Government grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

International Financial Reporting Standard (IFRS)

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

Inventories

Inventories are raw materials purchased for day to day use. The value of these items that have not been used at the end of the financial year are shown as current assets in the balance sheet.

Leasing

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

Liability

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

Minimum Revenue Provision (MRP)

This is an amount that has been set aside to repay loans. This should be a prudent amount.

Movement in Reserves Statement (MIRS)

This statement shows the movement in the year on different reserves held by the Authority.

National Non-Domestic Rates (NNDR)

The NNDR, or Business Rate, is the charge to occupiers of business premises. The money collected is paid to the Welsh Government and redistributed to individual authorities in proportion to their adult population.

Net Realisable Value

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

Non Distributable Costs (NDC)

NDC is a category of costs defined by the Best Value Accounting Code of Practice. It represents:

- costs of unused I.T. facilities,
- costs of long term unused, unrealisable assets,
- certain pension fund costs

Open Market Value in Existing Use (OMVEU)

OMVEU is a basis for valuation of fixed assets.

Operating assets

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

Operating leases

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

Post balance sheet events

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

Precepts

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

Prior year adjustment

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

Provision

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

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

Public Works Loan Board (PWLB)

This is a Government agency which provides longer term loans to local authorities. It charges interest rates only slightly higher than those at which the Government can borrow.

Related party transactions

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

Revaluation Reserve

This represents the non-distributable increase/decrease in the valuation of fixed assets.

Revenue account

This is an account which records our day to day spending and income on items such as salaries and Wages, running costs of services and the financing of capital expenditure.

Service Reporting Code of Practice (SerCOP)

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

Temporary borrowing or investment

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

Trust fund

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

Work in progress (WIP)

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

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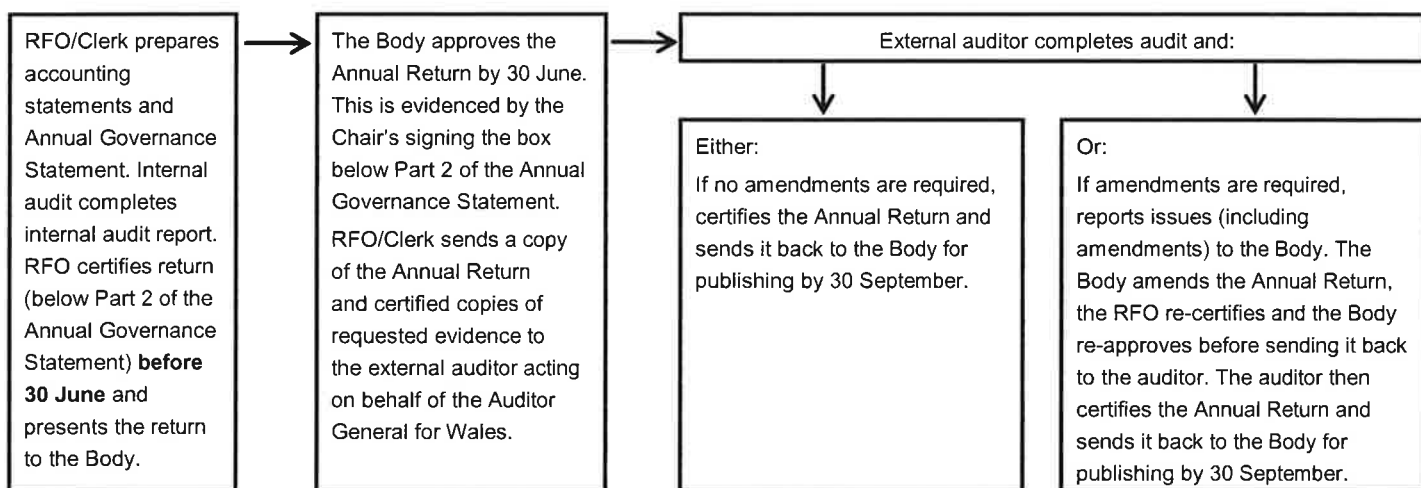


Smaller local government bodies in Wales Annual Return for the Year Ended 31 March 2016

Smaller local government bodies in Wales must prepare annual accounts following proper practices as set out in the One Voice Wales/SLCC publication **Governance and accountability for local councils in Wales – A Practitioners' Guide** (the Practitioners' Guide). The Practitioners' Guide states that bodies may prepare their accounts in the form of an annual return prepared by the Wales Audit Office.

The accounts and audit process

The accounts and audit arrangements follow the process as set out below.



Please complete all sections highlighted in red. Incomplete or incorrect returns may require additional external audit work and incur additional costs. Send the **original** Annual Return, together with all additional information requested, to the external auditor acting on behalf of the Auditor General for Wales. **Please note that copies of all documents provided for the purposes of the audit must be certified as true copies of the originals by the Clerk and Chair.** Unless requested, please **do not** send any original financial or other records to the external auditor.

Bodies should note the changes to the Annual Governance Statement. This is to be completed in full by all Bodies.

Audited and certified returns are sent back to the Body for publication or display of the accounting statements, Annual Governance Statement and the Auditor General for Wales' certificate and report.

Completion checklist

'No' answers mean that you may not have met requirements		Done?	
		Yes	No
Initial submission to the external auditor			
Accounts	Has the RFO certified the accounting statements and the body approved the Annual Return (as evidenced by the relevant signatures), no later than 30 June 2016?	<input type="radio"/>	<input type="radio"/>
	Do the accounts add up and does the balance carried forward from last year equal the opening balance this year?	<input type="radio"/>	<input type="radio"/>
	Do the papers to be sent to the external auditor include an explanation of significant variations, including a quantified analysis of the changes from last year to this year?	<input type="radio"/>	<input type="radio"/>
	Does the bank reconciliation as at 31 March 2016 agree to line 9?	<input type="radio"/>	<input type="radio"/>
All sections	Have all red boxes been completed and explanations provided where needed?	<input type="radio"/>	<input type="radio"/>
	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.	<input type="radio"/>	<input type="radio"/>
Supporting evidence	Have all items and pages of supporting evidence provided to the audit been certified as a true copy of the original by the Clerk and Chair?	<input type="radio"/>	<input type="radio"/>

Accounting statements 2015-16 for:

Name of body: Porthcawl Marina

	Year ending		Notes and guidance for compilers													
	31 March 2015 (£)	31 March 2016 (£)														
			Please round all figures to nearest £. Do not leave any boxes blank and report £0 or nil balances. All figures must agree to the underlying financial records for the relevant year.													
Statement of income and expenditure/receipts and payments																
1. Balances brought forward	0	0	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/levy	0	0	Total amount of income received/receivable in the year from local taxation (precept) or levy/contribution from principal bodies.													
3. (+) Total other receipts	(219054)	(244768)	Total income or receipts recorded in the cashbook minus amounts included in line 2. Includes support, discretionary and revenue grants.													
4. (-) Staff costs	64696	64905	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 eg termination costs.													
5. (-) Loan interest/capital repayments	126471	128903	Total expenditure or payments of capital and interest made during the year on external borrowing (if any).													
6. (-) Total other payments	27887	50960	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	0	0	Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6).													
Statement of balances																
8. (+) Debtors and stock balances	216222	56350	Income and expenditure accounts only: Enter the value of debts owed to the body and stock balances held at the year-end.													
9. (+) Total cash and investments	0	0	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	(216222)	(56350)	Income and expenditure accounts only: Enter the value of monies owed by the body (except borrowing) at the year-end.													
11. (=) Balances carried forward	0	0	Total balances should equal line 7 above: Enter the total of (8+9-10).													
12. Total fixed assets and long-term assets	3740629	3611726	The original asset and investment register value of all fixed assets and any other long-term assets held as at 31 March.													
13. Total borrowing	0	0	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).													
14. Trust funds disclosure note	<table border="1"> <tr> <td>Yes</td> <td>No</td> <td>N/A</td> <td>Yes</td> <td>No</td> <td>N/A</td> </tr> <tr> <td><input type="radio"/></td> <td><input type="radio"/></td> <td><input checked="" type="radio"/></td> <td><input type="radio"/></td> <td><input type="radio"/></td> <td><input checked="" type="radio"/></td> </tr> </table>	Yes	No	N/A	Yes	No	N/A	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>			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).
Yes	No	N/A	Yes	No	N/A											
<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>											

Annual Governance Statement (Part 1)

We acknowledge as the members of the Council/Board/Committee, 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 accounting statements for the year ended 31 March 2016, that:

	Agreed?		'YES' means that the Council/Board/Committee:	PG Ref	
	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.	<input checked="" type="radio"/>	<input type="radio"/>	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.	<input checked="" type="radio"/>	<input type="radio"/>	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 Council/Board/Committee to conduct its business or on its finances.	<input checked="" type="radio"/>	<input type="radio"/>	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.	<input checked="" type="radio"/>	<input type="radio"/>	Has given all persons interested the opportunity to inspect and to ask questions about the Body's accounts.	6, 23	
5. We have carried out an assessment of the risks facing the Council/Board/Committee and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	<input checked="" type="radio"/>	<input type="radio"/>	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 accounting records and control systems throughout the year and have received a report from the internal auditor.	<input checked="" type="radio"/>	<input type="radio"/>	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 considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the Council/Board/Committee and, where appropriate, have included them on the accounting statements.	<input checked="" type="radio"/>	<input type="radio"/>	Disclosed everything it should have about its business during the year including events taking place after the year-end if relevant.	6	
8. We have taken appropriate action on all matters raised in previous reports from internal and external audit.	<input checked="" type="radio"/>	<input type="radio"/>	Considered and taken appropriate action to address issues/weaknesses brought to its attention by both the internal and external auditors.	6, 8, 23	
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. 	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	Has met all of its responsibilities where it is a sole managing trustee of a local trust or trusts.	3, 6

* 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.

Annual Governance Statement (Part 2)

	Agreed?		'YES' means that the Council/Board/Committee:	PG Ref
	Yes	No*		
1. We calculated and approved the Council/Board/Committee's budget requirement for the 2015-16 financial year in accordance the Local Government Finance Act 1992 and proper practices [and issued the precept in accordance with Sections 39 to 42 of the Local Government Finance Act 1992.]*	<input checked="" type="radio"/>	<input type="radio"/>	Properly planned its financial activities for the year and set a budget in accordance with statutory requirements.	13
2. We have received detailed financial reports setting out the [income and expenditure* receipts and payments*] and a summary of the Council/Board/Committee's financial position on a regular [monthly* / quarterly*] basis throughout the year.	<input checked="" type="radio"/>	<input type="radio"/>	Effectively monitored its financial position, income and expenditure against that budget throughout the financial year.	13
3. We have ensured that the Council/Board/Committee's internal audit is independent of its day-to-day decision-making process and maintenance of the accounting records and have agreed appropriate terms of reference for the internal audit.	<input checked="" type="radio"/>	<input type="radio"/>	Ensured that its internal audit function is able to undertake its work without potential conflicts of interest and with sufficient scope to provide an adequate and effective service.	8

* Please delete as appropriate.

Council/Board/Committee approval and certification

The Council/Board/Committee 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 the Annual Governance Statement.

<p>Certification by the RFO</p> <p>I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Council/Board/Committee, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2016.</p>	<p>Approval by the Council/Board/Committee</p> <p>I confirm that these accounting statements and Annual Governance Statement were approved by the Council/Board/Committee under minute reference:</p>
<p>RFO signature: </p>	<p>Insert minute reference and date of meeting</p>
<p>Name: name required RANDAL HEMINGWAY</p>	<p>Chair signature:</p>
<p>Date: dd/mm/yyyy 20/06/2016</p>	<p>Name: name required</p>
	<p>Date: dd/mm/yyyy</p>

Council/Board/Committee re-approval and re-certification (only required if the annual return has been amended at audit)

<p>Certification by the RFO</p> <p>I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Council/Board/Committee, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2016.</p>	<p>Approval by the Council/Board/Committee</p> <p>I confirm that these accounting statements and Annual Governance Statement were approved by the Council/Board/Committee under minute reference:</p>
<p>RFO signature:</p>	<p>Insert minute reference and date of meeting</p>
<p>Name: name required</p>	<p>Chair signature:</p>
<p>Date: dd/mm/yyyy</p>	<p>Name: name required</p>
	<p>Date: dd/mm/yyyy</p>

Auditor General for Wales' Audit Certificate and report

The external auditor conducts the audit on behalf of, and 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 2016 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 and our recommendations for improvement are included in our report to the body dated _____.]

Other matters and recommendations

On the basis of our review, we draw the Body's attention to the following matters and recommendations which do not affect our audit opinion but should be addressed by the Body.

(Continue on a separate sheet if required.)

External auditor's name:

External auditor's signature:

Date:

For and on behalf of the Auditor General for Wales

* Delete as appropriate.

Annual internal audit report to:

Name of body: Porthcawl Harbour

The Council/Board/Committee'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 2016.

The internal audit has been carried out in accordance with the Council/Board/Committee'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 Council/Board/Committee.

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
1. Appropriate books of account have been properly kept throughout the year.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Centralised Main accounting audit undertaken – no issues identified.
2. Financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Audit undertaken in 15/16 – no issues identified.
3. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Audit undertaken in 15/16 – no issues identified.
4. The annual precept/levy/resource demand requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored, and reserves were appropriate.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Audit undertaken in 15/16 – no issues identified.
5. Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Audit undertaken in 15/16 – no issues identified.
6. Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Audit undertaken in 15/16 – no issues identified.. VAT for each purchase confirmed as itemised on GL.
7. Salaries to employees and allowances to members were paid in accordance with minuted approvals, and PAYE and NI requirements were properly applied.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Centralised Payroll audit undertaken – no issues identified.
8. Asset and investment registers were complete, accurate, and properly maintained.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Confirmed by review of extract from Asset Register.

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
9. Periodic and year-end bank account reconciliations were properly carried out.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Centralised Main accounting audit undertaken – no issues identified.
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.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Centralised Main accounting audit undertaken – no issues identified.
11. Trust funds (including charitable trusts). The Council/Board/Committee has met its responsibilities as a trustee.	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	Insert text

For any risk areas identified by the Council/Board/Committee (list any other risk areas below or on separate sheets if needed) adequate controls existed:

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
12. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
13. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text
14. Insert risk area	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Insert text

* 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.

Internal audit confirmation

I confirm that as the Council's internal auditor, I have not been involved in a management or administrative role within the body or as a member of the body during the financial years 2014-15 and 2015-16. I also confirm that there are no conflicts of interest surrounding my appointment.

Name of person who carried out the internal audit: Helen Smith

Signature of person who carried out the internal audit:



Date: 17/06/16

Guidance notes on completing the Annual Return

1. You must apply proper practices when preparing this annual return. For guidance, please read the Practitioners' Guide (**Governance and accountability for local councils: A Practitioners' Guide (Wales)**) – available from One Voice Wales and SLCC. It contains everything you need for the financial year-end and the statutory audit.
2. The Wales Audit Office Good Practice Exchange (www.audit.wales/good-practice/finance/community-council-money) provides further information on the accounts and audit process along with guidance on governance matters.
3. Make sure that the Annual Return is fully completed ie, no empty red boxes. Please avoid making any amendments to the completed return. If this is unavoidable, cross out the incorrect entries, make sure the amendments are drawn to the attention of the body, properly initialled and an explanation for them is provided to the external 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 and may incur additional costs.
4. **There are now two boxes for certification and approval by the Body. The second box is only required if the annual return has to be amended as a result of the audit. You should only complete the top box before sending the form to the auditor.**
5. Use a second pair of eyes, perhaps the Chair or a member, to review your Annual Return for completeness before sending the original form to the auditor.
6. Make sure that your accounting statements add up, that the balance carried forward from the previous year (line 7 of 2015) equals the balance brought forward in the current year (line 1 of 2016). Explain any differences between the 2015 figures on this annual return and the amounts recorded in last year's annual return.
7. Explain fully any significant variances in the accounting statements. Do not just send in a copy of your detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include a detailed analysis to support your explanation and be specific about the values of individual elements making up the variances.
8. Make sure that the copy of the bank reconciliation you send to your auditor with the 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 Council holds any short-term 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*.
9. **Every** small body is now required to send to the external auditor, information to support the assertions made in the Annual Governance Statement. Your auditor will tell you what information you need to provide. Please read the audit notice carefully to ensure you include all the information the auditor has asked for. You should send **copies** of the original records (certified by the Clerk and Chair as accurate copies) to the external auditor and not the original documents themselves.
10. Please do not send the auditor any information that you are not specifically asked for. Doing so is not helpful.
11. If the auditor has to review unsolicited information, repeat a request for information, receives an incomplete bank reconciliation or explanation of variances or receives original documents that must be returned, the auditor will incur additional costs for which they are entitled to charge additional fees.
12. **Do not complete the Auditor General for Wales' Audit Certificate and report.** The external auditor completes this on behalf of the Auditor General for Wales on completion of the audit.
13. **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.
14. **Please note that if completing the electronic form, you must print the form for it to be certified by the RFO and signed by the Chair before it is sent to the auditor.**

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

30 JUNE 2016

REPORT OF THE SECTION 151 OFFICER

ANNUAL TREASURY MANAGEMENT REPORT 2015-16

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 2015-16 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 and also in February 2016, Elected Members were invited to attend a further treasury management training session. During the 2015-16 financial year, in addition to the regular treasury management reports to Cabinet and Council, Audit Committee received the Annual Treasury Management Report 2014-15 in September 2015 and the Half Year Treasury Management Report 2015-16 and the Treasury Management Strategy (TMS) 2016-17 in January 2016.
- 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 2015-16 on 25 February 2015.
- 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 2015-16. The Treasury Management Strategy 2015-16 and the Half Yearly Outturn were reported to Council on 25 February 2015 and 25 November 2015 respectively and the Annual Report will be reported to Cabinet and Council in September 2016. In addition, quarterly monitoring reports were presented to Cabinet during 2015-16.
- 4.2 A detailed summary of the Treasury Management Activities for 2015-16 is shown in **Appendix A**. No long term borrowing was taken in 2015-16 and no debt rescheduling was undertaken as there were no significant savings to be made, however, the loan portfolio will be reviewed during 2016-17. Favourable cash flows have provided surplus funds for investment and the balance on investments at 31 March 2016 was £26.00 million with an average rate of interest of 0.67%. This was an increase from the start of the financial year where investments were £19.50 million and the average rate of interest has increased from 0.51%. The first table in section 4 in **Appendix A** details the movement of the investments during 2015-16 by counterparty types and shows the average balances, duration and rates for the year.
- 4.3 In 2015-16, the Council operated within the treasury limits and Treasury Management and Prudential Indicators as set out in the agreed Treasury Management Strategy 2015-16 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 Treasury Management function will be reviewed by the Council's external Auditors, the Wales Audit Office, during the 2015-16 annual audit which has not yet been completed, however an update will be provided to Cabinet and Council in September 2016. In addition to the External Audit work, Internal Audit undertook an audit of Treasury Management during 2015-16 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 no weaknesses were identified therefore no recommendations were made.

4.5 The Annual Treasury Management Report 2015-16 is to be presented to Cabinet and then Council for approval in September and whilst the main body of the report will remain unchanged there may be slight variations to some of the figures if there are any post audit changes to reflect the most up to date information.

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 2015-16 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 2015-16

Randal Hemingway
Section 151 Officer
Head of Finance
10 June 2016

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, CF31 4AP

Background documents:

Treasury Management Strategy 2015-16
Treasury Management Strategy 2016-17

SUMMARY OF TREASURY MANAGEMENT ACTIVITIES 2015-16

1. The treasury position for 2015-16:

		Principal as at 01-04-15	Average Interest Rate	Principal as at 31-03-16	Average Interest Rate
		£m	%	£m	%
Fixed rate long term funding	PWLB*	77.62	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***		96.87	4.69	96.87	4.69
Other Long Term Liabilities*** (including PFI)		21.58		22.42	
TOTAL GROSS DEBT		118.45		119.29	
Fixed rate investments		18.00	0.51	22.50	
Variable rate investments		1.50	0.50	3.50	
TOTAL INVESTMENTS****		19.50	0.51	26.00	0.67
TOTAL NET DEBT		98.95		93.29	

* 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 4.

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 in the table above, 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 £22.42 million at 31 March 2016 includes £18.79 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 £0.55 million which is included as current financial liabilities in the Council's balance sheet in the Statement of Accounts. Also included is a new long term liability in 2015-16 of £2.40 million relating to a loan from the WG Central Capital Retained Fund for regeneration works within the Llynfi Valley. During the financial year, the long term liability relating to HALO GLL Leisure was paid off in order to release revenue savings in future years within the management fee.

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 2015-16. The majority of the Council's surplus funds during 2015-16 were therefore kept in the form of short-term investments and were all placed with counterparties satisfying the appropriate credit criteria 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 2015-16 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 2016 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 Strategy and Outturn 2015-16

The interest rate views, incorporated in the Council's Treasury Management Strategy for 2015-16, 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% until August 2015 and then a gradual pace of increases thereafter, with the average for 2015-16 being around 0.75%. The Bank Rate started the financial year at 0.50% and remained at that level during 2015-16 and in March 2016 it entered its eight year at that level.

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. 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. Also, no long term borrowing was taken during 2015-16 however for cash-flow purposes £1.5 million short term borrowing was taken on the 28 October 2015 at a rate of 0.40% and repaid on the 4 November 2015.

4. Investment Strategy & Outturn 2015-16

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 2015-16 includes the credit ratings defined for each category of investments, the prudential use of non-specified investments and the liquidity of investments.

The Council's investments have historically been placed in bank and building society unsecured deposits and local and central government, however, investments may be made with any public or private sector organisations that meet the minimum credit criteria specified in the Investment Strategy.

Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. 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 positive cash balances arising from the cash-flow e.g. timing differences between grants being

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received and making various payments. These are invested on the market via brokers, direct with the institution or held in deposit accounts. The Council usually invests for a range of periods dependent on cash flow requirements and the interest rates on offer having regard to the Investment Strategy. There were two long term investments (duration of 12 months or more) made with a local authority - £2 million for one year at a rate of 0.59% in October 2015 and £2 million for two years at a rate of 1.00% in November 2015 but all other investments in 2015-16 were short term (deposit accounts or fixed term deposits). The table below details these investments by counterparty type:

Investment Counterparty Category	Balance 01 April 2015 (A) £m	Investments Raised (B) £m	Investments Repaid (C) £m	Balance 31 March 2016 (A+B-C) £m	Average Duration Investment in force during 2015-16 Days	Average Original Duration of the Investment Days	Weighted Average Investment Balance 2015-16 £m	Weighted Average Rate 2015-16 %
Govt - DMO	-	107.70	107.70	-	6	6	1.51	0.25
Local Authorities	9.00	217.93	207.43	19.50	46	54	30.58	0.42
Building Societies	5.00	18.50	22.50	1.00	60	79	3.44	0.54
Banks (Fixed Maturity)	4.00	6.00	8.00	2.00	60	202	1.65	0.55
Banks Instant Access/Notice Period Accounts*	1.50	51.65	49.65	3.50	n/a	n/a	6.52	0.55
Total/Average	19.50	401.78	395.28	26.00	43	85	43.70	0.45

* An average duration is not shown as money is frequently added / withdrawn to/from these accounts as required by cash-flow

Occasionally, investments are placed with the UK Debt Management Office (DMO - Executive Agency of UK Government) but only for very short term deposits and only as a last resort as the interest rates offered by this facility are lower than some other counterparties but this is commensurate with the high level of security and reduced risk offered. It provides another option when examining potential investments and ensures compliance with the Council's investment objective that security takes priority over yield. There were no deposits outstanding with the DMO at 31 March 2016.

Favourable cash flows have provided positive cash balances for investment and as shown above the balance on investments at 31 March 2016 was £26.00 million made up of £2 million long term investments, £14.50 million

short term investments and £9.50 million Cash and Cash Equivalents. The table below summarises the credit risk exposures of the Council's investment portfolio as at 31 March 2016 by credit rating, (based on the lowest long term rating) maturity profile (remaining duration from 31 March 2016) and counterparty type:

Counterparty Category	Credit Rating 31 March 2016	Instant Access Deposit Accounts £m	Notice Period Deposit Accounts £m	Deposits Maturing Within 1 Month £m	Deposits Maturing Within 2-3 Months £m	Deposits Maturing Within 6-12 Months £m	Deposits Maturing Within 1-2 Years £m	Total £m
Banks*	AA-	0.50	-	-	-	-	-	0.50
Banks	A	1.00	2.00	-	-	2.00	-	5.00
Local Authorities (unrated)		-	-	10.00	5.50	2.00	2.00	19.50
Building Societies (unrated)		-	-	-	1.00	-	-	1.00
Total		1.50	2.00	10.00	6.50	4.00	2.00	26.00

* The Bank is Svenska Handelsbanken which is a Swedish bank incorporated in the EEA and entitled to accept deposits through a branch in the UK and is classed as a UK Bank in the Government's Borrowing Statistical Return

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 2015-16 and at 31 March 2016 was 4.69% (the same rate as at 31 March 2015) 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 2015). Comparable performance indicators are shown below:

Bridgend CBC Average Rate of PWLB Debt at 31-03-16	All Welsh Local Authorities Average Rate for outstanding PWLB Debt at 31-03-16	All UK Local Authorities Average Rate for outstanding PWLB Debt at 31-03-16
4.70%	4.95%	4.36%
	-0.25%	+0.34%

The average rate on investments for 2015-16 was 0.45% and at 31 March 2016 was 0.67% (compared to 0.45% for 2014-15 and 0.51% at 31 March 2015). 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 2015-16 and the actual rate as at 31 March 2016 against these two benchmarking rates:

Bridgend CBC Average Rate of Return on Investments 2015-16	Average 1 month LIBID (London Inter-Bank Bid rate) 2015-16	Average Bank Rate 2015-16
0.45%	0.38%	0.50%
	+0.07%	-0.05%
Bridgend CBC Average Rate of Return on Investments as at 31-03-16	1 month LIBID (London Inter-Bank Bid rate) as at 31-03-16	Bank Rate as at 31-03-16
0.67%	0.39%	0.50%
	+0.28%	+0.17%

6. Review of the Treasury Management Strategy 2015-16

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 2015-16, 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 25 November 2015 approved the revisions as a result of this half year review of the Treasury Management Strategy.

7. Reporting Arrangements 2015-16

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 2015-16

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 2015-16 as detailed in the Treasury Management Strategy (TMS) 2015-16 approved by Council 25 February 2015, the revised projection (where applicable) as set out in the Treasury Management Strategy 2016-17 approved by Council 10 March 2016, and the actual indicators for 2015-16.

During the financial year 2015-16, the Council operated within the treasury limits and prudential indicators set out in the Council's Treasury Management Strategy 2015-16.

8.1 Treasury Management Indicators 2015-16

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.

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No.	Interest Rate Exposure	TMS 2015-16 £m	Revised Projection TMS 2016-17 £m	Actual Outstanding 31-03-16 £m
	Total Projected Principal Outstanding on Borrowing 31 March 2016	101.87	96.87	96.87
	Total Projected Principal Outstanding on Investments 31 March 2016	8.00	17.00	26.00
	Net Principal Outstanding	93.87	79.87	70.87
1.	Upper Limit on fixed interest rates (net principal) exposure	140.00	n/a	
2.	Upper Limit on variable interest rates Exposure (net principal) exposure	50.00	n/a	
	Fixed interest rate Exposure (net principal) 31-03-16			55.12
	Variable interest rate Exposure (net principal) 31-03-16			15.75

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.

No.	Maturity structure of fixed rate borrowing during 2015-16	TMS 2015-16 Upper limit	TMS 2015-16 Lower limit	Actual Outstanding 31-03-16
3.	Under 12 months	50%	0%	19.87%
	12 months and within 24 months	25%	0%	0.00%
	24 months and within 5 years	50%	0%	0.00%
	5 years and within 10 years	60%	0%	9.59%
	10 years and above	100%	40%	70.54%

The 19.87% in the table above 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. 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 2016 which is July 2016, however, the lender is not expected to exercise this option due to current low interest rates and the Council is not anticipating that this will occur during 2016-17 so the maturity date is actually uncertain but is shown in the "Under 12 months" category as per the Code.

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.		TMS 2015-16 £m	Actual Principal Invested During 2015-16 £m
4.	Upper Limit for Total Principal Sums Invested for more than 364 days	15	4

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

8.2 Prudential Indicators 2015-16

The Prudential Indicators are required to be set and approved by Council in accordance with CIPFA's Prudential Code for Capital Finance in Local Authorities.

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 2015-16	Estimate TMS 2015-16 £'000	Revised Projection TMS 2016-17 £'000	Actual 2015-16 £'000
1	Estimates of Capital Expenditure (Non-HRA)	36,441	31,689	26,299
	Total Capital Expenditure	36,441	31,689	26,299
	Financed by :-			
	Capital Grants and Contributions	12,575	17,150	17,683
	Capital Receipts	9,322	5,581	146
	Revenue	3,055	1,749	1,262
	Net Financing Need for Year	11,489	7,209	7,208

The capital expenditure figures have changed from the Treasury Management Strategy 2015-16 as the capital programme approved by Council on 25

February 2015 has been amended to include new approved schemes and to incorporate slippage of schemes identified as part of the capital monitoring which has resulted in a decrease in the Net Financing Need for 2015-16.

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 and the methodology is detailed in the Council's MRP policy in the TMS 2015-16. The MRP requirement for the PFI Scheme, 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	Estimate TMS 2015-16 £'000	Revised Projection TMS 2016-17 £'000	Actual 2015-16 £'000
2	Capital Financing Requirement (CFR)			
	Opening CFR (1 April 2015) excluding other LTL	157,078	154,979	154,802
	Opening PFI CFR	19,300	19,300	19,300
	Opening Innovation Centre	769	770	770
	Opening HALO	1,150	962	962
	Opening Coychurch Crematorium	-	-	177
	Total Opening CFR	178,297	176,011	176,011
	Movement in CFR excluding PFI & other liabilities	4,801	463	269
	Movement in PFI CFR	(512)	(512)	(513)
	Movement in Innovation Centre CFR	(51)	(51)	(51)
	Movement in HALO CFR	(117)	(117)	(962)
	Movement in CREM CFR			(49)
	Total Movement in CFR	4,121	(217)	(1,306)
	Closing CFR (31 March 2016)	182,418	175,794	174,705
	Movement in CFR represented by :-			
	Net Financing Need for Year (above)	11,489	7,209	7,208
	Minimum and Voluntary Revenue Provisions	(7,368)	(7,426)	(8,514)
	Total Movement	4,121	(217)	(1,306)

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

Limits to Borrowing Activity

The Council's long term borrowing at the 31 March 2016 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

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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 in external borrowing from the estimated indicator is because there was no new borrowing taken during 2015-16.

No.	Prudential indicators For Prudence Gross Debt 2015-16	Estimate TMS	Revised Projection TMS	Actual Outstanding
		2015-16	2016-17	31-03-16
		£'000	£'000	£'000
3	External Borrowing	101,867	96,867	96,867
	Long Term Liabilities (including PFI)	20,539	23,261	22,416
	Total Gross Debt	122,406	120,128	119,283

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 2015-16. The table below shows that the Council has complied with this requirement.

No.	Prudential indicators For Prudence 2015-16	Estimate TMS	Revised Projection TMS	Actual Outstanding
		2015-16	2016-17	31-03-16
		£'000	£'000	£'000
4	Gross Debt & the CFR			
	Total Gross Debt	122,406	120,128	119,283
	Closing CFR (31 March)	182,418	175,794	174,705

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	TMS Limit	Actual
		2015-16 £m	31-03-16 £m
5	Authorised limit for external debt -		
	Borrowing	140	
	Other long term liabilities	30	
	Total	170	
6	Operational Boundary		
	Borrowing	105	
	Other long term liabilities	25	
	Total	130	
	Borrowing		96.87
	Other long term liabilities		22.42
	Total		119.29

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. The projection has increased from the TMS 2015-16 estimate of 5.05% to 6.56% mainly due to additional premiums repaid in 2015-16 but part of this was offset by an earmarked reserve together with the under spend on capital financing costs.

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No.	Prudential Indicators for Affordability 2015-16	Estimate TMS 2015-16 %	Revised Projection TMS 2016-17 %	Actual 2015-16 %
7.	Ratio of Financing Costs to Net Revenue Stream	5.05	6.54	6.56

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 TMS 2015-16 £	Revised Projection TMS 2016-17 £	Actual 2015-16 £
8.	Increase in Band D Council Tax as per Capital Programme	3.91	3.87	3.87

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

30 JUNE 2016

REPORT OF THE CHIEF INTERNAL AUDITOR

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 21st April 2016.

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 / Action / Resolution	Current Status
28 th January 2016	IASS External Assessment - That the Committee noted that a further report would be presented to the Committee, setting out the proposed scope and objectives of the assessment to be undertaken, to ensure that the Committee can gain the necessary external assurances on the effectiveness of the Internal Audit Shared Service function.	CIA	A proposed scope and objectives for Audit Committee's consideration is scheduled for further on the agenda for today's meeting (30 th June 2016)	Complete
21 st April 2016	Risk Management – A Member referred to page 92 of the report and the Risk Description of School Modernisation, and the sale of public land. He asked what processes were in place in order to secure the best price possible for acquiring land upon which to provide new or	Head of Finance	All property disposals are governed through the property disposals team which consists of experienced professionally qualified surveyors. The project team assesses each potential surplus asset and determines the most appropriate method of sale. In most instances this involves	Complete

	combined modernised schools.		<p>the appointment of specialist agents to ensure that the sites are widely marketed and the best bids received. As part of the disposals process there are several approval processes and procedures, including valuation evidence to assess any offers received. This ensures that the best disposal outcome is achieved, and a robust audit trail exists</p> <p>As part of the council's asset management plan to rationalise its property portfolio the council is actively pursuing an enhanced disposal programme to generate capital receipts to support its capital programme. To ensure that the council achieves the best disposal outcome it has adopted a disposal strategy which provides a guiding framework for all asset disposals.</p> <p>The council's disposal strategy recognises the statutory duty to achieve the best price reasonably obtainable for the sale of assets, under Section 123 of the Local Government Act 1972. The onus under this legislation is to demonstrate that in discharging its statutory functions it has acted properly, rationally and with due regard to its fiduciary duty in order to avoid the risk of challenge.</p> <p>In some instances such as Community Asset Transfer the decision is made to dispose of assets for less than "best consideration". An example of this is the transfer of the former library in Bridgend to Bridgend Town Council. The General Disposal Consents Order 2003, permits councils to sell or lease assets at less than "best consideration" subject to a value limit of £2m, and only in cases where it can clearly demonstrate and attribute value to wellbeing benefits.</p>	
21 st April 2016	Risk Management - A Member referred to page 85	Head of Finance	The business case will include B roads as well as A	Complete

		of the report, and Maintaining the Infrastructure ie roads and highways. In relation to committing finance to any future such maintenance works, she asked if this was planned for B and other minor roads as oppose to A roads.		roads.	
21 st April 2016		Risk Management - A Member referred to paragraph 4.3 of the report, and a statement confirming that the 2016-17 Corporate Risk Assessment was fully aligned with the Council's MTFs and Corporate Plan. She felt that future such versions of the Risk Management Policy should reflect this more clearly, and that this document needed to be cross referenced with the MTFs.	Risk Management & Insurance Officer	A version of the Corporate Risk Assessment has been produced which cross references the links between the Corporate Plan and Corporate Risk Assessment. The suitability of this format is to be assessed.	Ongoing
21 st April 2016		A Member referred to the Inherent and Residual Risk scores and asked how these compared with similar or other risks in neighbouring local authorities.	Risk Management & Insurance Officer	Risk assessments from six other councils have been received and will be analysed to see what themes are reoccurring. This information will be used during the next quarterly review.	Ongoing
21 st April 2016		In response to a question from the Committee, the Chief Internal Auditor stated that she would provide a report to the Committee on the high percentage of savings achieved in Legal and Regulatory Services.	Head of Finance and CIA	Clarification from Members will be requested at the 30 th June meeting in order to understand what additional information is required, particularly as detailed information has been provided in both Cabinet and Scrutiny reports and the Head of Finance has confirmed that saving within Legal & Regulatory Services have been met.	Outstanding

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.

Helen Smith
Chief Internal Auditor
30th June 2016

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Background Documents

None

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

30 JUNE 2016

REPORT OF THE CHIEF INTERNAL AUDITOR

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 a summary of the findings to Audit Committee.

4. Current situation / proposal.

4.1. Recently completed audits relating to 2015/16 and 2016/17 are summarised in **Appendix A** and is attached to this report.

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

5. Effect upon Policy Framework & Procedure Rules.

5.1. None

6. Equality Impact Assessment.

6.1 There are no equality implications.

7. Financial Implications.

7.1. None

8. Recommendation.

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

Helen Smith
Chief Internal Auditor
30th June 2016

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Background documents

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

2016/17 Completed Audits**Reported at the 30th June 2016 Audit Committee Meeting**

Report Title	System Overview	Department & Directorate	Work Finalised	Audit Days	Key Messages	Audit Opinion
Harbour Operations	<p>The objectives of the audit were to establish if the operating procedures for the Porthcawl Marina are robust and effective and whether there is a robust provision for ensuring the future upkeep of the Marina.</p> <p>The scope of the audit included;</p> <p>Examination of the Business Plan, and current business targets and how / if they are being achieved;</p> <p>Examination of any Grant Conditions applicable to the operation of the Marina.</p> <p>Identification / analysis of risk to the enterprise and how it is being managed.</p> <p>Examination of any relevant legislation as regards the Marina.</p> <p>Day to day management and recording practices of income generated, allocation of berths, etc.</p> <p>Governance arrangements.</p> <p>Interdepartmental arrangements.</p>	Wellbeing	March 16	21	<p>There are robust governance and reporting arrangements in place.</p> <p>The harbour is manned by trained staff with access to documented procedures for all areas of administration and operation.</p> <p>All moorings have been allocated providing maximum income.</p> <p>The following key issues were identified during the Audit which need to be addressed:</p> <p>Identified risks have not yet been quantified in order to assess whether they should be included on the Corporate Risk Register.</p> <p>The independent management checks currently performed at the harbour office do not include reconciliation between the income received by the harbour staff and the income recorded on the general ledger.</p>	Reasonable

Report Title	System Overview	Department & Directorate	Work Finalised	Audit Days	Key Messages	Audit Opinion
DBS	<p>The Council is committed to safeguarding the welfare of those accessing our services through the effective use of the Disclosure and Barring Service (DBS) and has a statutory duty of care towards vulnerable members of society. The requirement for a Disclosure and Barring Service (DBS) check relates to the nature of the duties being undertaken irrespective of the status of the contract. This audit focuses on positions that require a DBS check and the surrounding controls and procedures.</p> <p>The objective of the audit was to provide assurance that the controls implemented following the introduction of E Bulk remain in place.</p>	Resources - HR	April 16	28	<p>During the Audit a number of strengths and areas of good practice were identified as follows: Dummy dates no longer in use following 2014/15 significant recommendation (though a small number of residual ones remain on the system). No issues were identified with the Data Conversion process. Adequate process in place for New Starters to be registered on E-Bulk system.</p> <p>The following key issues were identified during the Audit which need to be addressed: Trent not being updated following DBS clearances. Escalations are not being chased up in a timely manner</p>	Reasonable
ARC	<p>Assisted Recovery in the Community (ARC) provides evidence based clinical interventions in line with NICE Guidelines for common mental health problems such as anxiety, depression and specific phobias in a primary care setting. This primary intervention is a prevention service</p>	Wellbeing Adult Social Care.	March 16	16	<p>During the Audit a number of strengths and areas of good practice were identified as follows: A section 33 Partnership Agreement has been set up with a pooled budget for the management of the service. Referral rates are documented</p>	Reasonable

Report Title	System Overview	Department & Directorate	Work Finalised	Audit Days	Key Messages	Audit Opinion
	<p>in order to delay or eliminate acceleration into secondary mental health care.</p> <p>The provision for ARC was set up in 2010, whereby collaboration between Bridgend County Borough Council and Abertawe Bro Morgannwg University Health Board was introduced. The Service incorporates certain Care Services to be provided through the Council's Health Related Care Functions and the Health Board's NHS Health Care Functions. In order to place reliance upon good governance and systems operated within this partnership; controls in operation were evaluated.</p> <p>The Scope of the Audit was to: Ensure existence of policies and procedures for Management of the Service. Review of the referral process. Development of plans and ongoing monitoring. Confirm effective day to day management of the Service including</p>				<p>with annual comparisons performed in order to verify service requirements. Correct financial contributions and reimbursements to the pooled budget could be traced.</p> <p>The following key issues were identified during the Audit which need to be addressed: The PMG meetings that should be held in accordance with the Section 33 agreement had not been held very regularly and were attended by all members. Evidence of budget monitoring reports could not always be provided. Some Governance arrangements as detailed in Schedule 5, Point 1 of the Section 33 Agreement could not be evidenced.</p>	

Report Title	System Overview	Department & Directorate	Work Finalised	Audit Days	Key Messages	Audit Opinion
	Budget Monitoring.					
Agency Staff in schools	<p>In 2008 the need for a tendering exercise for the recruitment of agency staff was identified. This process was initially led by Newport Council in collaboration with BCBC. The tendering process was further progressed by Cardiff Council on behalf of the Welsh Purchasing Consortium. The successful tenderer for education (school staff) was New Directions. The Welsh Purchasing Consortium notified BCBC that the 2015 tendering process resulted in no change to the supplier; New Directions retained the contract which was formally adopted by BCBC in August 2015.</p> <p>Discussions with members of the Procurement team confirmed that all schools had been notified of the 2015 tendering process by the Head of Strategy, Partnerships and Commissioning. This was followed by a clarification note from the BCBC Procurement Unit which provided an explanation as to why the tendering process had been</p>	Children Strategy, Partnerships and Commissioning	March 16	21	<p>During the Audit a number of strengths and areas of good practice were identified as follows:</p> <p>There is an approved provider contract in place for the provision of agency staff for schools.</p> <p>The Procurement Unit has been in contact with schools to promote the use of the approved provider.</p> <p>The following key issues were identified during the Audit which need to be addressed:</p> <p>Low use of the approved provider, New Directions and limited appetite to use them.</p> <p>No monitoring of spend / usage at a central level.</p> <p>The projected savings figure resulting from use of the approved contractor was provided by the approved contractor. There is a lack of supporting information to verify this projection.</p>	Limited

Report Title	System Overview	Department & Directorate	Work Finalised	Audit Days	Key Messages	Audit Opinion
	<p>undertaken and to inform that the appointed provider was the only one that had successfully completed the tendering process and satisfied all of the required criteria.</p> <p>Schools were also informed that the procurement process had complied with OJEU regulations in view of the overall value of the contract which is in the region of £1.6M per year.</p>					
Commissioning	<p>The objectives of the audit were to identify and evaluate the processes and procedures for commissioning services for domiciliary care and Residential care to ensure fairness, transparency, value for money and achieve Authority objectives.</p> <p>The scope of the audit included a strategic review of the commissioning practices against the Welsh Government Commissioning Guidance including:</p> <ul style="list-style-type: none"> • Current contract arrangements 	Wellbeing Adult Social Care	March 16	36	<p>Strengths and areas of good practice were identified as follows:</p> <p>New service agreements for Domiciliary Care and Residential/nursing Care are scheduled for April 2016. BCBC has robust quality monitoring and follow up processes in place for Domiciliary and Residential care providers. (See later comment relating to monitoring of the nursing care element by ABMU).</p> <p>The following key issues were</p>	Reasonable

Report Title	System Overview	Department & Directorate	Work Finalised	Audit Days	Key Messages	Audit Opinion
	<ul style="list-style-type: none"> • Review and monitoring of current contracts including quality of services, QA systems, etc. • Future Tendering arrangements • Compliance with the 13 standards set out in WG Guidance. • Fee setting methodology and processes applied in relation to care home settings. 				<p>identified during the Audit which need to be addressed: An issue was raised regarding the quality of the documentation provided to BCBC following the monitoring of the nursing care element of the Nursing care contracts by qualified members of ABMU. There is a lack of evidence of compliance with the 13 Commissioning Standards as per the 2010 Welsh Government publication; Commissioning Framework Guidance.</p>	
Debtors	<p>For the period July 2014 to June 2015 a total of 35,308 invoices were raised through the Sundry Debtors system, with a total value of £31,204,773.70. For this same period 1383 credit notes were raised, worth a total of £2,171,119.63. The Invoice, Credit Note, Aged Debt and Write Off reports and service areas were selected for</p>	Resources Taxation	April 16	18	<p>Strengths and areas of good practice were identified as follows: There was an adequate segregation of duties in the write off procedure. The Income Team is knowledgeable and experienced with each officer being responsible for a certain directorate ensuring</p>	Substantial

Report Title	System Overview	Department & Directorate	Work Finalised	Audit Days	Key Messages	Audit Opinion
	testing on the basis of the number and value of credit notes raised, the number of write offs raised and the value of aged debts.				that queries are dealt with and resolved efficiently. The following issues were identified during the Audit which need to be addressed: In one instance a write off had been performed on COA prior to the correct authorisation being obtained The Auditor found that the diaries weren't always fully utilised on COA, and reviews for PBI's were not being undertaken on a regular basis.	
Cash Control	An audit review of the Cash Control System was undertaken as part of the 2015/16 annual Internal Audit plan. The review primarily focussed around a control risk self-assessment, the response of which was scrutinised and limited testing carried out in selected areas, namely suspense accounts and unders / overs in banking.	Resources Finance	May 16	3	Based on an assessment of the strengths and weaknesses of the areas examined, it has been concluded that the effectiveness of the internal control environment is considered to be sound and therefore substantial assurance can be placed upon the management of risks. This overall opinion is supported by the identification	Substantial

Report Title	System Overview	Department & Directorate	Work Finalised	Audit Days	Key Messages	Audit Opinion
					of a well-controlled system where only one minor recommendation has been made where it is considered that the action required is Desirable.	
Street Scene Capital Programme	<p>The 2015/16 Capital Programme has £40.2 million to deliver capital schemes. £5.4 million is allocated to 21 Street Scene Schemes in the Communities Directorate. Projects identified in the Capital Programme are expected to follow the Council's Programme and Project Management methodology.</p> <p>The objective of the audit was to provide assurance that the Street Scene projects identified in the Council's Capital Programme 2015/16 are adhering to the Council's project management principles with effective governance; finance; risk management; controls in place.</p>	Communities, Highway Services	April 2016	14	<p>Strengths and areas of good practice were identified as follows:</p> <p>The Coychurch Crematorium project is anticipated to complete two weeks ahead of schedule and within its agreed budget.</p> <p>The following issues were identified during the Audit which need to be addressed:</p> <p>The three transportation projects are at risk of overrunning which could breach the terms and conditions of the Welsh Government agreement and result in the Council funding the remaining projects;</p> <p>There are no Project Initiation Documents in place to define the governance, tolerance</p>	Reasonable

Report Title	System Overview	Department & Directorate	Work Finalised	Audit Days	Key Messages	Audit Opinion
					controls and risk management processes; Risk Registers are being managed by the Engineering team and not the Project Manager which may result in insufficient accountability, monitoring and reporting of individual risks.	
Tranman & Triscan Systems	<p>Civica's Tranman is a fleet management tool used to provide fleet and asset management. BCBC utilise the Tranman system for tasks such as:</p> <ul style="list-style-type: none"> • Monitoring stock levels • Ordering parts • Ordering fuel • Maintaining information on the authority's vehicles/plant • Controlling internal/external hiring of vehicles/plant • Monitoring progress on vehicle <p>Triscan is a fuel management system used by BCBC to manage the fuel arriving and leaving each site along with access to withdraw fuel.</p>	Communities, Highway Services	May 2016	33	<p>Identified strengths include: The Triscan System provides a vast range of reporting mechanisms for the management of fuel, along with full and comprehensive audit logging across a whole range of functions carried out. Role-based information security within both Tranman and Triscan was strong when tested, meaning that users were not able to access information outside of their role.</p> <p>The following key issues were identified during the Audit: Password integrity constraints across both the Tranman and Triscan systems do not comply with the ICT password policy</p>	Reasonable

Report Title	System Overview	Department & Directorate	Work Finalised	Audit Days	Key Messages	Audit Opinion
					<p>recommendations. Testing showed that the fuel limits within Triscan do not in all cases stop fuel being withdrawn beyond a set limit.</p>	
Concessionary Travel	<p>The objective of the audit was to provide assurance that there are suitable controls in place for the administration of Concessionary Travel Pass scheme. The scope of the audit included: To review policies and procedures governing the scheme. Processes for dealing with applications, renewals / replacements and cancellations. Reimbursement / payments to suppliers. Compliance with any Grant Terms and Conditions. Inclusion of Concessionary Travel into the Tell us Once process.</p>	Communities Traffic and Transport	May 16	16	<p>Strengths and areas of good practice were identified as follows: Processing of applications is a swift and straight forward process. Invoices to suppliers are paid in a timely manner and correct costs are reclaimed from WG.</p> <p>The following key issue was identified during the Audit which need to be addressed: The information supplied from the National Fraud Initiative regarding data matches between the DWP deceased list and concessionary pass holders have not been investigated promptly, resulting in continued use of cards for periods of time after the card holder had been</p>	Reasonable

Report Title	System Overview	Department & Directorate	Work Finalised	Audit Days	Key Messages	Audit Opinion
					reported as deceased.	
Health & Safety	<p>The Corporate Health & Safety Unit moved from being under Human Resources (HR) to being part of Built Environment in Resources in 2014. When this move took place responsibility for Manual Handling training provision moved to the Wellbeing Directorate and Health Surveillance, through IMASS the Authority's Occupational Health provider remained the responsibility of HR. Since moving to Built Environment the CHSU have been undertaking a gap analysis to identify Health & Safety needs and risks across the Authority.</p> <p>The scope of the audit was: Health & Safety Policy, Procedures and Guidance notes, including how new or amended changes to legislation and best practice guidelines are</p>	Resources Built Environment	March 16	12	<p>Strengths and areas of good practice were identified as follows:</p> <p>There is a Corporate Health & Safety Steering Group in place which meets regularly. A Council wide gap analysis has been completed to identify key risks.</p> <p>All incidents sampled by the Auditor that required reporting to the Health and Safety Executive (HSE) had been.</p> <p>The following key issues were identified during the Audit which need to be addressed:</p> <p>The accident reporting process has no electronic option, relying on paper forms and the postal system leading to lengthy time delays.</p> <p>Key policies on Bridgenders have past their review date.</p>	Reasonable

Report Title	System Overview	Department & Directorate	Work Finalised	Audit Days	Key Messages	Audit Opinion
	<p>implemented. Identify the process for Incident & Accident reporting and investigation and ensure they are within the guidelines and any relevant legislation. Risk Assessments – review the criteria and frequency of inspections, how they are monitored, controlled and followed up.</p>					
Assessment Framework	<p>Social Services currently provide independent domiciliary care packages to approximately 600 clients through external care packages. These clients are referred to BCBC for an assessment of their needs, with a suitable care package agreed if required. These costs are then invoiced to the Council by the external providers and paid through COA Financials. The Scope of the Audit was: To inform future audit work, undertake background research to gain an understanding of the new assessment framework for</p>	Social Service & Wellbeing – Adult Social Care	March 16	12	<p>Strengths and areas of good practice were identified as follows: Finance are piloting a new batch payment process to speed up the payment process and make it more efficient. The Wellbeing part of the payment process has recently become more efficient with the introduction of batch headers, eliminating the need for the Group Manager to sign individual invoices. The following issues were identified during the Audit</p>	Reasonable

Report Title	System Overview	Department & Directorate	Work Finalised	Audit Days	Key Messages	Audit Opinion
	<p>older people and relevant objectives.</p> <p>Document the complete process from invoices being received from providers to the checking of the charge being made, recording and payment of the invoices.</p> <p>Identify how any service changes are communicated and that the agreed revised charges are correctly paid.</p> <p>Undertake testing on non-residential service invoices to identify whether the actual payments made agree to the assessment/care plan in place and the agreed price.</p> <p>Identify any reconciliation or budget monitoring undertaken.</p> <p>Ensure that the systems in place are efficient, effective and timely.</p>				<p>which need to be addressed:</p> <p>The invoices currently travel between Finance in one building and Wellbeing in another building and back again prior to being paid leading to delays.</p> <p>There is no system in place to ensure companies are only claiming the correct number of hours delivered within the care package.</p>	

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

30 JUNE 2016

REPORT OF THE CHIEF INTERNAL AUDITOR

INTERNAL AUDIT – OUTTURN REPORT – APRIL TO MAY 2016

1. Purpose of Report.

1.1 The purpose of this report is to inform the Audit Committee of actual Internal Audit performance against the two months of the audit plan year covering April and May 2016.

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 2016/17 Internal Audit Plan was submitted to the Audit Committee for consideration and approval on the 21st April 2016. The Plan outlined the assignments to be carried out and their respective priorities.

3.2. The Plan provided for a total of 1,053 productive days to cover the period April 2016 to March 2017.

4. Current situation / proposal

4.1. The following table shows an analysis of productive days achieved against the plan for the first two months of this financial year. A more detailed analysis as extracted from the Internal Audit Shared Service management information system is shown at **Appendix A**.

Directorates	2015/16 Full Year Plan Days	Proportion of Plan Days Available for April to May 2016	2016-17 April to May Actual Days delivered
CEX - Finance	130	22	9
Operational & Partnership Services	105	17.5	6
Education & Family Support	155	26	3

Communities	128	21	0
Social Services & Wellbeing	105	17.5	15
Cross Cutting – Including External Contingency - Unplanned Contingency - Fraud & Error	430	72	115
TOTAL PRODUCTIVE DAYS	1,053	176	148

4.2. The figures show that 148 actual days have been achieved, which is less than the expected target of 176 by 28 days.

4.3. At present the overall structure of the Section is based on 18 Full Time Equivalent (FTE) employees. However, at the end of the Financial Year 2015/16, the Section was carrying 4 FTE vacant posts and this continues to be the case for the start of the new Financial Year.

4.4. At the end of the period 1 reviews / jobs have been completed and closed, which has provided management with an overall reasonable audit opinion on the internal control environment for the systems examined. As we are only two months into the start of the new audit plan, 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 May 2016 to ensure that all aspects of their core functions are being adequately reported.

Helen Smith
Chief Internal Auditor
30th June 2016

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Background Documents

None

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<u>Cod</u>	<u>Job</u>	<u>Job Name</u>	<u>Days</u>	<u>Budget</u>	<u>Date Commenced</u>	<u>Date Closed</u>	<u>Opinion</u>
ASSURANCE							
	Directorate	CHIEF EXECUTIVE - RESOURCES					
B	613 BCBC-	Advice & Guidance CEX / Resources	1.05	5.00	01/04/2016		
	622 BCBC -	NNDR c/fwd 15/16	5.71	5.00	01/04/2016		
	631 BCBC -	BACS Security	1.79	3.00	01/04/2016	26/05/2016	Reasonable
Total	Directorate	CHIEF EXECUTIVE - RESOURCES	8.55	13.00			
	Directorate	OPERATIONAL SERVICES & PARTNERSHIPS					
B	616 BCBC-	Advice & Guidance Op Serv & P/ship	0.57	5.00	01/04/2016		
	624 BCBC -	C/F Firewalls	2.06	9.00	01/04/2016		
	628 BCBC -	Absence Management	2.91	15.00	01/04/2016		
Total	Directorate	OPERATIONAL SERVICES & PARTNERSHIPS	5.54	29.00			
	Directorate	EDUCATION AND FAMILY SUPPORT					
B	614 BCBC -	Advice & Guidance Ed & Family Sup	0.54	5.00	01/04/2016		
	626 BCBC -	School Summary 15-16	2.13	5.00	01/04/2016		
Total	Directorate	EDUCATION AND FAMILY SUPPORT	2.67	10.00			
	Directorate	SOCIAL SERVICES AND WELLBEING					
B	620 BCBC -	Occupational Therapy c/fwd 15/16	9.29	10.00	01/04/2016		
	627 BCBC -	Bus Svs Support Grant	6.15	5.00	08/04/2016		
Total	Directorate	SOCIAL SERVICES AND WELLBEING	15.44	15.00			
	Directorate	BCBC CROSS CUTTING					
B	617 BCBC -	Audit Planning	5.10	30.00	01/04/2016		
	618 BCBC -	Audit Committee / CMB	6.15	30.00	01/04/2016		
	619 BCBC -	Finalising 2015-16 Jobs	58.41	10.00	01/04/2016		
	621 BCBC -	Homelessness c/fwd 15/16	6.72	9.00	01/04/2016		
	623 BCBC -	PSIAS Compliance c/fwd 15/16	7.57	5.00	06/05/2016		
	625 BCBC -	C/F Creditors	16.52	10.00	01/04/2016		
	632 BCBC -	Performance Indicators	3.07	20.00	16/05/2016		
	635 BCBC -	General Follow up Admin	0.47	2.00	04/04/2016		
	637 BCBC -	CAATs	1.42	10.00	16/05/2016		
Total	Directorate	BCBC CROSS CUTTING	105.44	126.00			
Total	Function	ASSURANCE	137.64	193.00			
ANTI-FRAUD & CORRUPTION							

	Directorate	BCBC CROSS CUTTING			
B	630 BCBC - NFI		2.77	25.00	01/04/2016
Total	Directorate	BCBC CROSS CUTTING	2.77	25.00	
Total	Function	ANTI-FRAUD & CORRUPTION	2.77	25.00	
	GOVERNANCE				
	Directorate	BCBC CROSS CUTTING			
B	629 BCBC - Final Accounts		0.54	5.00	01/04/2016
	633 BCBC - Effectiveness of Audit Committee		2.43	2.00	01/04/2016
	634 BCBC - IASS Monitoring		4.16	10.00	01/04/2016
Total	Directorate	BCBC CROSS CUTTING	7.13	17.00	
Total	Function	GOVERNANCE	7.13	17.00	
		Grand	147.53		

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

30 JUNE 2016

REPORT OF THE CHIEF INTERNAL AUDITOR

EXTERNAL ASSESSMENT

1. Purpose of Report

- 1.1 To present to Members the draft scope for assessing the Internal Audit Shared Service compliance with the Public Sector Internal Audit Standards (PSIAS).

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 External Assessments are required to be undertaken to appraise and express an opinion about internal audit's conformance with the PSIAS' Definition of Internal Auditing and Code of Ethics and to include recommendations for improvement, as appropriate. An external assessment must be conducted at least every five years, in accordance with the PSIAS. Appointment of the External Assessor and scope of the External Assessment will be approved by the Audit Committee.
- 3.2 At the Committee meeting held on 28th January 2016, Members expressed their preference for the External Assessment against the PSIAS to be carried out by an independent organisation rather than by Peer Review. It is proposed that the external assessment will be undertaken during the latter half of this Financial Year (2016-17) in order to comply with the requirements of the Standards.

4. Current situation / proposal

- 4.1 In accordance with the requirements of both Councils Audit Committees a procurement exercise will be undertaken to procure the most economically advantageous organisation to undertake an external assessment of the Bridgend and Vale Internal Audit Shared Service; ensuring compliance with the Vale of Glamorgan Council's Contract and Financial Procedure Rules.
- 4.2 In advance of the external assessment, the Head of Audit will complete the Checklist for Conformance with the PSIAS which is attached to the Local Government Application Note.
- 4.3 The Scope of the External Assessment will consist of a broad scope of coverage that includes a review of the following elements of Internal Audit activity:

- Conformance with the Standards, Definition of Internal Auditing, the Code of Ethics, Internal Audit Shared Service Charter and the Annual Risk Based Audit Plan;
- Policies, Procedures, Practices and any applicable legislative and regulatory requirements;
- Integration of the Internal Audit activity into both Bridgend and the Vale of Glamorgan Councils' governance framework, including the audit relationship between and among the key officers and Members involved in the process;
- Tools and techniques used by Internal Audit; and
- The mix of knowledge, experience, and disciplines within the staff group, including staff focus on process improvement delivered through the Quality Assessment and Improvement Programme (QAIP).

- 4.4 The Head of Audit in consultation with the Section 151 Officer for the Vale of Glamorgan will confirm the Terms of Reference for the review, timescales and convenient dates for the review.
- 4.5 The outcome of the External Assessment will be reported to the Internal Audit Shared Service Board in the form of a written report. The results will be reported on to the Councils Corporate Management Team / Board and the respective Audit Committees.
- 4.6 The External Assessment report will be accompanied by a written action plan in response to significant comments and recommendations identified.
- 4.7 Any significant areas of non-compliance will be reported in the Annual Report of the Head of Audit for 2016-17 and in the Annual Governance Statement (AGS) if deemed necessary.
- 4.8 It should be noted that the same proposal will be presented to the Vale of Glamorgan Council's Audit Committee at their meeting to be held on 27th July 2016.

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 consider and approve the scope for the External Assessment.

Helen Smith
Chief Internal Auditor
30th June 2016

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Chief Internal Auditor

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Background Documents

None

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BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

30 JUNE 2016

REPORT OF THE CHIEF INTERNAL AUDITOR

UPDATED FORWARD WORK PROGRAMME 2016-17

1. Purpose of Report.

- 1.1 To present to Members an update on the 2016/17 Forward Work Programme for the Audit Committee's information.

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 assurances 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 as Head of Audit.
- 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 and approve 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** covering 2016/17.

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.

**Helen Smith
Chief Internal Auditor
30th June 2016**

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Chief Internal Auditor**

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Background documents

None

**AUDIT COMMITTEE
SCHEDULE OF MEETINGS AND FORWARD WORK PROGRAMME
2016 – 2017**

PROVISIONAL DATE OF MEETING	FORWARD WORK PROGRAMME	OFFICER RESPONSIBLE	UPDATE
2016			
30th June	Information and Action Requests (if applicable).	Chief Internal Auditor (CIA)	Submitted
	Updated Forward Work Programme.	CIA	Submitted
	Pre-audited Statement of Accounts 2015/16.	Head of Finance	Submitted
	Annual Governance Statement 2015-16	Corporate Director Operational Services and Partnerships	Submitted
	Treasury Management Outturn 2015/16	Head of Finance	Submitted
	Complete Audits (if applicable).	CIA	Submitted
	Proposed Scope for the External Assessment of the IASS.	CIA	Submitted
	External Auditors / Inspection Reports (where applicable).	Head of Finance/ WAO	
	IASS Outturn Report April and May 2016.	CIA	Submitted
29th September	Information and Action Requests	CIA	
	Updated Forward Work Programme	CIA	
	Statement of Audited Accounts and Final Annual Governance Statement 2015/16	Head of Finance / WAO	
	Internal Audit 5 months Outturn Report April to August 2016.	CIA	
	Completed Audits Report (where applicable)	CIA	
	External Auditors / Inspection Reports (where applicable).	Head of Finance / WAO	
24th November	Up dated Forward Work Programme	CIA	
	Information and Action Requests (where applicable)	CIA	
	Fraud update	Head of Finance / Benefits Manager	
	Corporate Risk Assessment Review 2016/17.	Head of Finance / Risk & Insurance Manager	
	Treasury Management Half Year Report 2016-17	Head of Finance	
	Completed Audits Report (if applicable)	CIA	
	Internal Audit Outturn Report – April 2016 to October 2016.	CIA	
	External Auditors / Inspection Reports (where applicable).	Head of Finance / WAO	
2017			
26th January	Up dated Forward Work Programme	CIA	
	Information and Action Requests (if applicable)	CIA	
	Internal Audit 9 months Outturn Report April 2016 – December 2016	CIA	
	Completed Audits (where applicable)	CIA	
	Report on the work undertaken on School Audits.	CIA	
	External Auditors / Inspection Reports (where applicable)	Head of Finance / WAO	

APPENDIX A

	Corporate Risk Assessment 2016-17	Head of Finance	
	Treasury management strategy 2017-18	Head of Finance	
24th April	Information and Action Requests (where applicable)	CIA	
	Updated Forward Work Programme	CIA	
	Proposed Forward Work Programme 2017-18.	CIA	
	Internal Audit proposed Annual Strategy and Audit Plan 2017-2018.	CIA	
	Governance – Compliance with Public Sector Internal Audit Standards for 2016-17	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 2016/17	CIA	
	External Auditors / Inspection Reports (if applicable): -	Head of Finance / WAO	