

# Public Document Pack

## Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr

### Bridgend County Borough Council



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

*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.*



Annwyl Cyngorydd,

#### **CYNGOR**

Cynhelir Cyfarfod Cyngor yn Siambr y Cyngor - Swyddfeydd Dinesig, Stryd yr Angel, Pen-y-bont ar Ogwr CF31 4WB ar **Dydd Mercher, 19 Medi 2018 am 15:00.**

#### **AGENDA**

1. Ymddiheuriadau am absenoldeb  
Derbyn ymddiheuriadau am absenoldeb gan Aelodau.
2. Datganiadau o fuddiant  
Derbyn datganiadau o ddiddordeb personol a rhagfarnol (os o gwbl) gan Aelodau / Swyddogion yn unol â darpariaethau'r Cod Ymddygiad Aelodau a fabwysiadwyd gan y Cyngor o 1 Medi 2008.
3. Cymeradwyaeth Cofnodion 5 - 14  
I dderbyn am gymeradwyaeth y Cofnodion cyfarfod y 18/07/2018.
4. I dderbyn cyhoeddiadau oddi wrth:  
(i) Maer (neu'r person sy'n llywyddu)  
(ii) Aelodau'r Cabinet  
(iii) Prif Weithredwr  
(iv) Swyddog Monitro
5. I dderbyn adroddiad yr Arweinydd
6. Cais Cynllunio sy'n Gwyro P/18/520/FUL 15 - 62
7. Adroddiad Alldro Rheolaeth Trysorlys Blynnyddol 2017-18 63 - 84
8. Adolygiad o'r Polisi Darpariaeth Refeniw Ofynnol (DRO) y 2018-19 85 - 100
9. Adroddiadau Gwybodaeth i'w Nodi 101 - 222
10. Cwestiwn I'r Aelod Cabinet Addysg ac Adfywio wrth Cyngorydd Tim Thomas

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A wnaiff yr Aelod Cabinet ddatganiad ar statws cyfredol y Cyngor hwn mewn cysylltiad â gweithredu'r strategaeth cynhwysiant yn yr ysgol?

11. Hysbysiad o Gynnig gan Grwp Cynghorydd Carolyn Webster

Cynnig:

Bod y Cyngor hwn a'i holl gyfarwyddiaethau a'r adrannau yn y cyfarwyddiaethau hynny yn mabwysiadu diffiniad Cyngrhair Rhyngwladol Cofio'r Holocaust (IHRA) o wrthsemitiaeth.

Mae'n dweud:

“Math o ganfyddiad o Iddewon, a all gael ei gyfleu fel casineb tuag at Iddewon, yw gwrth-semitiaeth. Amlygir gwrth-semitiaeth drwy iaith a gweithredoedd corfforol sydd wedi'u hanelu at Iddewon neu unigolion nad ydynt yn Iddewon a/neu eu heiddo; ac at sefydliadau cymunedol a chyfleusterau crefyddol Iddewig.”

12. Hysbysiad o Gynnig gan Grwp Cynghorydd Tim Thomas

Mae'r Cyngor yn cydnabod

Yr effaith niweidiol y mae lefelau uwch o nwyon yn yr atmosffer yn ei chael ar yr amgylchedd a'r rhan y mae hyn yn ei chwarae mewn newid andwyol yn yr hinsawdd. Mae'r Cyngor yn cydnabod hefyd fod angen cydweithredu rhyngwladol er mwyn dal yr effaith ar ein hinsawdd yn y fan a'r lle.

Mae'r Cyngor yn croesawu

ymrwymadau llywodraeth y Deyrnas Unedig a llywodraeth Cymru i fynd i'r afael â newid yn yr hinsawdd drwy fentrau i gyfyngu ar gynhesu byd-eang, a'r ffaith eu bod yn derbyn bod defnyddio tanwyddau ffosil yn un o'r ffactorau sy'n cyfrannu'n fawr at gynydd yn nhymeredd y byd ac allyriadau carbon deuocsid.

Mae'r Cyngor yn nodi bod Cronfa Bensiwn Rhondda Cynon Taf, sy'n gweinyddu'r trefniadau pensiwn ar ran Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr, wedi buddsoddi canran o'r cronfeydd cyfun anuniongyrchol mewn tanwyddau ffosil yn ystod blwyddyn ariannol 2016/17.

Mae'r Cyngor hwn yn galw ar Gronfa Bensiwn Rhondda Cynon Taf i ddechrau tynnu'n ôl mewn modd trefnus o fuddsoddiadau o'r fath a hynny ar y cyfle cyntaf.

13. Materion Brys

I ystyried unrhyw eitemau o fusnes y, oherwydd amgylchiadau arbennig y cadeirydd o'r farn y dylid eu hystyried yn y cyfarfod fel mater o frys yn unol â Rhan 4 (pharagraff 4) o'r Rheolau Trefn y Cyngor yn y Cyfansoddiad.

Yn ddiffuant

**K Watson**

Pennaeth Gwasanaethau Cyfreithiol a Rheoleiddiol

**Dosbarthiad:**

Cynghowrwy

S Aspey  
SE Baldwin  
TH Beedle  
JPD Blundell  
NA Burnett  
MC Clarke  
N Clarke  
RJ Collins  
HJ David  
P Davies  
PA Davies  
SK Dendy  
DK Edwards  
J Gebbie  
T Giffard  
RM Granville  
CA Green  
DG Howells

Cynghorwyr

A Hussain  
RM James  
B Jones  
M Jones  
MJ Kearns  
DRW Lewis  
JE Lewis  
JR McCarthy  
DG Owen  
D Patel  
RL Penhale-Thomas  
AA Pucella  
JC Radcliffe  
KL Rowlands  
B Sedgebeer  
RMI Shaw  
CE Smith  
SG Smith

Cynghorwyr

JC Spanswick  
RME Stirman  
G Thomas  
T Thomas  
JH Tildesley MBE  
E Venables  
SR Vidal  
MC Voisey  
LM Walters  
KJ Watts  
CA Webster  
DBF White  
PJ White  
A Williams  
AJ Williams  
HM Williams  
JE Williams  
RE Young

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## CYNGOR - DYDD MERCHER, 18 GORFFENNAF 2018

COFNODION CYFARFOD Y CYNGOR A GYNHALIWIYD YN SIAMBR Y CYNGOR - SWYDDFEYDD DINESIG, STRYD YR ANGEL, PEN-Y-BONT AR OGWR CF31 4WB DYDD MERCHER, 18 GORFFENNAF 2018, AM 15:00

### Presennol

Y Cyngorydd JR McCarthy – Cadeirydd

S Aspey	SE Baldwin	TH Beedle	JPD Blundell
NA Burnett	MC Clarke	N Clarke	RJ Collins
HJ David	P Davies	PA Davies	SK Dendy
DK Edwards	T Giffard	RM Granville	CA Green
DG Howells	A Hussain	RM James	B Jones
M Jones	DRW Lewis	JE Lewis	DG Owen
D Patel	RL Penhale-Thomas	AA Pucella	JC Radcliffe
KL Rowlands	RMI Shaw	SG Smith	JC Spanswick
RME Stirman	G Thomas	JH Tildesley MBE	E Venables
SR Vidal	MC Voisey	LM Walters	KJ Watts
CA Webster	DBF White	PJ White	A Williams
AJ Williams	HM Williams	JE Williams	

### Ymddiheuriadau am Absenoldeb

J Gebbie, MJ Kearns, B Sedgebeer, CE Smith, T Thomas a/ac RE Young

### Swyddogion:

Susan Cooper	Cyfarwyddwr Corfforaethol - Gwasanaethau Cymdeithasol a Lles
Jackie Davies	Pennaeth Gofal Cymdeithasol Oedolion
Mark Galvin	Uwch Swyddog Gwasanaethau Democrataidd - Pwyllgorau
Lindsay Harvey	Cyfarwyddwr Corfforaethol – Addysg a Chymorth i Deuluoedd
Laura Kinsey	Pennaeth Gofal Cymdeithasol Plant
Greg Lane	Head of Democratic Services
Darren Mepham	Prif Weithredwr
Michael Pitman	Prentys Busnes Gweinyddol Gwasanaethau Democrataidd
Andrew Rees	Uwch Swyddog Gwasanaethau Democrataidd - Pwyllgorau
Zak Shell	Pennaeth Gwasanaethau Cymdogaeth
Kelly Watson	Rheolwr Grŵp Gwasanaethau Cyfreithiol a Democrataidd

### 202. DATGAN BUDDIANNAU

Dim.

### 203. CYMERADWYO COFNODION

PENDERFYNWYD Cymeradwyo cofnodion y Cyngor ar 20 Mehefin 2018 fel cofnod gwir a chywir o'r cyfarfod.

### 204. DERBYN CYHOEDDIADAU GAN:

#### Y Maer

Rhoddodd y Maer wybod i'r Cyngor o ddigwyddiadau swyddogol yr oedd ef a'i gonsort wedi mynd iddynt yn y mis diwethaf oedd yn cynnwys mynd i wasanaeth bendithio Ysgol Gynradd Betws a phen-blwydd Mrs Elsie Criddle yn 100 oed. Roedd y Maer a'r Consort wedi mynd i dair sioe ysgol a'r Wyl Ddysgu, y symposiwm a diwrnod i ddysgwyr Pen-y-

bont ar Ogwr. Roeddent hefyd wedi mynd i'r gwobrau YSBRYDOLI am Oes a chyflwyniad RAF gyda Madelaine Moon AS. Aethpwyd i ddiwyddiadau pellach gyda gwasanaeth ieuencid cymunedol y Pîl a Chynffig, Barnu cystadleuaeth "just giving" yn ysgol gyfun Pencoed, Diwnod Hwyl yr Haf Dogs Trust, gwobrau cyfnod allweddol 3 yn CCYD, cofnod o Seremoni Cyflawniadau yn Ysgol Bryn Castell, Cyfarfod Cyffredinol Blynyddol Samaritans, Diwrnod Hwyl Bracla, Cyngerdd Flynyddol Côr Plant Maesteg, diwrnod hwyl i'r teulu Little fingers Kidz yn Evanstown, Digwyddiad 4 Gorffennaf Hapus yng Nghanolfan Gristnogol Vine, gwobrau Gwasanaeth Tân ac Achub De Cymru, gwasanaeth Dinesig Caerffili, Arddangosfa Samtampa a Thywysog Edward Cymru, project teulu Splice and Child, Sioe Sir Pen-y-bont ar Ogwr, cyngerdd Flynyddol Côr Pencoed, Gwasanaeth Dinesig Castell-nedd Port Talbot, Seremoni Gwobrau Dinasyddiaeth Cynradd Tondy, noson ddathlu yn Ysgol Bryn Castell.

### Dirprwy Arweinydd

Dywedodd y Dirprwy Arweinydd wrth Aelodau am yr ymdrechion i roi hwb i ailgylchu ym Melin Wylt i fynd i'r afael â phroblemau gyda gwastraff a thipio anghyfreithlon o gwmpas ardaloedd biniau cyffredin, gyda mwy o finiau ychwanegol yn Nhairfelin i greu manau casglu dynodedig newydd ar gyfer gwastraff a bagiau porffor. Mae gwelliannau tebyg eisoes wedi cael effaith gadarnhaol yn rhan Glanffornwg yr ystâd, lle y cafodd manau ailgylchu eu symud i'w gwneud yn fwy hygyrch a haws i'w defnyddio. Dywedodd hefyd wrth yr Aelodau fod swyddogion addysg wedi bod yn siarad â thrigolion i godi ymwybyddiaeth ym mhob rhan o'r gymuned. Caiff dwy orsaf ailgylchu ychwanegol eu hychwanegu yng Nglanffornwg. Erbyn diwedd yr haf, bydd gwelliannau wedi'u gwneud ym mhob rhan o Felin Wylt a chaiff yr effaith y mae'r manau casglu newydd wedi'i chael ar drigolion ym Maesyfelin a Threm Garth ei hadolygu.

Cyhoeddodd y Dirprwy Arweinydd fod Cadwch Gymru'n Daclus wedi gwobrwyo statws Baner Werdd i wyth cyfleuster ym y Fwrdeistref Sirol i nodi safon uchel parciau a manau gwyrdd ym Mharc Sirol Bryngarw, Amlosgfa Llangrallo, Parc Llesiant Maesteg, Llŷn Wilderness ym Mhorthcawl, Ysbyty Glanrhyd, Gardd Marchnad Caerau, Rhandiroedd Badgers Brook a Chymdeithas Rhandir Wilderness.

Hefyd cyhoeddodd y Dirprwy Arweinydd fod adborth cadarnhaol wedi'i dderbyn o'r Wyl Ddysgu ddiweddar. Roedd yr ŵyl wedi'i chreu i arddangos dulliau addysgu a dysgu arloesol a newydd, ac anogodd ysgolion i rannu eu profiadau a'u gwbyodaeth tra'n sefydlu cyfleoedd hyfforddiant newydd i athrawon a staff. Ymgasglodd mwy na 800 o athrawon, disgyblion, addysgwyr, hyfforddwyr a chyflogwyr ar gyfer yr ŵyl, a chynhaliwyd hyd at 100 o weithdai mewn ysgol a arddangosodd sut y gellir defnyddio y datblygiadau ystafell ddosbarth modern diweddaraf i fuddio plant lleol. Yn yr Ŵyl, rhoddodd y Comisiynydd Plant, Dr Sally Holland, araith ac hefyd yn yr ŵyl roedd symposiwm a ganolbwyntiodd ar sut gellir datblygu, cynnal a gwella iechyd a llesiant disgyblion, a diwrnod i ddysgwyr lle cynigiodd disgyblion o ysgolion lleol stondinau, arddangosfeydd ac arddangosiadau ymarferol o rai o'r technegau sy'n cael eu defnyddio. Yng nghwmni'r Cyngor, Llywodraeth Cymru, Estyn, Swyddfa'r Comisiynydd Plant ac ysgolion lleol ar gyfer yr ŵyl oedd sefydliadau gan gynnwys Coleg Pen-y-bont ar Ogwr, Prifysgol Caerdydd, Prifysgol De Cymru, Gwasanaeth Addysg ar y Cyd Consortiwm Canolbarth y De, Iechyd Cyhoeddus Cymru, Llesiant yn Addysg Uwchradd a Chelf Disgleirdeb. Diolchodd i bawb a helpodd i drefnu'r ŵyl.

### Aelod Cabinet Gwasanaethau Cymdeithasol a Chymorth Cynnar

Gofynnodd yr Aelodau Cabinet dros Wasanaethau Cymdeithasol a Chymorth Cynnar i'r Aelodau roi gwybod i'w hetholwyr bod bellach modd gwneud cais am leoedd yn nau ddatblygiad Gofal Ychwanegol newydd y Fwrdeistref Sirol. Dywedodd fod disgwyl y

bydd Tŷ Llwynderw, sy'n datblygu ar hen safle Ysgol Gyfun Iau Maesteg a Thŷ Ynysawdre, sy'n cael ei ddatblygu'r drws nesaf i Goleg Coleg Cymunedol y Dderwen, wedi ei gwblhau yn yr Hydref hwn. Mae'r ddau gynllun yn cael ei adeiladu mewn partneriaeth â Linc Cymru a byddant yn galluogi tenantiaid i barhau i fyw'n annibynnol a bodloni anghenion pobl sy'n newid wrth iddynt heneiddio. Mae 45 fflat Gofal Ychwanegol un neu ddwy ystafell wely ar gael yn y ddau ddatblygiad a rhaid i ymgeiswyr fod yn byw ym Mwrdeistref Sirol Pen-y-bont ar Ogwr, bod yn hŷn na 65 oed, a rhaid bod ganddynt gynllun gofal a chymorth gan y gwasanaethau cymdeithasol eisoes neu'n aros am ahesiad.

Cyhoeddodd yr Aelod Cabinet dros Wasanaethau Cymdeithasol a Chymorth Cynnar fod Linc Cymru wedi trefnu digwyddiad ymgynghori cymunedol yr wythnos ddiwethaf lle y trafodon nhw eu cynigion ar gyfer sefydlu Pentref Llesiant Sunnyside ar safle blaenorol swyddfeydd y Cyngor a'r llys ynadon. Dan arweiniad Linc Cymru, mewn partneriaeth â ni a Bwrdd Iechyd Prifysgol Abertawe a Bro Morgannwg, daw'r project â meddygfa, fferyllfa, deintydd, clinigau cymunedol a thai cymorth newydd.

Cyhoeddodd yr Aelod cabinet dros Wasanaethau Cymdeithasol a Chymorth Cynnar fod Clwb Canŵio Maesteg wedi'i gydnabod am ei ganolbwynt ar anabledd a chynhwysiant. Mae'r clwb wedi ennill categori Aur yn y gwobrau chwaraeon am ei ymdrechion sy'n cydnabod cymhellant, ymrwymiad a brwdfrydedd y clwb i newid bywydau pobl anabl trwy grym chwaraeon.

#### Yr Aelod Cabinet dros Les a Chenedlaethau'r Dyfodol

Roedd yr Aelod Cabinet dros Les a Chenedlaethau'r Dyfodol yn falch o roi gwybod i'r Aelodau y cafodd enillwyr gwobrau 'Ysbrydoli am Oes' cyntaf Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr eu datgelu'r wythnos ddiwethaf. Mae gwobrau, wedi'u creu i ddathlu Pencampwyr, grwpiau a sefydliadau lleol sydd wedi helpu i wella iechyd a llesiant pobl yn eu cymunedau, yn canolbwyntio ar bum categori gwahanol. Llongyfarchodd Canolfan Cwricwlwm Amgen Maesteg yn Ysgol Gyfun Maesteg am ennill y categori Arloesi a Community Furniture Aid am ennill y categori 'Gwneud Gwahaniaeth'. Roedd Simon Green o Glymblaid Pen-y-bont ar Ogwr i Bobl Anabl yn llwyddiannus yn y categori 'Grym Un Person', enillodd Geoff Cheetham o SHOUT y wobwr 'Tu hwynt i'r Galw', a chyflwynodd y wobwr 'Gwirfoddolwr Ifanc' i Nora Hardy o Ysgol Gyfun Bryntirion. Roedd yr Aelod Cabinet dros Lesiant a Chenedlaethau'r Dyfodol yn falch fod y galw ar bobl i enwebu arwyr di-glod ac arwyr sy'n gweithio er lles eraill, wedi tynnu ymateb enfawr a diolchodd i'r holl enwebwyr a llongyfarchodd yr enillwyr.

Llongyfarchodd yr Aelod Cabinet dros Lesiant a Chenedlaethau'r Dyfodol Ysgol Gyfun Pencoed am ennill y Wobr Hunaniaeth y Tîm Gorau a chipiodd y trydydd lle yn y Dosbarth Datblygu yng nghystadleuaeth 'F1 mewn Ysgolion' sy'n anelu at annog peirianwyr ifanc. Dywedodd i'r tîm i'r merched yn unig ddylunio, datblygu a chreu 'car mini' ac arddangosfa pwll trwy ddefnyddi'r enw tîm 'Nemesis Inferno'. O ganlyniad i'w hymdrechion, mae'r merched wedi ennill nawdd gan y Grŵp Sinclair a fydd yn eu cefnogi gyda'u dyheadau i'r dyfodol. Cystadlu timau lleol eraill gydag Ysgol Gyfun Brynteg gan hefyd gyrraedd y rownd derfynol. Dywedodd yr Aelod Cabinet dros Lesiant a Chenedlaethau'r Dyfodol fod annog mwy o ferched i ddilyn gyrfaoedd STEM yn flaenoriaeth genedlaethol, a chanmolodd ysgolion am ysbrydoli eu disgyblion i ddatblygu sgiliau y mae eu hangen yn y diwylliant peirianyddiaeth.

Gofynnodd yr Aelod Cabinet dros Lesiant a Chenedlaethau'r Dyfodol i'r Aelodau atgoffa etholwyr bod rhaglen Ysgol wedi Gorffen yn cynnig ystod eang o weithgareddau am ddim wedi'u creu i gadw plant yn heini, yn iach ac yn brysur yn ystod gwyliau'r haf. Lansiwyd y rhaglen yr wythnos ddiwethaf a threfnwyd y rhaglen gan y Cyngor mewn partneriaeth ag Awen, Halo, Menter Bro Ogwr a chynghorau cymuned a thref lleol. Mae Rhaglen Ysgol

wedi Gorffen eleni hefyd yn cynnwys y fenter Park Lives, sesiynau Actif am Oes, nofio am ddim a llawer mwy. Bydd y rhaglen lawn o weithgareddau ar gael ar wefan y Cyngor o ddydd Gwener 20 Gorffennaf, ac mae mwy o wybodaeth am Her Ddarllen yr Haf ar gael o Lyfrgell Pen-y-bont ar Ogwr.

### Swyddog Monitro

Gofynnodd y Swyddog Monitro i'r Aelodau nodi bod dyddiad cyfarfod nesaf y Pwyllgor Archwilio wedi newid o 13 Medi i 6 Medi 2018. Mae'r newid yn cael ei wneud ar gais y Cadeirydd ac ymgynghorwyd ag aelodau'r Pwyllgor Archwilio ar y newid i'r dyddiad.

### Prif Weithredwr

Croesawodd y Prif Weithredwr Mr Greg Lane, pennaeth newydd y Gwasanaethau Democraidd i'w gyfarfod y Cyngor cyntaf.

Cyhoeddodd y Prif Weithredwr fod yr Arweinydd wedi diweddarau'r Cyngor yn flaenorol ar yr ymgynghoriadau a'r trafodaethau wedi'u harwain gan Lywodraeth Cymru ar y newidiadau i ffiniau bwrdd iechyd. Dywedodd y bydd yr Aelodau'n ymwybodol i'r Ysgrifenyddiaethau Cabinet gytuno y bydd y gwaith o weinyddu gwasanaethau iechyd ym Mhen-y-bont ar Ogwr yn symud o ABMU i Gwm Taf o 1 Ebrill y flwyddyn nesaf ymlaen.

Dywedodd wrth yr Aelodau fod bwrdd rhaglen ar y cyd wedi'i sefydlu, wedi'i gyd-gadeirio gan gadeiryddion y ddau fwrdd iechyd. Mae'n cynnwys ddau Brif Weithredwr y byrddau iechyd yn ogystal ag Arweinydd y Cyngor hwn a'i hunain. Dywedodd fod hefyd gan y Cyngor hwn ddarpariaeth i Gyfarwyddwr y Gwasanaethau Cymdeithasol a'r Aeloda Cabinet dros Wasanaethau Cymdeithasol a Llesiant fynychu i sicrhau bod y Cyngor yn cael ei gynrychioli. Roedd cyfarfodydd cychwynnol wedi bod yn gadarnhaol ac yn gynhyrchiol ac amlinellodd yr egwyddorion y cytunwyd arnynt i lywio'r project hwn.

Bydd parhau rhoi gofal o ansawdd i gleifion yn ganolog i bob cam gweithredu a phenderfyniadau.

Bydd y ddau Fwrdd Iechyd yn cydweithio ac yn gweithio gyda Llywodraeth Cymru i sicrhau nad yw'r boblogaeth neu'r sefydliad yn cael eu rhoi dan anfantais gan ganlyniadau gweithredol neu ariannol y newidiadau. O ran poblogaeth, byddai'n golygu poblogaeth newydd Cwm Taf ledled Merthyr, RCT a Phen-y-bont ar Ogwr a phoblogaeth newydd ABMU ledled Abertawe a Chastell-nedd a Port Talbot.

Cedwir y cyfrifoldeb am gomisiynu gwasanaethau Iechyd ar gyfer poblogaethau Castell-nedd Port-Talbot ac Abertawe, yn llawn, gan ABMU. Cadarnheir parhad unrhyw wasanaethau i Ysbyty Castell-nedd Port Talbot o Ben-y-bont ar Ogwr gyda chytundebau lefel gwasanaeth yn cael eu rhoi ar waith fel sy'n briodol.

Bydd y cyfrifoldeb am gomisiynu gwasanaethau Iechyd ar gyfer poblogaeth Pen-y-bont ar Ogwr yn trosglwyddo'n llwyr i BIP Cwm Taf o 1 Ebrill 2019.

Bydd cyfrifoldeb darparwyr am yr holl wasanaethau GIG i boblogaeth Pen-y-bont ar Ogwr yn trosglwyddo i BIP Cwm Taf o 1 Ebrill 2019 oni bai bod rheswm cyfreithiol wedi'i gyd-gytuno dros gadw gwasanaeth penodol gydag ABMU naill ai yn y byrdymor (i leihau dad-sefydlogi yn ystod y cyfnod pontio) neu ar sail mwy cadarn, lle er enghraifft:

Bod gwasanaeth penodol yn rhan o wasanaeth arbenigol y mae ABMU eisoes yn ei ddarparu i'r boblogaeth ehangach.



Mae gwasanaeth swm isel sengl neu wedi'i arbenigo'n fawr yn cael ei ddarparu ar gyfer poblogaeth Pen-y-bont ar Ogwr ar hyn o bryd o Abertawe neu Gastell-nedd Port Talbot (neu i'r gwrthwyneb) ac mae'r crynswth hanfodol mor fach bod pryderon go iawn yn cael eu codi am gynaliadwyedd a'u chwalu.

Mewn achosion o'r fath, byddai angen cyflawni cyfrifoldebau comisiynu BIP Cwm Taf ar gyfer y boblogaeth trwy CLG priodol.

Dyweddodd y Prif Weithredwr fod rhan y Cyngor hwn yn y Bwrdd yn bwysig ac yn rhoi'r cyfle i'r Arweinydd a'r Cyfarwyddwr a'r Aelod Cabinet i ddylanwadu a siarad ar ran Pen-y-bont ar Ogwr o ran buddiannau ei boblogaeth ac o ran integreiddio gwasanaethau gydag iechyd nawr ac wrth fynd ymlaen. Mae llawer o waith y Bwrdd yn ymwneud â gwaith mewnol y ddau sefydliad iechyd. Fodd bynnag, mae Cyfarwyddwr Corfforaethol y Gwasanaethau Cymdeithasol a Llesiant yn arwain y gwaith sy'n perthyn i bartneriaethau yn ardaloedd y ddau fwrdd iechyd. Dywedodd y Prif Weithredwr wrth y Cyngor fod Cwm Taf, fel bwrdd iechyd, yn uchelgeisiol a bod CBSP, fel Cyngor, yn uchelgeisiol ac edrychodd ymlaen at y ddau barti'n cydweithio'n agos.

Dyweddodd y Prif Weithredwr wrth y Cyngor y byddai'n hysbysebu am rôl Cyfarwyddwr Addysg a Chymorth i Deuluoedd. Dywedodd i'r Cyfarwyddwr cyfredol Lindsay Harvey gael ei benodi gan y Cyngor dros dro pan gafodd ei ragflaenydd ei eilio i Lywodraeth Cymru ac a adawodd ar ôl hynny i gymryd swydd fel Comisiynydd Plant yn Jersey gan beidio â dychwelyd i'w swydd. Dywedodd fod angen penodi i'r rôl ac y bydd y rôl honno'n cael ei hysbysebu'r mis hwn. Bydd yr hysbyseb hefyd yn cyfeirio at ystyried gwasanaeth addysg ar y cyd gyda Chyngor Merthyr, ond byddai'n benodiad CBSP. Caiff y Pwyllgor Penodi ei gynnull i oruchwylio'r broses honno a gwneud y penderfyniad terfynol ar benodi yn dilyn proses canolfan asesu.

Dyweddodd y Prif Weithredwr wrth y Cyngor hefyd ei fod ef a'r Pennaeth Cyllid Dros Dro yn adolygu y rôl pennaeth gwasanaeth ac roedd yn cymryd mwy o gyngor ar y farchnad cyn i hysbyseb gael ei chyhoeddi ar gyfer y rôl honno a byddai'n parhau i roi'r diweddaraf i'r holl Aelodau ar sut mae'r gwaith hwnnw'n mynd yn ei flaen.

#### 205. DERBYN ADRODDIAD YR ARWEINYDD

Dyweddodd y Arweinydd i'r Ysgrifennydd Cabinet ar gyfer Llywodraeth Leol a Gwasanaethau Cyhoeddus, Alun Davies AS wneud datganiad yn y Senedd prynhawn ddoe'n cadarnhau dileu map cyfuno a'i fwiad, yn dilyn adborth ar ymgynghoriad, i sefydlu gweithgor wedi'i gadeirio gan Derek Vaughan MEP i ystyried sut i fynd â'r agenda diwygio yn ei flaen. Bydd y rhan fwyaf o aelodau ar y gweithgor o lywodraeth leol a bydd y gweithgor hwnnw'n ceisio cytuno'r hyn sy'n bosibl o ran diwygio, trwy fwy o gydweithredu neu gyfuniadau gwirfoddol, a sicrhau bod adnoddau a phwerau digonol yn cael eu rhoi i lywodraeth leol i sicrhau cynaliadwyedd gwasanaethau cyhoeddus. Roedd yr agwedd hon wedi'i chroesawu a'i chefnogi gan Arweinydd CLILC, y Cyng. Debbie Wilcox, gan ei bod yn cynnig dychweliad at agwedd fwy cydweithredol at ddiwygio, wedi cytuno'n eang gyda Mark Drakeford AS pan oedd yn Ysgrifennydd Cabinet ar gyfer Llywodraeth Leol. Gobeithiodd yr Arweinydd y gellir gwneud rhywfaint o gynnydd erbyn y Gwanwyn. Dywedodd ei bod yn hanfodol bod cynaliadwyedd ariannol yn cael ei ystyried ynghyd â diwygio, gan fod yr argyfwng cyfredol mewn Cynghorau Sir mawr yn Lloegr yn dangos nad yw llymder yn parchu graddfa yn enwedig o ganlyniad i gost gofal cymdeithasol sy'n cynyddu.

Cyhoeddodd yr Arweinydd i ddatganiad Ysgrifennydd y Cabinet hefyd gadarnhau y bydd Llywodraeth Leol yn cyflwyno bil llywodraeth leol fel y cynlluniwyd, i gyflwyno pwerau

cyfuno gwirfoddol, pwerau newydd ehangach ar gyfer cynghorau yn ogystal â phleidleisiau ar gyfer pobl ifanc 16 a 17 oed a diwygio etholiadol eraill. Bydd yr holl Arweinwyr Cyngor yn trafod y datblygiadau hyn a'r telerau cyfeirio drafft yng nghyfarfod dydd Iau Bwrdd Gweithredol CLILC. Byddai'n parhau i roi'r diweddaraf i'r Aelodau ar gynnydd sy'n cael ei wneud.

Cyhoeddodd yr Arweinydd, yn rhan o'r cynllun mwynddŵr Caerau arloesol, fod plant o ysgolion yng Nghwm Llynfi wedi bod yn dysgu am sut y caiff gwres wedi'i greu ei ddefnyddio i wresogi 150 cartref. Roedd tua 200 o ddisgyblion wedi cymryd rhan mewn gweithdai diweddar wedi'u dylunio i esbonio gwyddoniaeth, technoleg, peiranyddiaeth a mathemateg oedd yn sail i'r cynllun a dysgon nhw hefyd am hanes diwydiannol cyfoethog y cwm, a sut y gellir bellach defnyddio gwaith pyllau glo yng Nghaerau, Bryn Navigation, Garth, Coegnant, Oakwood, Maesteg a St John's i ddarparu ffurf diogel, parhaol, effeithlon a chost-effeithiol ar wresogi ar gyfer y gymuned leol.

Cyhoeddodd yr Arweinydd, ynghyd â'r Aelod Cabinet dros Gymunedau, iddo gyfarfod â'r Ysgrifennydd Cabinet dros Ynni, Cynllunio a Materion Gwledig, Lesley Griffiths, am sut y gall Llywodraeth Cymru helpu i fynd â'r cynllun mwynddŵr yn ei flaen i'r cam nesaf, a'r potensial yn rhan o Rhwydwaith Gwres Rhanbarth Pen-y-bont ar Ogwr i ddatblygu'r ddiweddaraf yn seilwaith TG i gefnogi busnesau yn nhref Pen-y-bont ar Ogwr ar yr un pryd. Dywedodd fod y Cyngor hefyd yn rhan o gonsortiw gyda Cenin i ddatblygu ei barc ynni yn Stormy Down ymhellach. Arweiniodd hyn at ymweliad gan Ysgrifennydd Gwladol Cymru a Gweinidog Gwladol Llywodraeth Cymru ar gyfer Ynni a Thwf Glân, Claire Perry AS oedd hefyd yn bositif iawn am fentrau ynni arloesol ym Mhen-y-bont ar Ogwr. Dywedodd wrth y Cyngor hefyd i'r Cabinet yn ei gyfarfod y diwrnod blaenorol gefnogi cais y consortiw i Gronfa Her Diwydiannol Llywodraeth y DU. Fel yr unig glwstwr arddangos ynni system SMART yng Nghymru a'r un mwyaf flaenllaw yn y DU, mae diddordeb yn cael ei ddangos yn fyd-eang yn y gwaith sy'n cael ei arloesi, ei dreialu a'i ddatblygu yn y cymunedau lleol.

Gwnaeth ef a'r Aelod Cabinet dros Gymunedau gyfarfod 'ar Ysgrifennydd Cabinet dros yr Economi a Thrafnidiaeth i drafod mwyhau buddion Metro De Cymru a braint Cymru a'r Ffiniau newydd ar gyfer cymunedau Pen-y-bont ar Ogwr. Pwysleisiwyd eto pwysigrwydd cynyddu amllder gwasanaeth rheilffordd Maesteg nid yn unig i'r Cwm Llynfi ond hefyd i gymunedau porth y Cymoedd, Pen-y-bont ar Ogwr, Pencoed a Llanharan a Phontyclun hefyd. Roedd yr Ysgrifennydd Cabinet wedid esbonio bod hyn yn cael ei ystyried gan Drafnidiaeth Cymru a Keolis Amey ac roedd yn gobeithio gwneud cyhoeddiad yn fuan. Pwysleisiwyd hefyd i'r Ysgrifennydd Cabinet y pwysigrwydd hirdymor hanfodol o waredu croesfan Pencoed, nid yn unig i wella diogelwch, osgoi tagfeydd yng nghanol y dref a problem ansawdd aer posibl i drigolion ond hefyd i wella cyflymderau yr holl drenau sy'n teithio i'r gorllewin o Gaerdydd ar brif lein Great Western. Mae Llywodraeth Cymru wedi comisiynu gwaith ar sut y gellir cynyddu cyflymder trenau ar y brif lein gan fod llawer o'r gwelliannau peiranyddiaeth, megis ailalinio traciau y disgwyliwyd iddynt gael eu gwneud ar yr un adeg â'r trydaneiddio wedi'u canslo. Hefyd ailadroddodd yr Arweinydd a'r Aelod Cabinet dros Gymunedau yr achos am faes Parcio a Theithio Bracla, mwy o le ar gyfer maes parcio a theithio yng ngorsaf y Pîl a chysylltiadau bws cyflym â chymunedau nad oes ganddynt wasanaethau rheilffordd uniongyrchol. Byddai'r Aelodau'n cael y diweddaraf ar ddatblygiadau.

**206. ADRODDIAD BLYNYDDOL Y GWASANAETHAU CYMDEITHASOL 2017/18**

Cyflwynodd Cyfarwyddwr Corfforaethol y Gwasanaethau Cymdeithasol a Llesiant Adroddiad Blynyddol y Gwasanaethau Cymdeithasol ar gyfer 2017/18 a gofynnodd i'r Cyngor nodi'r penderfyniadau wedi'u gwneud yn lleol am y gwasanaeth gofal cymdeithasol ym Mhen-y-bont ar Ogwr. Dywedodd mai nawfed Adroddiad Blynyddol Cyfarwyddwr y Gwasanaethau Cymdeithasol yw hwn ac mae'n seiliedig ar

hunanasesiad yr awdurdod o berfformiad a darpariaeth gwasanaethau gofal cymdeithasol.

Dywedodd Cyfarwyddwr Corfforaethol y Gwasanaethau Cymdeithasol a Llesiant wrth y Cyngor, o fis Hydref 2016, fod Arolygiaeth Gofal Cymru (AGC) wedi newid y ffordd y mae'n archwilio gwasanaethau cymdeithasol i blant ac oedolion ac mae awdurdodau'n cael eu harchwilio trwy ddefnyddio canlyniadau llesiant y Ddeddf.

Cyflwynodd Cyfarwyddwr Corfforaethol y Gwasanaethau Cymdeithasol a Llesiant grynoded o berfformiad ym maes Gofal Cymdeithasol i Oedolion lle y cafodd 5177 o oedolion eu cefnogi yn y gymuned; roedd nifer y bobl a dderbyniodd becyn Teleofal wedi cynyddu o 2921 yn y flwyddyn flaenorol i 3162 yn y flwyddyn gyfredol. Roedd y galw am wasanaethau ym maes Gofal Cymdeithasol i Oedolion wedi lleihau ychydig yn 2017/18 gyda 7604 o atgyfeiriadau'n cael eu derbyn o gymharu â 7623 o atgyfeiriadau a dderbyniodd yn 2016/17. Roedd nifer y bobl a gefnogwyd yng ngofal preswyl / nyrsio wedi lleihau o 1493 i 986. Roedd nifer y bobl wedi'u gwro o wasanaethau prif lif i'w helpu i aros yn annibynnol cyhyd â phosibl wedi lleihau 167 yn y flwyddyn flaenorol i 116 yn y flwyddyn gyfredol, yn ogystal â 857 o bobl yn mynd i'r clinig galw heibio yn ARC.

Cyflwynodd Cyfarwyddwr Corfforaethol y Gwasanaethau Cymdeithasol a Llesiant grynoded o berfformiad ym maes Gofal Cymdeithasol i Blant, lle roedd 6677 o gysylltiadau newydd wedi'u derbyn yn ystod y flwyddyn. Roedd nifer y plant ar y gofrestr diogel plant wedi lleihau yn y flwyddyn flaenorol i 169 yn y flwyddyn gyfredol. Roedd nifer y plant sy'n derbyn gofal wedi lleihau o 98 yn y flwyddyn flaenorol i 70 yn y flwyddyn gyfredol ac roedd nifer y gofawyr yn derbyn cymorth gan yr awdurdod lleol a'i bartneriaid ar 31 Mawrth wedi lleihau o 131 i 116.

Amlygodd Cyfarwyddwr Corfforaethol y Gwasanaethau Cymdeithasol a Llesiant y prif gamau gweithredu ar gyfer 2018/19.

Dywedodd Cyfarwyddwr Corfforaethol y Gwasanaethau Cymdeithasol a Llesiant wrth y Cyngor fod yr awdurdod wedi comisiynu ffilm fer trwy bartneriaeth Bae'r Gorllewin o brofiadau staff a defnyddwyr gwasanaeth y gwnaeth yr Aelodau ei gwyllo wedyn.

Holodd aelod o'r Cyngor beth oedd effaith negyddol y Cyngor yn arbed £12m ym maes gofal cymdeithasol. Sylwodd Cyfarwyddwr Corfforaethol y Gwasanaethau Cymdeithasol a Llesiant nad yw ochr negyddol yr arbedion wedi'u gwneud wedi'u gweld eto gan fod y Gyfarwyddiaeth wedi moderneiddio a thrawsnewid y ffordd y caiff gwasanaethau eu darparu trwy alluogi pobl i aros yn annibynnol. Dywedodd fod datblygu model gofal ychwanegol yn ffordd fwy cost-effeithiol o ddarparu gwasanaethau na gofal preswyl.

Gofynnodd aelod o'r Cyngor a fydd yr alldro ar gyfer y Gyfarwyddiaeth ar y trywydd iawn. Dywedodd Cyfarwyddwr Corfforaethol y Gwasanaethau Cymdeithasol wrth y Cyngor fod y cynllun ariannol yn cael ei fonitro'n agos a bod cynnydd da'n cael ei wneud. Adroddir y cynllun ariannol i'r Prif Weithredwr a'r Swyddog Adran 151. Dywedodd y byddai cynnydd yn nifer y plant sy'n dechrau derbyn gofal a chydag anghenion cymhleth yn cael effaith niweidiol ar y gyllideb. Mae gwaith yn cael ei wneud gyda phartneriaid i gael cyllid rhanbarthol er mwyn cael cyllid grant i fuddio'r Fwrdeistref Sirol a'r bwriad oedd y byddai hyn yn parhau gydag ailalinio ffin y bwrdd iechyd. Rhagwelwyd y byddai Cyfarwyddwr Corfforaethol y Gwasanaethau Cymdeithasol a Llesiant yn parhau ar y trywydd iawn.

Cyfeiriodd aelod at y pwysau sy'n wynebu staff gwaith cymdeithasol a gofynnodd am yr hyfforddiant sydd ar waith i gadw staff. Dywedodd Cyfarwyddwr Corfforaethol y Gwasanaethau Cymdeithasol a Llesiant fod y Cyngor wedi'i roi ar restr fer am wobwr ofal cymdeithasol am y gwaith hwn o hyfforddi ei staff. Pwysleisiodd y pwysigrwydd o

recriwtio a chadw staff a bod nifer y staff asiantaeth wedi lleihau. Dywedodd fod y Tîm fel cyfanwaith wedi ymateb yn dda i'r heriau mae'n ei wynebu.

Dywedodd aelod o'r Cyngor fod galw parhaol o hyd am y gwasanaethau a ddarperir gan y Gyfarwyddiaeth a bod llawer o wasanaethau'n anwadal o'u natur a gofynnodd sut y gellir cynnal gwasanaethau er mwyn bodloni gofynion y Strategaeth Ariannol Tymor Canolig ac mae angen cydnabyddiaeth drawsblaid o hyn. Dywedodd yr Arweinydd fod Cynghorau ledled Cymru'n wynebu gostyngiadau mewn Grantiau Cymorth Refeniw, oedd yn nghynaliadwy ac anogodd yr holl Aelodau i gysylltu ag ASau ynghylch y pwysau ar gyllidebau y mae'r Cyngor yn eu hwynebu. Diolchodd i staff y rheng flaen am orfod gwneud penderfyniadau anodd bob dydd.

Diolchodd yr Aelod Cabinet dros y Gwasanaethau Cymdeithasol a Chymorth Cynnar ar ran y Cabinet i'r Cyfarwyddwr Corfforaethol, y Penaethiaid Gwasanaeth a'r holl staff yn y Gyfarwyddiaeth am y ffordd mae wedi ymateb i'r heriau ac wedi ailfodelu gwasanaethau.

Dywedodd aelod o'r Cyngor fod angen cydnabod na allai gwasanaethau barhau yn wyneb cyfyngiadau cyllideb ac y byddai angen gwneud dewisiadau anodd.

**PENDERFYNWYD**

Bod y Cyngor yn cymeradwyo Adroddiad Blynyddol Cyfarwyddwr y Gwasanaethau Cymdeithasol ar gyfer 2017/18.

**207. ADOLYGU BALANS GWLEIDYDDOL – NEWIDIADAU I AELODAETH Y PWYLLGOR**

Rhoddodd y Swyddog Monitro wybod i'r Cyngor am ganlyniad adolygiad o falans gwleidyddol yr Awdurdod sydd o ganlyniad i newid i aelodaeth y Grŵp Cynghrair Annibynnol. Ceisiodd hefyd enwebiad gan Grŵp Plaid Cymru i sefyll ar Bwyllgor Trosolwg a Chraffu Pwnc 2 ac i Grŵp Annibynwyr Llynfi ildio sedd ar y Pwyllgor hwnnw, i adlewyrchu newid sydd ei angen ym malans gwleidyddol Pwyllgorau.

Dywedodd y Swyddog Monitro wrth y Cyngor, ar ôl adolygiad o falans gwleidyddol, fod aelodaeth pwyllgorau wedi'i diweddarau i adlewyrchu cyfansoddiad y Cyngor.

**PENDERFYNWYD**

Bod y Cyngor yn:

- (a) Nodi'r newid i gyfansoddiad gwleidyddol y Cyngor;
- (b) Cymeradwyo dyraniad y seddi i grwpiau gwleidyddol yn unol â rheolau balans gwleidyddol fel y nodir yn Atodiad 1 yr adroddiad;
- (c) Penodi'r Cynghorydd T Thomas o Grŵp Plaid Cymru i sefyll ar Bwyllgor Trosolwg a Chraffu Pwnc 2 i gymryd y sedd Annibynwyr Llynfi wedi'i ildio.

**208. DIWYGIAD I'R CYFANSODDIAD A'R CYNLLUN CYFLAWNI SWYDDOGAETHAU – RHEOLAU GWEITHDREFN CONTRACT DIWYGIEDIG**

Ceisiodd y Swyddog Monitro gymeradwyaeth i ddiwygio'r Cyfansoddiad i ymgorffori'r Rheolau Gweithdrefn Contract diwygiedig a diwygio'r Cynllun Dirprwyo Swyddogaethau mewn perthynas â swyddogaethau'r Cyngor wedi'u neilltuo i bob Prif Swyddog.

Dywedodd y Swyddog Monitro fod nifer o newidiadau wedi'u gwneud i Reolau gweithdrefn Contract cyfredol i sicrhau cydymffurfiaeth â darpariaethau Rheoliadau Contractau Cyhoeddus 2015 ac i foderneiddio'r ffordd mae'r Cyngor yn caffael nwyddau,

gwasanaethau a gwaith. Dywedodd fod i'r Cabinet yn ei gyfarfod ar 19 Mehefin 2018 gymeradwyo'r Rheolau Gweithdrefn Contract diwygiedig i fod ar waith o 1 Awst 2018 ymlaen.

**PENDERFYNWYD**

Bod y Cyngor yn:

- Nodi'r Rheolau Gweithdrefn Contract diwygiedig i fod ar waith o 1 Awst 2018;
- Cymeradwyo'r diwygiad o'r Cyfansoddiad i ymgorffori'r Rheolau Gweithdrefn Contract diwygiedig;
- Cymeradwyo'r diwygiad i'r Cynllun Dirprwyaethau fel y nodir ym mharagraff 4.4 yr adroddiad.

**209. BARGEN DDINESIG PRIFDDINAS RANBARTH CAERDYDD – PWYLLGOR TROSOLWG A CHRAFFU AR Y CYD**

Adroddodd y Prif Weithredwr ar gynnig i sefydlu Pwyllgor Trosolwg a Chraffu ar y Cyd ar gyfer Bargaen Ddinesig Prifddinas Ranbarth Caerdydd (CCRCD). Dywedodd fod y Cyd-gabinet y CCRCD yn ei gyfarfod ar 20 Tachwedd 2017 ystyried adroddiad oedd yn manylu ar gynigion i sefydlu Pwyllgor Trosolwg a Chraffu ar y Cyd. Penderfynwyd ar ôl hynny gan y Cyd-gabinet mai'r awdurdod hwn fyddai'r Awdurdod Cynnal.

Dywedodd y Prif Weithredwr wrth y Cyngor am y cefndir a gwybodaeth am y cynnig ynghyd â'r Cylch Gorchwyl drafft. Dywedodd y byddai adroddiad yn cynnwys manylion am y cynnig yn cael ei ystyried gan bwyllgor craffu priodol pob awdurdod sy'n cymryd rhan cyn iddo gael ei gymeradwyo gan y Cyngor yn unol â Chanllawiau Statudol, wedi'u cyhoeddi dan Fesur Llywodraeth Leol (Cymru) 2011.

Dywedodd wrth y Cyngor i'r Pwyllgor Trosolwg a Chraffu Corfforaethol yn ei gyfarfod ar 18 Mehefin 2018 ystyried adroddiad y Cyd-gabinet Rhanbarthol, y Cylch Gorchwyl drafft ac enwebiad Aelod anweithredol i sefyll ar y PThCC.

**PENDERFYNWYD**

Bod y Cyngor yn:

- (a) Ystyried yr adroddiad a'r atodiadau a chymeradwyo sefydlu Pwyllgor Trosolwg a Chraffu ar y Cyd ar gyfer Bargaen Ddinesig Prifddinas Ranbarth Caerdydd;
- (b) Cymeradwyo enwebu'r Cynghorydd J-P B Blundell i gynrychioli'r awdurdod ar Bwyllgor Trosolwg a Chraffu ar y Cyd ar gyfer Bargaen Ddinesig Prifddinas Ranbarth Caerdydd;
- (c) Nodi mai penderfyniad pob un o'r deg awdurdod fydd a hoffent sefydlu'r PThCC wedi'i gynnig.

**210. DERBYN Y CWESTIYNAU CANLYNOL GAN: Y CYNGHORYDD ALTAF HUSSAIN I'R AELOD CABINET DROS GYMUNEDAU**

**Cwestiwn i'r Aelod Cabinet dros Gymunedau gan y Cynghorydd A Hussain**

"Cynyddu'r Dreth Gyngor, gwaredu cymorthdaliadau hanner llwybrau bysus a gefnogir gan y Cyngor, toriad o 60% i gyllideb toiledau cyhoeddus a defnydd callach o adnoddau - all yr Aelod Cabinet roi gwybod i'r Cyngor beth rydym yn ei gynnig i drigolion Sir Pen-y-bont ar Ogwr yn gyfnewid am hyn.

**Ymateb**

“Mae'r Awdurdod yn dal i wario mwy na £250m net i ddarparu nifer sylweddol o wasanaethau cyhoeddus gwahanol; ac er gwaethaf y mesurau llymder parhaol ac arbedion cyllideb sylweddol mae awdurdodau lleol megis CBSP wedi gorfod cystadlu â nhw am sydd bellach yn swm sylweddol o flynyddoedd, rydym yn parhau'n bennaf i ddarparu gwasanaethau gwerthfawr a da ar gyfer y cyhoedd, ac wedi parhau i wneud hyn yn y rhan fwyaf o achosion, hyd yn oed os yw hyn trwy ddod o hyd i ffyrdd eraill o ddarparu gwasanaethau o'r fath (er gwaethaf cael llai o adnoddau i wneud felly.) Am fwy o fanylion am broses ddyrannu cyllideb y Cyngor a'r gwasanaethau mae wedi'i ymrwymo iddynt, yn ogystal â'r meysydd mae toriadau wedi'u gwneud ynddynt er mwyn cyflawni'r arbedion sydd eu hangen dan y SATC, gall yr Aelod gyfeirio at yr adroddiad o'r enw 'Strategaeth Ariannol Tymor Canolig 2018-19 i 2021-22 a'r Dreth Gyngor 2018-19, a gymeradwywyd gan y Cyngor llawn yn ei gyfarfod dyddiedig 28 Chwefror 2018.

Gofynnodd y Cynghorydd Hussain gwestiwn ategol gan ddweud ei fod yn credu bod yr Aelod Cabinet wedi methu â gofyn y cwestiwn, fel ym misoedd y gaeaf, mae trigolion yn cwyno am grudio ffyrdd. Ym misoedd yr haf, mae trigolion yn cwyno am laswellt yn cael ei dorri ac thrwy'r flwyddyn mae trigolion yn cwyno am geubyllau. Gofynnodd i'r Aelod Cabinet beth yw'r blaenoriaethau a sut eir i'r afael â'r materion.

Dyweddodd yr Aelod Cabinet dros y Gwasanaethau Cymdeithasol a Chymorth Cynnar ar ran yr Aelod Cabinet dros Gymunedau fod yn rhaid i'r Cyngor gwneud defnydd callach o'i adnoddau a gweithio mor effeithlon â phosibl. Dywedodd fod gan y Cyngor un o'r strwythurau rheoli mwyaf main o'r awdurdodau lleol yng Nghymru gan fod ganddo 3 Chyfarwyddwr Corfforaethol. Dywedodd wrth y Cyngor mai 75% o gyllideb yr awdurdod yw costau staff a'i bod yn debygol y byddai'n rhaid i'r Cyngor ddod o hyd i £7m ychwanegol i fodloni pwysau demograffig a gwobr tâl athrawon a staff. Dywedodd y byddai'n rhaid i'r Cabinet wneud penderfyniadau anodd mewn perthynas â gwario ar wasanaethau, boed hynny i gau sawl gwasanaeth neu leihau gwariant mewn sawl ardal. Anogodd yr Aelodau i geisio cymorth ASau gyda cheisio diwedd mesurau llymder.

211. EITEMAU BRYD

Nid oedd unrhyw faterion bryd i'w trafod.

Daeth y cyfarfod i ben am 16:37

## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO COUNCIL

19 SEPTEMBER 2018

#### REPORT OF THE CORPORATE DIRECTOR – COMMUNITIES

##### DEPARTURE PLANNING APPLICATION P/18/520/FUL

#### 1. Purpose of Report

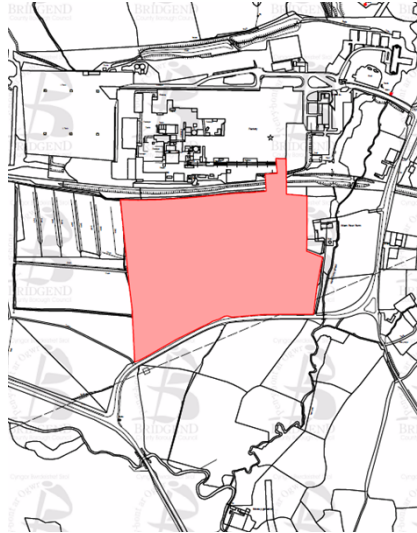
- 1.1 On 30 August, 2018, the Development Control Committee considered planning application P/18/520/FUL as a departure from the Local Development Plan. The Development Control Committee resolved not to refuse planning permission so the application is referred to Council which is requested to approve the application subject to conditions.
- 1.2 A copy of the Development Control Committee report is attached at Appendix 1.

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

- 2.1 This report assists in the achievement of the following corporate priority/priorities:
  - Supporting a successful economy – taking steps to make the county a good place to do business, for people to live, work, study and visit, and to ensure that our schools are focused on raising the skills, qualifications and ambitions of all people in the county.

#### 3. Background

- 3.1 The application, by Rockwool Ltd., relates to an extension to the existing Rockwool factory site at Wern Tarw, Bridgend. The factory is a major employer in the County Borough. The proposal comprises an extension to the south of the existing factory, as shown outlined in red in the plan below:



- 3.2 The extended area will provide a larger and more accessible external storage area for their finished product immediately to the south of their existing factory with access from Wern Tarw Road.
- 3.3 A multi-million pound investment from Rockwool Global Headquarters in Denmark has been secured to undertake this process to improve the efficiency of the site in terms of deliveries, unloading and loading. The area of new development revolves around a new concrete hardstanding area (including an asphalt entrance and access road/parking area/loading area for HGVs) of approximately 20 acres to the immediate south of the current facility. The new storage space facility will allow the company to free up some space at the current site entrance opposite Wern Farm Road, maximise the capacity of the factory to produce, store and deliver their products and employ an extra 65 permanent full time workers (on top of the existing 404 employees) on the site.
- 3.4 In 2007, a new chimney was constructed and the factory extended in anticipation of a requirement for an increase in production. With the global economic downturn in 2008 and a subsequent reduction in demand, one of the production lines was “mothballed” and has remained so until relatively recently. The Pencoed factory (which has been in existence for approximately 40 years) is in a position to mobilise quickly to increase production. With production increasing in 2018, it is increasingly apparent that the current storage facilities are insufficient for the expected upcoming production output. Similar factories in the wider Rockwool Group have approximately double the storage for a comparatively lower production output.
- 3.5 It is expected that works will commence in October 2018 and the “demothballed” production line and the storage facility will be fully operational by the end of Quarter 1 in 2019 (i.e. the end of March 2019). The comprehensive logistics approach is expected to provide the following benefits:
- Removal of the bottleneck at the current site entrance opposite Wern Fawr Road;



- A reduction in the number of trucks at this main access point (the number of trucks that will pass through the existing access is expected to decrease from an estimated 6.5 trucks per hour at full capacity to 3.6 trucks per hour once the new logistics centre is operational);
  - The protection of approximately 404 existing permanent, full-time positions and the creation of an additional 65 additional permanent, full-time positions; and,
  - Maximising the full capacity of the Pencoed site to attract further investment in Pencoed/the County Borough from the wider Rockwool Group as a major employer in the region.
- 3.6 The application site is located outside, but directly adjacent to, the area allocated as the Wern Tarw Employment Site that is allocated and protected for employment development within use classes B1, B2 and B8 as defined by Bridgend County Borough Council's adopted Local Development Plan (2013). Therefore, the proposed site is within an area classed as open countryside.
- 3.7 The land was originally proposed as a candidate site for industrial purposes as part of the Local Development Plan formulation process. The LPA did not designate it as part of an extended allocated site as it was not directly related to a growth area or sustainable settlement as part of the spatial strategy. The development was an entirely speculative B1, B2 and B8 extension that did not specifically relate to the expansion of the adjacent Rockwool factory but this is now the case and it is likely that, if the application is permitted, this part of the site would be included within the Rockwool employment site in the impending Replacement LDP (2018-2033) Review process.
- 3.8 It should also be noted that the Unitary Development Plan did dedicate land adjacent to Rockwool for expansion (albeit immediately to the west/north west of the site) but this land was deleted from the LDP on the basis that the business did not have any plans to expand at that point. The situation and market have changed considerably over the intervening years and the wider Rockwool Group are investing in the business.
- 3.9 In terms of the land that will be utilised for the expansion of the business, it is generally accepted as being poor quality, badly drained Class 5 agricultural land that was formerly associated with deep and opencast mining, is crossed by various utilities and is directly adjacent to, but at a lower level than, the established factory site at Rockwool.
- 3.10 Having regard to the above context, it is considered that the expansion into the countryside is justified in this instance subject to detailed design criteria and compliance with other LDP policies.
- 3.11 Section 38(6) of the Planning and Compulsory Purchase Act 2004 requires that if regard is to be had to the Development Plan for the purposes of any determination to be made under the Planning Acts, the determination must be made in accordance with the Plan unless material considerations indicate otherwise. Factors to be taken into account in making planning decisions (material considerations) must be planning matters, that is, they must be

relevant to the regulation of the development and use of land in the public interest, towards the goal of sustainability.

- 3.12 In this case, it is considered that the information submitted in support of the current application is material to the determination of the application and has been taken into account during the consideration of the proposal.
- 3.13 On balance and having regard to the above weighing up of all material considerations relevant to this scheme, in planning terms it is considered that development is acceptable in this specific location due to the justification for the expansion of this established employment site within the County Borough and in regard to its potential impacts on surrounding residents by way of noise, air quality and lighting; any impact on the character and appearance of the site and surrounding countryside; its potential impact on biodiversity in and around the site; and its potential impact on the highway network and drainage in and around the site.
- 3.14 Therefore, there is a reasoned argument for the extension of the factory site into the adjacent land within the countryside.
- 3.15 The Local Planning Authority can grant permission for development which does not accord with the provisions of the development plan in force in the area under Article 20 of the Town and Country Planning (Development Management Procedure) (Wales) Order 2012, subject to ratification by Council.

#### **4. Current Situation**

- 4.1 The application site is located within an area that is classed as open countryside under the Local Development Plan (2013).

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

- 5.1 Whilst the application does not fully accord with the policies of the Bridgend Local Development Plan the expansion is an operational requirement for Rockwool.

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

- 6.1 A screening for Equality Impact has been undertaken and no negative issues have been identified.

#### **7. Wellbeing of Future Generations (Wales) Act 2015**

- 7.1 The well-being goals identified in the Act are:
- A prosperous Wales
  - A resilient Wales
  - A healthier Wales
  - A more equal Wales
  - A Wales of cohesive communities
  - A Wales of vibrant culture and thriving Welsh language

- A globally responsible Wales

7.2 The duty was considered in the assessment of the application and in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of wellbeing goals/objectives as a result of the proposed development.

## 8. Financial Implications

8.1 There are no direct financial implications as a result of this report.

## 9. Recommendation

9.1 That if Council is minded not to refuse the development then the Corporate Director Communities be given delegated authority to issue a decision notice in respect of this proposal to include the following conditions:

1. The development shall be carried out in accordance with the following approved plans:
  - (04) 100 Location Plan
  - (04) 200 Site Plan As Proposed
  - S100 Revision P3 Conveyor Belt Structure Over Roadway
  - S110 Revision P1 Logistics Building Ground Floor GA
  - S111 Revision P1 Logistics Building Roof GA
  - S112 Revision P1 Logistics Building Steelwork Elevations
  - S113 Revision P1 Logistics Building Sections
  - S114 Revision P1 Logistics Building 3D View
  - S120 Revision P1 Security Lodge Floor Plans
  - S121 Revision P1 Security Lodge Steelwork Elevations
  - S122 Revision P1 Security Lodge Sections
  - S123 Revision P1 Security Lodge 3D View
  - S140 Revision P1 Forklift Truck Storage Plans
  - S141 Revision P1 Forklift Truck Storage Elevations
  - S142 Revision P1 Forklift Truck Storage 3D View
  - (04) 210PL Logistic Building Ground Floor Plan
  - (04) 211PL Logistic Building Roof Plan
  - (04) 213PL Logistic Building 3D Views
  - (04) 220PL Security Lodge Ground Floor Plan
  - (04) 221PL Security Lodge Roof Plan
  - (04) 223PL Security Lodge 3D View
  - (04) 230PL Forklift Truck Enclosure Ground Floor Plan
  - (04) 231PL Forklift Truck Enclosure Elevations As Proposed
  - C100 Revision P5 Proposed Site General Arrangement
  - C101 Revision P2 Proposed Surfacing General Arrangement
  - C102 Revision P2 Proposed Highway General Arrangement
  - C103 Revision P2 Proposed Levels
  - C105 Revision P1 Proposed External Typical Details
  - C107 Revision P2 Proposed Site Tracking 18m HGV
  - C108 Revision P1 Proposed Site Tracking Standard 16.5m HGV
  - C130 Revision P3 Proposed Junction General Arrangement

C151 Revision P1 Proposed Site Clearance  
C160 Revision P3 Proposed Site Sections  
C161 Revision P1 Existing and Proposed Elevations At Location Of Conveyor  
C162 Revision P2 Wern Fawr Road Long Section Facing Development  
C163 Revision P1 Proposed Retaining Walls  
C200 Revision P1 Impact Assessment Logistics Layout  
C500 Revision P3 Proposed Drainage General Arrangement  
C502 Revision P4 Drainage Details Sheet 1  
C503 Revision P1 Proposed Attenuation Swale GA  
C504 Revision P1 Proposed Attenuation Swale Sections  
All received on 28 June 2018.

(04) 222PL Security Lodge Elevation As Proposed  
(04) 212PL Logistic Building Elevation As Proposed

Received on 2 July 2018.

287./18./PP001 Soft Landscape Proposals Planting Plan

Received on 20 August 2018

Reason: To avoid doubt and confusion as to the nature and extent of the approved development.

2. The new access off Wern Tarw Road shall be completed in permanent materials in accordance with the approved details prior to the development being brought into beneficial use and shall be retained and maintained thereafter in perpetuity.

Reason: In the interests of highway safety.

3. No works whatsoever shall commence on site until a scheme has been submitted to and approved in writing by the Local Planning Authority for measures to highlight the presence of the new site access off Wern Tarw Road. The scheme shall include for temporary "new road layout ahead" signs and permanent vehicle active warning signage on both approaches to the new junction. The approved scheme shall be completed as approved before the beneficial occupation of any part of the site. Furthermore the scheme shall also include for a Safety Audit which will be undertaken and submitted for agreement within 6 months of the access being brought into beneficial use with any recommended remedial measures implemented within a further 6 Months of the Safety Audit being agreed with the Local Planning Authority. The agreed works under the scheme and any further works or measures agreed following the completion of the Safety Audit shall be retained and maintained in perpetuity.

Reason: In the interests of highway safety.

4. The loading, turning and parking areas shall be completed in permanent materials with the individual bays/spaces clearly demarcated in permanent

materials in accordance with the approved layout prior to the development being brought into beneficial use and shall be retained and maintained as such thereafter in perpetuity.

Reason: To ensure a satisfactory form of development in the interests of highway safety.

5. The proposed means of access shall be laid out with vision splays of 4.5m x 103m to the west of the new access and 4.5m x 154m to the east of the new access before the development is brought into beneficial use and the visibility splays shall thereafter be retained as such in perpetuity.

Reason: In the interests of highway safety.

6. No structure, erection or planting exceeding 1.0 metre in height above adjacent carriageway level shall be placed within the required vision splay areas at any time.

Reason: In the interests of highway safety.

7. Any entrance gates erected specifically to close the access, either temporarily or permanently, shall be set back not less than 5.0 metres from the nearside edge of carriageway.

Reason: In the interests of highway safety.

8. Notwithstanding the submitted details, prior to the development being brought into beneficial use an updated Traffic & Delivery Management Plan shall be submitted to and agreed in writing by the Local Planning Authority. All servicing and delivery vehicle movements to the site shall thereafter be made in accordance with the agreed Traffic & Delivery Management Plan in perpetuity.

Reason: In the interests of highway safety.

9. No development shall take place, including any works of site clearance, until a Construction Method Statement has been submitted to and approved in writing by the Local Planning Authority. The approved Statement shall be adhered to throughout the construction period. The Statement shall provide for:

- i. the routing of HGV construction traffic to/from the site in order to avoid the northern end of the unnamed road serving Rockwool, Wern Fawr Road or Bryngarn Road
- ii. the parking of vehicles of site operatives and visitors
- iii. loading and unloading of plant and materials
- iv. storage of plant and materials used in constructing the development
- v. wheel washing facilities
- vi. temporary traffic and pedestrian management along the B4280

Reason: In the interests of highway safety.

10. No development shall commence on site until a scheme for the comprehensive and integrated drainage of the site, showing how foul, road and roof/yard water will be dealt with, including future maintenance requirements, has been submitted to and approved in writing by the Local Planning Authority. The approved scheme shall be implemented prior to the beneficial use of the site commencing.

Reason: To ensure that effective drainage facilities are provided for the proposed development and that flood risk is not increased.

11. The conveyor belt for the development referred to in Section 6.3 of the Noise Report entitled 'P18-283-R01-V1 June 2018 Rockwool Factory, Pencoed, Bridgend - New Storage Area and Access Road Noise' Assessment shall be fully enclosed with openings only for the spurs in accordance with the construction details as stated in Section 6.3 of the Report - composite construction formed of inner and outer profiled steel of 0.6mm thickness with a minimum 100mm cavity filled with Rockwool of a minimum density of 33kg/m<sup>2</sup>.

Reason: To preserve the amenities of the countryside and adjoining occupiers.

12. An acoustic barrier with a minimum height of 3m shall be erected along the western boundary of the access road (as illustrated in Figure 5 of the Noise Report entitled 'P18-283-R01-V1 June 2018 Rockwool Factory, Pencoed, Bridgend-New Storage Area and Access Road Noise'). The barrier shall be imperforate with no holes or gaps along its length or base and have a surface mass of at least 10kg/m<sup>2</sup>. The design details of the barrier shall be submitted to and approved in writing by the Local Planning Authority prior to the beneficial use of the site. The details shall include a location plan showing the exact position of the barrier, its construction details and confirmation of the level of attenuation that will be provided by the barrier. The design shall be implemented as agreed and the barrier shall be retained and maintained in perpetuity.

Reason: To preserve the amenities of the countryside and adjoining occupiers.

13. The forklift trucks to be operated on the site shall be fitted with white noise reversing alarms as opposed to tonal alarms in accordance with details to be submitted to and approved in writing by the Local Planning Authority prior to the beneficial use of the site.

Reason: To preserve the amenities of the countryside and adjoining occupiers.

14. Prior to the beneficial use of the site, details of a lighting scheme shall be submitted to and agreed with the Local Planning Authority. The scheme shall include the following information:

- a plan showing the location, height and orientation of the lights, as well as the form and type of lights to be erected and at which locations (as two different types of lighting are included in the Lighting Assessment)
- lighting levels within the development site to demonstrate that the areas within the site are not overly illuminated (i.e. which do not greatly exceed the 50lux in hardstanding areas) and do not exceed the levels that are recommended to comply with BSEN12464-2 – Light and Lighting – Lighting of outdoor works places of 50 average lux for hardstanding areas and 20 lux for areas for slow moving traffic and predicted levels in lux at the closest residential receptors following final choice of design, location and height of lighting columns to demonstrate that the levels do not exceed the ILP requirements for obtrusive lighting in E2 – Rural areas
- a comparison of current lighting levels in lux of what the current lighting is at Wern Fawr Farm after 11pm compared with post development
- the operational hours
- the specific mitigation measures to reduce light spillage beyond the site boundary and to ensure there is no direct glare from any optics into any residential properties (e.g. baffles and screening and specify which lights are to have baffles) and upward light spillage and mitigation measures to ensure that the lights are only operational between the agreed hours.

Upon approval in writing, the details shall be implemented as agreed and thereafter the development shall be operated in accordance with the approved details and retained as such in perpetuity.

Reason: To protect biodiversity and to preserve the amenities of the countryside and adjoining occupiers.

15. Should the Local Planning Authority, in conjunction with Shared Regulatory Services Officers, deem it necessary to request one, a post-operation survey shall be undertaken and submitted for approval by the Local Planning Authority within one month of such request being made to demonstrate that the light spill beyond the site boundaries do not exceed the approved specifications. If the survey demonstrates that it does not meet the approved specifications, any remedial action necessary to achieve such approved levels shall be undertaken within one month of such request being made in writing by the Local Planning Authority.

Reason: To ensure a satisfactory form of development.

16. The recommendations and mitigation measures set out in the documents listed below shall be implemented as prescribed in those documents The

development shall be carried out in accordance with the recommendations, enhancements and mitigation measures within the following documents:

- External Lighting Report (dated June 2018)
- Noise Assessment Report (dated June 2018)
- Stage 1 -2 Road Safety Audit (dated June 2018)
- Breeding Bird Report (dated June 2018)
- Coal Mining Risk Assessment Report – Mitigation Strategy as detailed in Section 4 (dated 20 June 2018)
- Hedgerow and Woodland Report (dated June 2018)
- Great Crested Newt Report (dated June 2018)
- National Vegetation Classification Report (dated June 2018)
- Otter Survey Report (dated June 2018)
- Phase II Geo-Environmental and Geotechnical Ground Investigation Report (dated May 2018)
- Reptile Survey Report (dated June 2018)
- Preliminary Ecological Appraisal Report (dated March 2018)
- Drainage Strategy (dated June 2018)
- Barn Owl Survey Report (dated August 2018)
- Dormouse Report (dated June 2018)
- Updated Bat Report (dated August 2018)
- Ecology Mitigation Master Plan Report (dated August 2018)
- Construction Environmental Management Plan Report (dated August 2018)

Reason: To avoid doubt and confusion as to the nature and extent of the approved development

17. No development including ground and hedgerow clearance shall commence until the developer has been granted a licence by Natural Resources Wales pursuant to Regulation 55 of the Conservation of Habitats and Species Regulations (2017) authorising the specified development to commence.

Reason: To ensure compliance with Regulation 55 of the Conservation of Habitats and Species Regulations (2017)

18. No development shall take place until a detailed specification for, or samples of, the materials to be used in the construction of the external surfaces of the buildings hereby permitted have been submitted to and agreed in writing by the Local Planning Authority. Development shall be carried out in accordance with the agreed details.

Reason: To ensure that the proposed materials of construction are appropriate for use on the development so as to enhance and protect the visual amenity of the area.

19. Prior to the beneficial use of the site, the sustainable drainage scheme for the site shall be completed in accordance with the submitted details. The sustainable drainage scheme shall be managed and maintained thereafter in accordance with an agreed management and maintenance plan to be



submitted to and approved in writing by the Local Planning Authority prior to the commencement of development.

Reason: To ensure a satisfactory form of development.

20. No building or product stack on any part of the development site (excluding the proposed conveyor belt) shall exceed 5m metres in height above the finished ground level of the site.

Reason: To ensure a satisfactory form of development.

21. All planting, seeding or turfing comprised in the approved details of landscaping shall be carried out in the first planting and seeding seasons following the occupation of the site or the completion of the development, whichever is the sooner; and any trees or plants which within a period of 5 years from the completion of the development die, are removed or become seriously damaged or diseased shall be replaced in the next planting season with others of similar size and species.

Reason: To preserve the amenities of the countryside and in the interests of biodiversity within and around the site.

22. A Landscape Management Plan, including management responsibilities and maintenance schedules for all landscaped areas, shall be submitted to and approved in writing by the Local Planning Authority prior to the beneficial use of the site commencing. The Landscape Management Plan shall be carried out as approved.

Reason: To preserve the amenities of the countryside and in the interests of biodiversity within and around the site.

23. No development shall commence until details of existing ground levels and proposed finished ground and floor levels have been submitted to and approved in writing by the Local Planning Authority. The development shall be carried out in accordance with the approved details.

Reason: To ensure that the development relates appropriately to the topography of the site and the surrounding area.

24. Clearance and Construction works shall not take place outside 08:00 hours to 18:00 hours Mondays to Fridays and 08:00 hours to 13:00 hours on Saturdays and not at any time on Sundays and Bank Holidays.

Reason: To maintain noise levels at a sustainable level in the interests of residential amenities.

25. Prior to the commencement of any development works and following completion of the monitoring scheme referenced in:

The proposed details of appropriate gas protection measures to ensure the safe and inoffensive dispersal or management of gases and to prevent lateral migration of gases into or from land surrounding the application site shall be submitted to and approved in writing by the Local Planning Authority.

All required gas protection measures shall be installed and appropriately verified before occupation of any part of the development which has been permitted and the approved protection measures shall be retained and maintained until such time as the Local Planning Authority agrees in writing that the measures are no longer required.

Reason: To ensure that the safety of future occupiers is not prejudiced.

26. In the event that contamination is found at any time when carrying out the approved development that was not previously identified it must be reported in writing within 2 days to the Local Planning Authority, all associated works must stop and no further development shall take place until a scheme to deal with the contamination found has been approved. An investigation and risk assessment must be undertaken and where remediation is necessary, a remediation scheme and verification plan must be prepared and submitted to and approved in writing by the Local Planning Authority. Following completion of measures identified in the approved remediation scheme a verification report must be submitted to and approved in writing by the Local Planning Authority. The timescale for the above actions shall be agreed with the Local Planning Authority within 2 weeks of the discovery of any unsuspected contamination.

Reason: To ensure that any unacceptable risks from land contamination to the future users of the land, neighbouring land, controlled waters, property and ecological systems are minimised and to ensure that the development can be carried out safely without unacceptable risks to workers, neighbours and other offsite receptors.

27. Any topsoil [natural or manufactured] or subsoil to be imported shall be assessed for chemical or other potential contaminants in accordance with a scheme of investigation which shall be submitted to and approved in writing by the Local Planning Authority in advance of its importation. Only material approved by the Local Planning Authority shall be imported. All measures specified in the approved scheme shall be undertaken in accordance with the relevant Code of Practice and Guidance Notes.

Subject to approval of the above, sampling of the material received at the development site to verify that the imported soil is free from contamination shall be undertaken in accordance with a scheme and timescale to be agreed in writing by the Local Planning Authority.

Reason: To ensure that the safety of future occupiers is not prejudiced.

28. Any aggregate (other than virgin quarry stone) or recycled aggregate material to be imported shall be assessed for chemical or other potential contaminants in accordance with a scheme of investigation which shall be submitted to and approved in writing by the Local Planning Authority in advance of its importation. Only material approved by the Local Planning Authority shall be imported. All measures specified in the approved scheme shall be undertaken in accordance with the relevant Code of Practice and Guidance Notes.

Subject to approval of the above, sampling of the material received at the development site to verify that the imported material is free from contamination shall be undertaken in accordance with a scheme and timescale to be agreed in writing by the Local Planning Authority.

Reason: To ensure that the safety of future occupiers is not prejudiced.

29. Any site won material including soils, aggregates, recycled materials shall be assessed for chemical or other potential contaminants in accordance with a sampling scheme which shall be submitted to and approved in writing by the Local Planning Authority in advance of the reuse of site won materials. Only material which meets site specific target values approved by the Local Planning Authority shall be reused.

Reason: To ensure that the safety of future occupiers is not prejudiced.

**Mark Shephard**  
**Corporate Director Communities**  
**19 September 2018**

**Contact Officer**

Mr. Jonathan Parsons  
Group Manager - Development  
Telephone Number: 01656 643153, e-mail: [jonathan.parsons@bridgend.gov.uk](mailto:jonathan.parsons@bridgend.gov.uk)

**Background documents**

**Appendix 1: Development Control Committee Report**

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**REFERENCE:** P/18/520/FUL

**APPLICANT:** Rockwool Ltd Wern Tarw Road, Wern Tarw, Bridgend, CF35 6NY

**LOCATION:** **Rockwool Ltd Wern Tarw Road Wern Tarw Bridgend CF35 6NY**

**PROPOSAL:** New hardstanding to the south of the plant for external storage of materials, new operational buildings and new vehicular access off Wern Tarw Road

## **APPLICATION/SITE DESCRIPTION**

Rockwool Ltd. propose to increase the production capacity at their established factory in Pencoed by reviving one of their three production lines and furnaces which was “mothballed” a number of years ago (and which has already got consent). This is the result of growing demand across the UK and Europe for their range of products.

As part of this process they are also looking to improve the efficiency and logistics of the business by providing a larger and more accessible external storage area immediately to the south of their existing factory with access from Wern Tarw Road. The company has purchased the land from the owner of Wern Fawr Farm and the development will take place across the central two land parcels of four.

A multi-million pound investment from Rockwool Global Headquarters in Denmark has been secured to undertake this process together with additional storage space for the finished product (including building insulation; industrial and technical insulation for process industry; marine and offshore; customised solutions for industrial application; wall and facade systems; acoustic ceilings; horticultural substrate solution; noise and vibration control) to improve the efficiency of the site in terms of deliveries, unloading and loading.

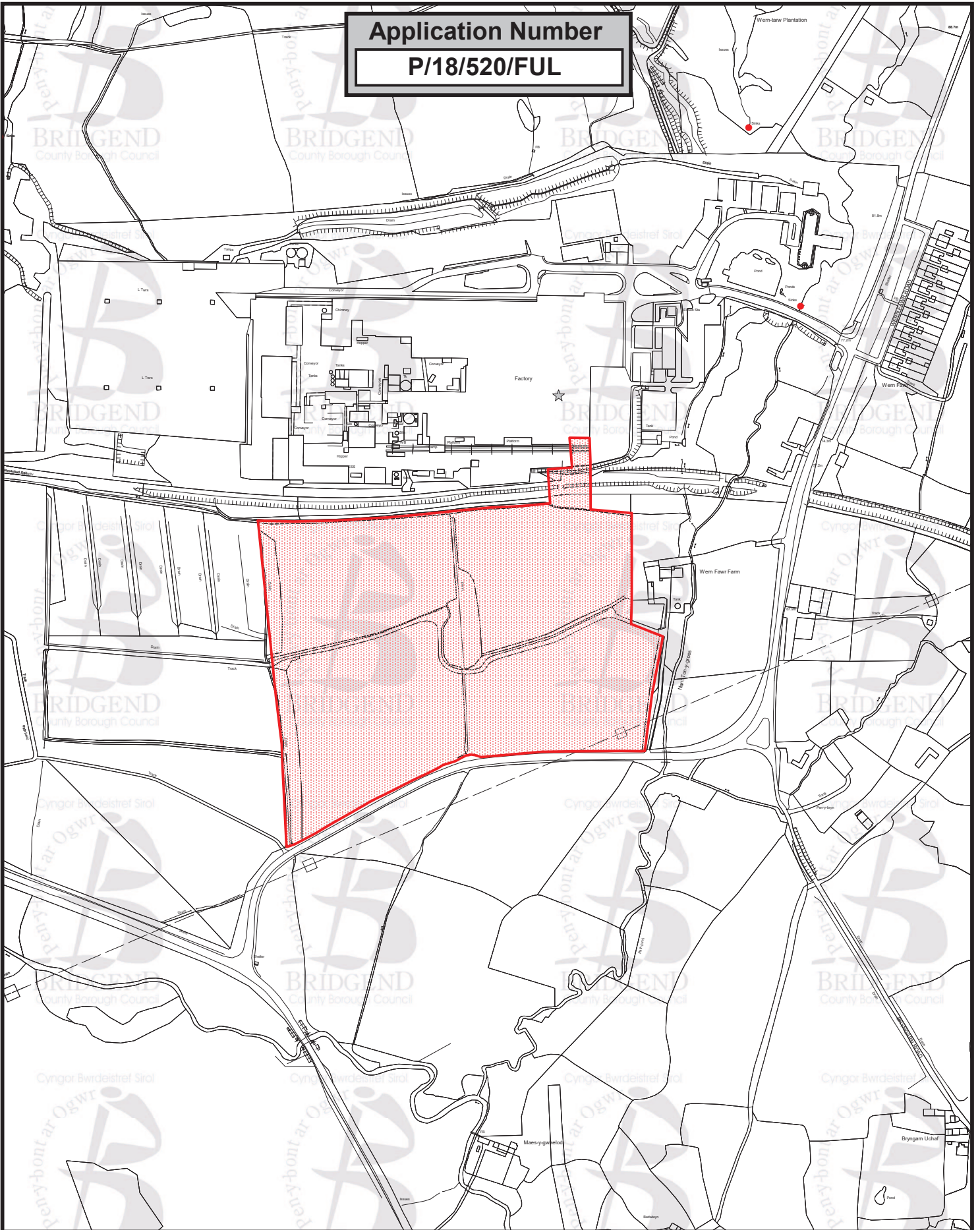
The area of new development revolves around a new concrete hardstanding area (including an asphalt entrance and access road/parking area/loading area for HGVs) of approximately 20 acres to the immediate south of the current facility.



**Application Site (red) and Surrounding Area (blue) controlled by Rockwool Ltd.**

**Application Number**

**P/18/520/FUL**



**Scale 1:5000**

**Date Issued:  
22/08/2018**

**Development-Mapping  
Tel: 01656 643176**

**Mark Shephard**

Corporate Director-Communities

Communities Directorate,  
Bridgend County Borough  
Council, Civic Offices,  
Angel Street,  
Bridgend CF31 4WB.

O/Drive/Plandraw/new MI layouts/  
Committee DC Plan

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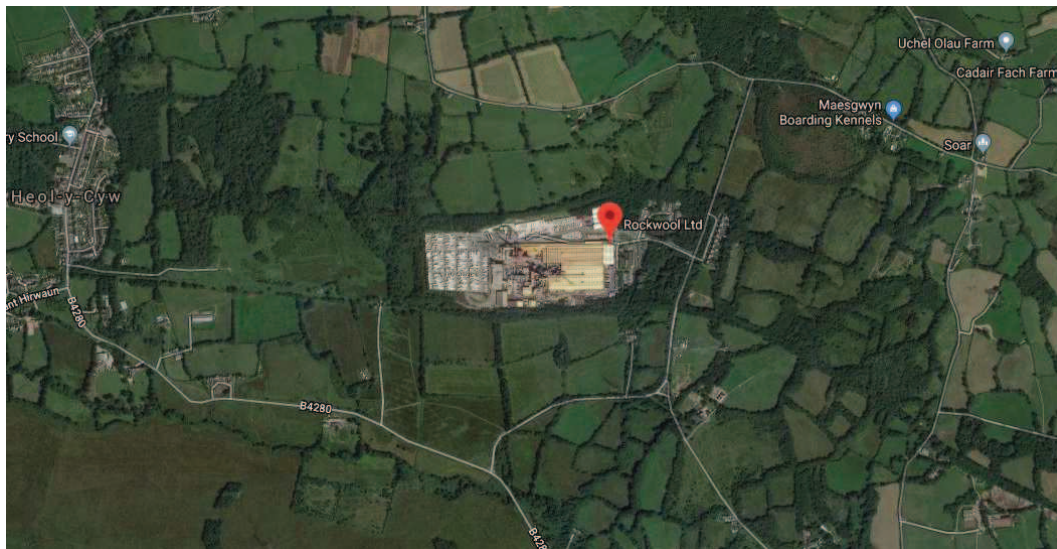
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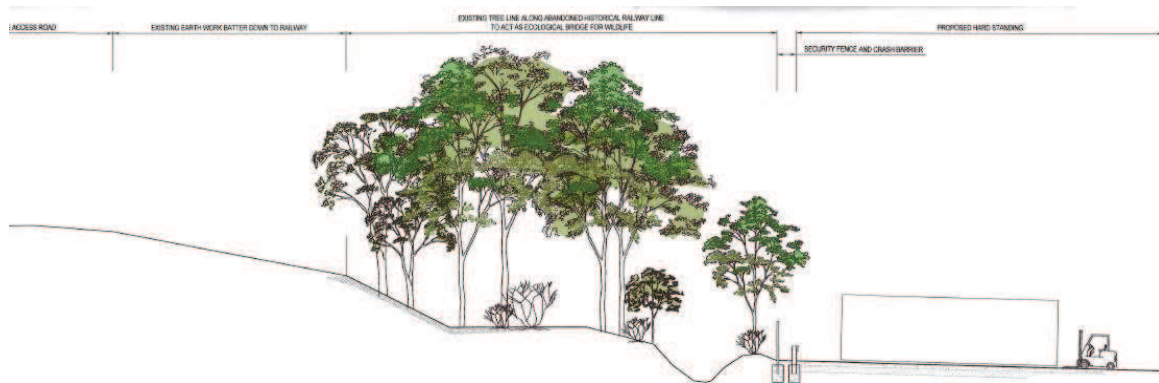
The new storage space facility will allow the company to free up some space at the current site entrance opposite Wern Farm Road, maximise the capacity of the factory to produce, store and deliver their products and employ an extra 65 permanent full time workers on the site.

The two parcels of land at the extreme ends of the application site (to the west and east) would not be developed as part of the scheme, although they will be utilised for biodiversity improvements and land drainage mitigation/attenuation purposes and will retain a reasonable buffer zone between the site and the occupiers of the neighbouring farm house (Wern Fawr Farm) to the east and Heol y Cyw to the West.



**Aerial View of Site and Surroundings**

There is a significant drop in level (approximately 10m) between the existing factory site and the proposed external storage area to the south of the site which will necessitate a fully insulated conveyor belt to transfer the product to the holding area. The conveyor belt will exit the existing factory approximately 10m above site ground level.



**SECTION 3-3 CHANGE IN LEVEL BETWEEN PROPOSED AND EXISTING SITES**  
**Typical Site Section**

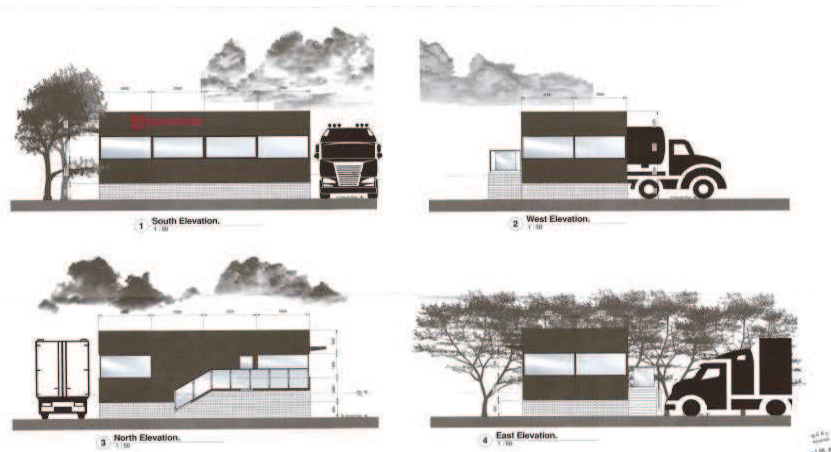
Whilst the amount of raw material being delivered to the site via the main entrance opposite the residential properties at Wern Fawr Road will increase, a new access off the road linking the B4280 and Bryngarn Road will facilitate the onward transportation of the product(s) to the end customer and reduce the level of traffic going in and out of the main access opposite Wern Fawr Road.



**Proposed Site Layout Plan**

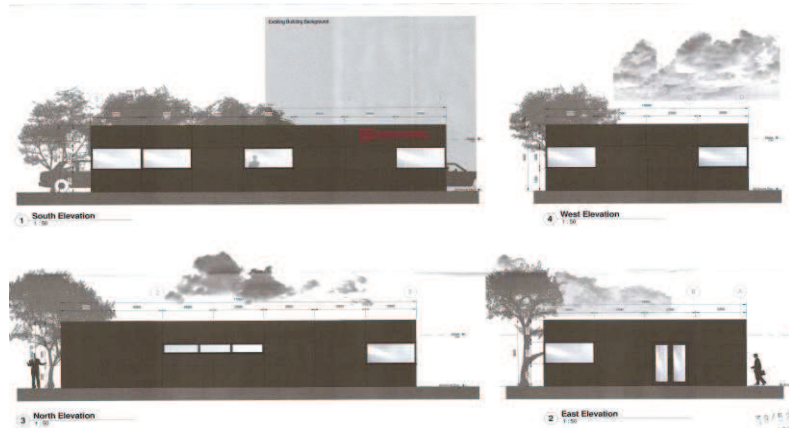
The only new buildings proposed are a simple security cabin close to the entrance into the site (including an office, toilet and sink), a logistics/driver welfare building to the north-west corner of the external storage area (including an office, toilets, lockers, a drying room, a dining area, meeting room and storage) and a single storey garage building for 16 forklifts (with gas store) towards the north east corner of the site and the proposed conveyor. The buildings will be clad in Rockwool's own products including the use of Rockpanel cladding to the outside of the building and Rockwool insulation. The two sites will be linked by the conveyor system and a new pedestrian route.

The HGVs will congregate within 18-20 parking bays before moving on to 10 side loading bays. There will also be space for 12 trailers to be stored on site.



**Proposed Elevations of Security Lodge**

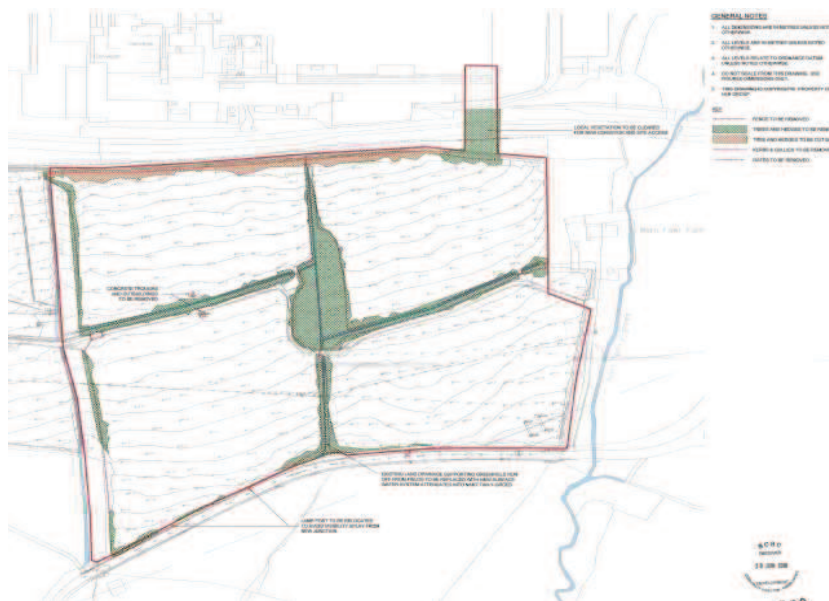




### Proposed Elevations of Logistics/Welfare Building

The open storage area will accommodate 5m high stacks of the product, a boundary/acoustic fence and lighting columns.

The proposal will result in the loss of hedgerows within the site and the required visibility splays for the new access into the site will necessitate the translocation of a part of the frontage hedgerow along Wern Tarw Road.



### Proposed Site Clearance Plan

In addition to the hard engineering works, attenuation swales and a land drain are proposed to the south-east and south west corners of the site (with scope for rainwater reuse) along with retaining structures at various points around the site. An extensive soft and hard landscaping scheme is proposed to screen the visual/noise impact of the development and in order to mitigate for any loss of biodiversity/habitats.

Cycle parking and shower facilities are available at the main factory site and employees at the new logistics site will have access to them.

It is expected that works will commence in October 2018 and the “de-mothballed” production line and the storage facility will be operational by the end of Quarter 1 in 2019 (i.e. the end of March 2019).

The comprehensive logistics approach is expected to provide the following benefits:

- Removal of the bottleneck at the current site entrance opposite Wern Fawr Road;
- A reduction in the number of trucks at this main access point (the number of trucks that will pass through the existing access is expected to decrease from an estimated 6.5 trucks per hour at full capacity to 3.6 trucks per hour once the new logistics centre is operational);
- The protection of approximately 404 existing permanent, full-time positions and the creation of an additional 65 additional permanent, full-time positions; and,
- Maximising the full capacity of the Pencoed site to attract further investment in Pencoed/the County Borough from the wider Rockwool Group as a major employer in the region.



**Proposed Landscaping Scheme**

The application site is separated from the established factory site by a disused and overgrown railway line and drainage ditch but is crossed by National Grid Electricity Overhead Lines and pylons and the Brynna-Margam Transco Gas Main; it lies to the west of a row of semi-detached residential properties at Wern Fawr Road and the Brynna and Wern Tarw Site of Special Scientific Interest; to the south west of a group Tree Preservation Order (1989 Ogwr Borough Council No. 16); it lies within the Primary Coal Resource Safeguarding Area; to the north of Nant Crymlyn Site of Importance for Nature Conservation and is bounded by Public Rights of Way.

The site is also outside, but in close proximity to, the Cefn Hirgoed and Hirwaun Common Land and lies outside the area allocated as the Wern Tarw Employment Site that is allocated and protected for employment development within use classes B1, B2 and B8.

Therefore, the proposed site is within an area classed as open countryside.

The scheme has been the subject of detailed pre-application consultation and, as well as the plans for the scheme, a raft of documents, assessments, surveys and reports have been submitted in support of the application, as follows:

- Design and Access Statement
- Utilities Statement
- Visual Impact Assessment
- New External Lighting Report
- Noise Assessment Report
- Stage 1 -2 Road Safety Audit
- Bat Report – Interim
- Breeding Bird Report
- Coal Mining Risk Assessment Report
- Dormouse Report – Interim
- Flood Risk Assessment Report
- Hedgerow and Woodland Report
- Great Crested Newt Report
- Natural Vegetation Classification Report
- Otter Survey Report
- Pre-Application Consultation Report
- Phase II Geo-Environmental and Geotechnical Ground Investigation Report
- Reptile Survey Report
- Preliminary Ecological Appraisal Report
- Drainage Strategy
- Delivery Management Plan
- Transport Assessment
- Barn Owl Survey Report
- Dormouse Report
- Updated Bat Report
- Ecology Mitigation Master Plan Report
- Construction Environmental Management Plan Report

In accordance with Part 1A of the Town and Country Planning (Development Management Procedures) (Wales) (Amended) Order 2016, the proposal has been the subject of a pre-application consultation process with specialist consultees and the community including the Community Council, local Members and residents.

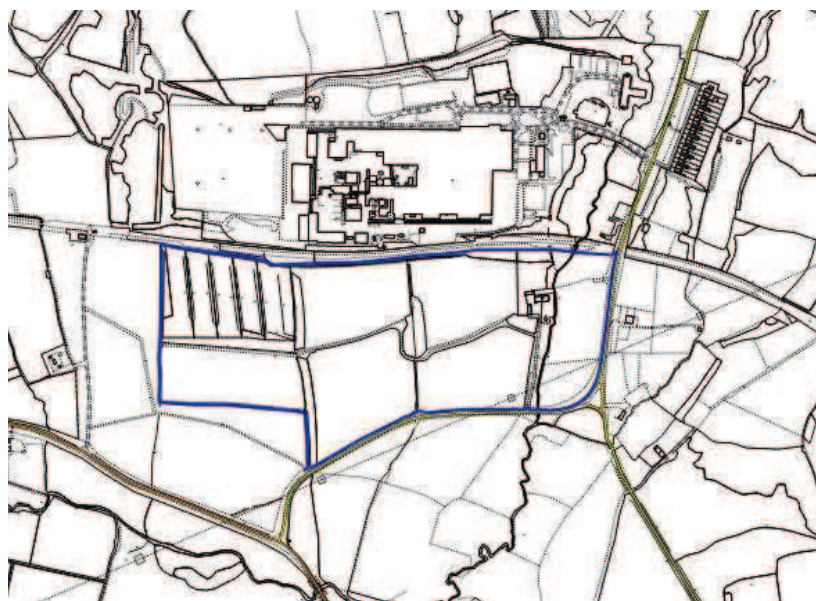
As referred to above, the Pre-Application Consultation (PAC) Report, which includes a summary of all representations received, has been submitted as part of this application.

As part of this process, a community engagement event was held at Rockwool Ltd. on 5 June 2018 (including a presentation to all attendees) and a separate public meeting with the Coychurch Higher Community Council was attended by Rockwool representatives on 24 July 2018.

On the basis of the information submitted with this application, no “significant” environmental effects of the proposed development have been identified and, where non-significant effects of the development have been identified, these can be avoided or mitigated. Due to its location close to the existing facility, the retention of natural boundary features and the nature and scale of the development, any effect is unlikely to be significant and, in the opinion of Bridgend County Borough Council, the scheme is not an EIA development and an ES was not required in response to a formal request for a Screening Opinion. In compliance with the regulations, this Screening Opinion decision has been placed on Part 1 of the Planning Register.

## PLANNING HISTORY AND RELEVANT BACKGROUND

The land was originally proposed as a candidate site for industrial purposes as part of the Local Development Plan (LDP) process (see plan below).



In considering the site, the Local Planning Authority (LPA) did not allocate it on the basis that it was not related to a growth area or sustainable settlement as part of the LDP spatial strategy.

The candidate site, as it was being proposed by the Trustees of Dunraven Estates, was an entirely speculative B1, B2 and B8 extension that did not specifically relate to the expansion of the adjacent Rockwool factory.

It is noted that the previous Unitary Development Plan dedicated land adjacent to Rockwool for their expansion immediately to the west/north west, but this land was deleted from the LDP on the basis that there were no expansion plans for the factory, of that scale, at that particular time.

However, the previous allocation does demonstrate Rockwool's potential expansion was considered in principle, albeit relating to different land parcels. It is also accepted that the land is poor quality, badly drained Class 5 agricultural land that was formerly associated with deep and opencast mining.

In terms of planning history, the following applications are relevant to the proposal:

P/11/639/FUL	New Product Storage Warehouse & Production Building Extension - Approved 28/12/11
P/08/297/FUL	Amendments to Approval P/07/1433/FUL inc. Relocation of Buildings, Filling Part of Culvert, New Enclosure - Approved 05/06/08
P/07/1433/FUL	Amendment to Consent P/06/1588/FUL - Approved 18/02/08
P/07/683/FUL	Minor Amends To P/06/1206/FUL to Include Extensions to Hard Standings, Car Park & New Road Layout - Approved 09/08/07



P/06/1588/FUL	Factory Extension (Amendment to P/04/1543/FUL) – Approved 05/11/07
P/06/1206/FUL	Extension to Existing Warehouse for Unit Loading, inc. New Road Alignment & Ext., New Area for Trailer Parking - Approved 29/12/06
P/04/1543/FUL	Factory Extension - Comprising New Floorspace, New Car Park, New Chimney & Conveyor Belt - Approved 02/11/05

In 2007, a new chimney was constructed and the factory extended in anticipation of a requirement for an increase in production. With the global economic downturn in 2008 and a reduction in demand, one of the production lines was “mothballed” and has remained so since.

The Pencoed factory (which has been in existence for approximately 40 years) is in a position to mobilise quickly to increase production. With production increasing in 2018 it is increasingly apparent the current storage facilities are insufficient for the expected upcoming production output. Similar factories in the wider Rockwool Group have approximately double the storage for a comparatively lower production output.

#### **PUBLICITY**

The application has been advertised on site and in the press as the scheme does not fully accord with the provisions of the Development Plan, on the basis that it is development within the countryside.

Neighbours have been notified of the receipt of the application.

The period allowed for response to consultations/publicity expired on 31 July 2018.

#### **CONSULTATION RESPONSES**

**Head of Street Scene (Highways):** No objection subject to conditions.

**Shared Regulatory Services - Air Quality Control Comments:** No objection subject to HGVs following the proposed route to and from the site to avoid the need for further air quality assessments.

**Shared Regulatory Services – Environment Team (Contaminated Land) Comments:** No objection subject to conditions.

**Shared Regulatory Services – Noise and Lighting Impact Comments:** No objections subject to conditions.

**Head of Street Scene (Land Drainage):** No objection subject to conditions.

**Coal Authority:** No objection subject to a condition.

**Natural Resources Wales (NRW):** No objections subject to additional work and requirements as follows:

- The likely impacts of the proposals on bats and dormice.

- Confirmation that the proposals are unlikely to result in a detrimental impact to the maintenance of the favourable conservation status of the population(s) of these species.
- The submission of more detailed survey information for water voles.

In addition, whilst it is proposed to utilise a septic tank, depending on the volumes proposed, an Environment Permit may be required from the Water Quality Permitting Team. There is a foul water main running along the side of the proposed development and NRW would recommend connection to this as the preferred foul water disposal option.

**Dwr Cymru Welsh Water:** No objection on the basis that it is proposed to utilise on-site foul drainage in the form of a septic tank.

## **REPRESENTATIONS RECEIVED**

**Councillor Alex Williams** has requested that the application be referred to Committee for consideration, has requested a site visit and has provided the following representation on behalf of his constituents:

*I confirm, as a new Member of the Development Control Committee, I have not made a predetermined decision on the proposal.*

*I understand that the additional capacity which this will give Rockwool will mean that 200,000 tonnes of Rockwool will be able to be produced per annum rather than the current 125,000 tonnes and HGV traffic will increase from 6.5 vehicles per hour to approximately 11 vehicles.*

*In a post-Grenfell political context, there is a move to ensure that all high rise buildings have non-combustible cladding and I understand that Rockwool is one of the only providers to make this product in the UK.*

*Furthermore, I am sure we would all be supportive of Rockwool's commitment to use local contractors in the work to expand the plant and the additional high quality jobs which will be created as a result of the expansion.*

*However, there are still issues which need to be addressed during the planning process in my view.*

*Local residents have raised a variety of issues with me from environmental and air quality concerns, potential noise pollution and potential highways issues which, in my view, will need to be considered and addressed before planning consent is given for such a significant expansion in operations.*

*At present, I don't believe the current highway network can support such an expansion without major improvements and would like to see this addressed.*

*Given the many issues, I believe that this application should be considered in detail by the Development Control Committee and will reserve further comment until this stage.*

The residents of 10, 13, 14, 15 and 17 Wern Fawr Road; 28 and 41 High Street, Heol y Cyw; Brynwith Crossing, Pencoed; The Old School House, Wern Tarw; and 1 Brynteg, Heol y Cyw have objected to the scheme as summarised below:

- the roads are not suitable for more HGVs,
- the impact on local drainage,
- increased noise levels,
- increased light pollution,
- increased air pollution, emissions, odours and more tuft fall outs,
- visual impact on the rural countryside,
- loss of wildlife habitats and insufficient ecological information/assessment (specifically known Soprano Pipistrelle and Brown Long Eared bat maternity roosts present approximately 300m to the NE of the proposed development),
- potential for the facility to be left as a “white elephant” if the production levels fluctuate/reduce,
- devaluation of property,
- increased likelihood of serious/fatal accidents on a country lane currently used by walkers, cyclists and horse riders,
- the incorrect reference to the new access being off Wern Fawr Road.

Coychurch Higher Community Council has submitted a list of questions, concerns and observations which can be summarised as follows:

1. Members feel that the increase in productivity of 10% is misleading as it refers to the number of jobs instead of an increase of 2/3 in production.
2. The average number of lorries per hour to the site is due to increase from 6.3 to 11 and this presents a number of concerns.
3. Lorries are currently parking overnight on local roads and the drivers sleeping in in their cabs – this is now likely to increase. How will this be monitored?
4. The hardstanding is over 4 fields that have poor drainage. What will happen to run-off?
5. The existing conveyor belt is noisy – the new conveyor will be running 24 hours a day. How does Rockwool know how noisy it will be? Plus there will be added noise from extra vehicles.
6. Will the existing hardstanding be utilised?
7. What chemicals are coming out of the stacks and what effect does it have on livestock? Is it monitored?
8. Why don't Rockwool have to monitor ambient SO2 levels?
9. What other gases/chemicals are emitted?
10. What about particulate matters?
11. Why are there no alarms for Rockwool plumes falling on residents?
12. Where is the evidence to show that the plumes are harmless and bio-soluble?
13. How often do the alarms go off, how long for and what is contained in the unfiltered emissions?

### **COMMENTS ON REPRESENTATIONS RECEIVED**

In response to the comments made by Cllr Alex Williams, in terms of the increased production capacity of the factory, this is already being maximised as part of a previous consent. HGV traffic will increase overall but there will be less traffic at the main entrance into the site opposite Wern Fawr Road due to the separation of vehicles delivering the raw material to the factory and vehicles transporting the product away from the site.

The environmental and air quality concerns, potential noise pollution and potential highways issues are addressed in the Appraisal section of this report.

In response to the comments made by residents, the majority of the concerns are addressed in the Appraisal section of this report. Devaluation of property is not a

material planning consideration. The potential for production levels to fluctuate in the future is wholly dependent on the demand for Rockwool's products, however, the scheme will allow the company to keep up with current and projected levels of demand and the investment will protect the long term prospects of the site and employees. The road is a derestricted highway and there is already a risk of accidents and collisions. A speed survey has been conducted (which concludes that speeds along this stretch are generally between 30 and 45 mph) and it is considered that the warning signs etc. and the provision of off-road waiting spaces will improve highway safety within and around the site.

This will be improved further following another speed survey and Safety Audit once the operation of the business and the nature of the vehicles entering and leaving the site has changed. It should be noted that the Highway Authority does not object to the scheme.

Finally, with regard to the reference to a new access off Wern Fawr Road, the plans clearly indicate that the application site will be accessed via Wern Tarw Road and not the residential street.

In response to the concerns raised by the Community Council (which mainly relate to the production side of the business rather than the storage element that is the subject of this application) information has been provided by the applicant with additional comments from the LPA in *italics*):

1. The factory has been operating below capacity for many years. Production is increasing to match the capacity created by the expansion in 2008. No new capacity is being created by our proposed redevelopment. *The scheme relates to storage capacity and the efficiency of the operation/business rather than creating additional production capacity.*
2. A traffic assessment has been completed and submitted to Bridgend CBC. Integral to this are that: an assessment was made in 2007/2008 for the level of additional Rockwool related vehicles that would be required to meet the demands of the factory producing at full capacity – no new capacity is being created by our proposed redevelopment and visibility splays for the proposed new entrance have been designed and submitted as part of the application. As part of the application process, we welcome feedback from the Council to ensure that our proposals meet the needs of Rockwool and the local community. The condition of the local highway network is a matter for Bridgend CBC to comment on. *The additional capacity has been consented under a previous application and Rockwool could operate to that level now. As referred to above, the number of trucks that will pass through the existing access is expected to decrease from an estimated 6.5 trucks per hour at full capacity to 3.6 trucks per hour once the new logistics centre is operational – this is because only lorries delivering the raw product will enter and leave the site at that point. All lorries that are picking up the product for onward transmission will use the new access off Wern Tarw Road. The highways around the site are maintained by the Council and will continue to be maintained by the Council.*
3. We take this matter very seriously and continue to work with our hauliers to stop this practice. We have made it expressly clear that this is unacceptable and repeat offenders will be warned that their contracts will be at risk. *The proposed scheme includes parking bays and loading bays. It also includes a logistics building which will accommodate driver welfare facilities. It is expected that there will be a significant reduction in the number of HGVs queuing up outside the main entrance opposite Wern Fawr Road.*



4. The drainage of the existing site has been thoroughly assessed in liaison with BCBC and the drainage system for the proposed site designed accordingly. Deep swales have been proposed incorporating an overflow system from one to the other and the discharge drainage rate has been agreed with BCBC. The ditch to the south will prevent surface run-off to highway.
5. Noise measurements of the existing conveyor were made and, along with other noise sources, were used in the Noise Impact Assessment submitted to BCBC. The new conveyor will be enclosed and insulated with high performance acoustic materials in order that noise should not be an issue. The existing conveyor will also be covered in quarter 4 2018, which should further limit the potential for noise issues arising from this location.
6. The existing hardstanding will still be utilised.
7. Rockwool has an operational permit (EPR/BS6149IQ) issued and regulated by Natural Resources Wales (NRW). Air emissions are monitored on a continuous 6 monthly or annual basis as prescribed by the permit. Reports are submitted to NRW on a quarterly basis. Ambient concentrations of sulphur dioxide (SO<sub>2</sub>) are monitored and the results shared with BCBC. Measured values are consistently below 5 parts per billion, which is well below the WHO air quality limit of 47 parts per billion. Air dispersion models are carried out to assess the potential impact of air emissions on local flora and fauna. *The Council's EHO has not objected to the development.*
8. We measure many different parameters from the emission points on site, as specified by our permit. Further to this, we are required to measure ambient concentrations of SO<sub>2</sub> outside the factory site. *The Council's EHO has not objected to the development.*
9. The majority is water vapour (steam). In addition to sulphur dioxide, the permit requires measurement of nitrogen oxides, carbon monoxide, particulate matter, hydrogen chloride, hydrogen fluoride, hydrogen sulphide and metals from the cupolas. Other emission points on site have requirements to measure particulate matter, ammonia, phenol, formaldehyde, volatile organic compounds and amines. *The Council's EHO has not objected to the development.*
10. Yes. From all emission points on site.
11. Our understanding is that this relates to wool tufts. We already have alarms on the exhausts from the five wool filter systems on site and we are investigating our other emission points to identify improvements and ensure best practice across the board on site. *The Council's EHO has not objected to the development.*
12. Numerous air dispersion models have informed the design of the stack height and emission limit values have been set independently of Rockwool by NRW. Rockwool insulation products manufactured in the UK are vigorously tested and conform to the EUCEB certification scheme. EUCEB is a non-profit association whose general purpose is to voluntarily certify that manufactured mineral wool fibres have a chemical composition within the ranges of exonerated reference fibres, which have been tested in accordance with the European protocols and have shown to be conformity with the Note Q of Regulation (EC) No. 1272/2008. These tests demonstrate that the fibre is sufficiently bio-soluble to pose no risk to human health if inhaled. Any fibre accidentally inhaled will be readily dissolved and cleared by the body's natural defences. *The Council's EHO has not objected to the development.*
13. There are alarms on a multitude of equipment across the site to ensure safe and efficient operation at all times. Regarding cupola (furnace) operation, normal practice is for the exhaust gases to pass through filters to remove the ash then pass through the combustion chamber to be oxidised before being released to air via the 75m high stacks. The filter and combustion chamber together are

referred to as the abatement system. In extreme circumstances, the abatement system is bypassed for a short period as a control mechanism. All time spent in bypass is recorded automatically and measured in seconds. By its very nature, the bypassing of the abatement system is an event we try to avoid, so it is not possible to state a meaningful frequency of use. Use of the bypass system for up to 2 minutes is usually sufficient to resolve the issue that caused it. If the situation is more complex, Rockwool operates strict shutdown procedures after 20 minutes (i.e. emptying the contents of the cupola). In 2018 to date, we have recorded use of bypass for 0.02% of production time. The unfiltered emissions contain ash and non-oxidised gases. *The Council's EHO has not objected to the development.*

## **POLICY CONTEXT**

The most relevant policies relating to the proposed development from the adopted Bridgend County Borough Council Local Development Plan (LDP)(2013) and are:

Policy ENV1 – Development in the Countryside  
Policy ENV4 – Local/Regional Nature Conservation Sites  
Policy ENV6 – Nature Conservation  
Policy ENV7 – Natural Resource Protection and Public Health  
Policy ENV9 – Mineral Safeguarding Areas  
Strategic Policy SP2 – Design and Sustainable Place Making  
Strategic Policy SP3 – Strategic Transport Planning Principles  
Strategic Policy SP4 – Conservation and Enhancement of the Natural Environment  
Policy PLA4 – Climate Change and Peak Oil  
Policy PLA7 (8) – Transportation Proposals (Brynmenyn and Pencoed, via Heol y Cyw)  
Policy PLA11 – Parking Standards  
Policy REG1 (37) – Employment Sites (Wern Tarw)

Supplementary Planning Guidance Notes (SPG):

SPG07: Trees and Development  
SPG17: Parking Standards  
SPG19: Biodiversity and Development: A Green Infrastructure Report  
SPG21: Safeguarding Employment Sites

As stated above, the works are outside the designated employment site in the open countryside and, therefore, the main issue is that the expansion proposals are beyond the allocated policy area as identified in the adopted LDP 2013.

Policy ENV1 (Development in the Countryside) states:

*Development in the countryside of the County Borough will be strictly controlled. Development may be acceptable where it is necessary for:*

- 1) Agriculture and/or forestry purposes;*
- 2) The winning and working of minerals;*
- 3) Appropriate rural enterprises where a countryside location is necessary for the development;*
- 4) The implementation of an appropriate rural enterprise/ farm diversification project;*
- 5) Land reclamation purposes;*
- 6) Transportation and/or utilities infrastructure;*
- 7) The suitable conversion of, and limited extension to, existing structurally sound rural buildings where the development is modest in scale and clearly subordinate to the original structure;*

- 8) *The direct replacement of an existing dwelling;*
- 9) *Outdoor recreational and sporting activities; or*
- 10) *The provision of Gypsy Traveller accommodation.*

*Where development is acceptable in principle in the countryside it should where possible, utilise existing buildings and previously developed land and/or have an appropriate scale, form and detail for its context.*

The supporting text to this Policy advises that:

4.1.8 A number of site specific proposals in the LDP are located outside of these boundaries (settlement boundaries). Although these allocations are located in the countryside, there would be a general presumption in favour of their development for specific purposes of their designation, subject to satisfying other policies.

4.1.9 Development in the countryside should benefit the rural economy, whilst maintaining or enhancing the environment. Therefore, new building in the countryside outside defined settlements or areas allocated for development in the LDP will be strictly controlled.

4.1.11 It is accepted that certain developments may be appropriate in the countryside, provided that they will encourage rural enterprise and bring wider community benefits to the County Borough or region. Examples are mineral extraction or improvements to transportation or essential utility service infrastructure, where these developments could not be located in neighbouring designated settlements. However these developments will still need to meet other policies in the Plan, particularly those in relation to nature and environmental protection.

4.1.12 Policy ENV1 therefore represents the starting point for the assessment of all future development proposals for development in 'the countryside' of the County Borough. The Policy will not be set aside lightly, in the interests of maintaining the integrity of the countryside.

In the determination of a planning application, regard is also given to the requirements of National Planning Policy (Planning Policy Wales) which are not duplicated in the LDP.

The following Welsh Government Planning Policies and Technical Advice Notes are relevant to the determination of this planning application:

- Planning Policy Wales Chapter 3** Making and Enforcing Planning Decisions
- Planning Policy Wales Chapter 4** Planning for Sustainability
- Planning Policy Wales Chapter 5** Conserving and Improving Natural Heritage
- Planning Policy Wales Chapter 7** Economic Development
- Planning Policy Wales Chapter 8** Transport
- Planning Policy Wales Chapter 10** Retail and Commercial Development
- Planning Policy Wales Chapter 13** Minimising and Managing Environmental Risks
- Planning Policy Wales TAN 4** Retail and Commercial Development
- Planning Policy Wales TAN 5** Nature Conservation and Planning
- Planning Policy Wales TAN 18** Transport
- Planning Policy Wales TAN 23** Economic Development

More specifically, in terms of development in the countryside, Planning Policy Wales (PPW) at paragraphs 5.5.1 and 5.5.2 states *in the interests of achieving sustainable development it is important to balance conservation objectives with the wider economic needs of local businesses and communities and when considering any development proposal ... local planning authorities should consider environmental impact, so as to avoid, wherever possible, adverse effects on the environment. Where other material considerations outweigh the potential adverse environmental effects, authorities should seek to minimise those effects and should, where possible, retain and, where practicable, enhance features of conservation importance.*

In terms of Economic Development, PPW at paragraph 7.6.1 states *Local planning authorities should adopt a positive and constructive approach to applications for economic development. In determining applications for economic land uses authorities should take account of the likely economic benefits of the development based on robust evidence. In assessing these benefits, key factors include:*

- *the numbers and types of jobs expected to be created or retained on the site;*
- *whether and how far the development will help redress economic disadvantage or support regeneration priorities, for example by enhancing employment opportunities or upgrading the environment;*
- *a consideration of the contribution to wider spatial strategies, for example for the growth or regeneration of certain areas.*

## **APPRAISAL**

The application is referred to Committee as the proposal, whilst adjoining an allocated B1, B2 and B8 use site (under Policy REG1 (37) – Employment Sites (Wern Tarw)) is for a development in the open countryside and as such represents a departure from Policy ENV1 of the Local Development Plan that is recommended for approval and to consider the concerns and objections raised by local residents and Coychurch Higher Community Council as well as the request from the Local Ward Member to refer it to Committee.

The planning system manages the development and use of land in the public interest, contributing to improving the economic, social, environmental and cultural well-being of Wales, as required by the Well-being of Future Generations (Wales) Act 2015. It should reconcile the needs of development and conservation, securing economy, efficiency and amenity in the use of land and protecting natural resources and the historic environment.



**Extract from the LDP Proposals Map**

A well-functioning planning system is fundamental for sustainable development (Paragraph 1.2.1 of Planning Policy Wales - Edition 9 - November 2016 refers).



Up-to-date Local Development Plans (LDPs) are a fundamental part of a plan-led planning system and set the context for rational and consistent decision making in line with national policies. Planning applications must be determined in accordance with the adopted Plan unless material considerations indicate otherwise (Section 38(6) of the Planning and Compulsory Purchase Act 2004 refers).

The Well-being of Future Generations (Wales) Act 2015 places a duty on public bodies (including Welsh Ministers) to carry out sustainable development and it is accepted that a plan-led approach is the most effective way to secure sustainable development through the planning system.

The adopted Bridgend Local Development Plan (2013) (LDP), which was subject to a Sustainability Appraisal, seeks to focus development in four strategic regeneration growth areas with the objective of delivering more sustainable patterns of development.

The application site lies within the open countryside and is not allocated for development under any policies of the LDP however, it lies directly adjacent to an established business (Rockwool Ltd.) which does not have enough expansion space within its current site.

As referred to above, the land was originally proposed as a candidate site for industrial purposes as part of the LDP process. The LPA did not designate it as part of an extended allocated site as it was not directly related to a growth area or sustainable settlement as part of the spatial strategy.

The development was an entirely speculative B1, B2 and B8 extension that did not specifically relate to the expansion of the adjacent Rockwool factory but this is now the case and it is likely that, if the application is permitted, this part of the site would be included within the Rockwool employment site in the impending Replacement LDP (2018-2033) Review process.

It should also be noted that the Unitary Development Plan did dedicate land adjacent to Rockwool for expansion (albeit immediately to the west/north west of the site) but this land was deleted from the LDP on the basis that the business did not have any plans to expand at that point. The situation and market have changed considerably over the intervening years and the wider Rockwool Group are investing in the business.

In terms of the land that will be utilised for the expansion of the business, it is generally accepted as being poor quality, badly drained Class 5 agricultural land that was formerly associated with deep and opencast mining, is crossed by various utilities and is directly adjacent to, but at a lower level than, the established factory site at Rockwool.

Having regard to the above context, it is considered that the expansion into the countryside is justified in this instance subject to detailed design criteria and compliance with other LDP policies.

Policy SP2 of the Bridgend Local Development Plan and the suite of Supplementary Planning Guidance provide a robust framework for assessing the details of this application.

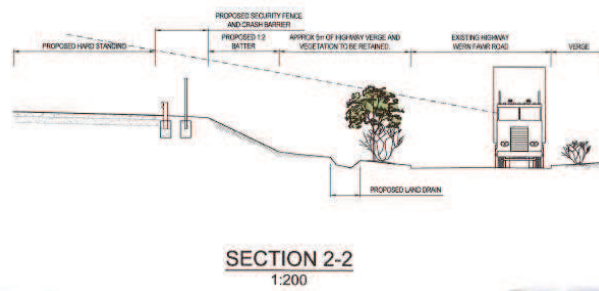
Provided that the principle of the development in the open countryside is accepted, all development is required to contribute to creating high quality attractive sustainable places, which enhance the community in which they are located. The Policy

establishes fifteen criteria against which development proposals will be assessed and in respect of this application, it is considered that criteria 2), 3), 4), 6), 8), 9), 10), 11), 12) and 13) are relevant to this specific proposal and are addressed below.

*2) Having a design of the highest quality possible, whilst respecting and enhancing local character and distinctiveness and landscape character and 3) Being of an appropriate scale, size and prominence*

A Design and Access Statement and a Landscape Visual Impact Assessment have been included with the submission. Whilst it is acknowledged that the hardstanding storage area will be functional and industrial in appearance, the retention and provision of boundary features and planting will preserve the rural nature of the site from mid to long distance views into the site. This is helped by the fact that the site is at a considerably lower level than the existing factory site and will be seen in the context of that backdrop and established boundary features along the disused railway line.

A short stretch of the hedgerow fronting Wern Tarw Road will be removed to accommodate the new access into the site and corresponding visibility splays however, this impact will be mitigated by the proposal to translocate/replant the hedgerow behind the splays. The storage area of the site will be elevated above the road level along Wern Tarw Road (as illustrated below). However, any direct views into the site from the road will be screened by a combination of retained boundary planting and security/noise attenuation fencing.



The buildings on the site are all low level, single storey units and the proposed conveyor belt between the existing factory and the hardstanding storage area is located to the western side of the application site and will be viewed in the context of national grid pylons and a backdrop of the factory and established woodland. Therefore, overall, the visual appearance, design and scale of development are acceptable in this location adjacent to the established factory.

*4) Using land efficiently by: (i) being of a density which maximises the development potential of the land whilst respecting that of the surrounding development; and (ii) having a preference for development on previously developed land over greenfield land*

As referred to above, this Rockwool site has the least amount of storage space in comparison to its sister sites across Europe. The retention of the boundary features and western/eastern parcels of land as a natural buffer to the site will ensure that the development does not result in the overdevelopment of the site in keeping with its setting, particularly the large factory to the immediate north. Whilst the site has been taken over by nature over the years, it is accepted that it is poor quality, badly drained Class 5 agricultural land that was formerly associated with deep and opencast mining and the expansion of the factory into this area is considered to be acceptable and

justified in terms of its efficient use of land and minimal impact on the character of the area.

*6) Having good walking, cycling, public transport and road connections within and outside the site to ensure efficient access*

The submitted layout and the impact of the development on the highway network have been thoroughly examined by the Transportation and Engineering Section.

The application is supported by a Transportation Assessment (TA) and a Vehicle Speed Survey along with an initial Stage 1 Safety Audit.

The TA clearly indicates that the application scheme is intended to result in the efficient storage and distribution of products and will not result in any additional vehicle movements to and from the site over and above what could happen given the nature of the extant permissions on the site (which are not currently operating to their maximum).

Whilst the TA suggests that the traffic generation of the site will increase from historic/current levels this was previously considered as part of the permission for the third manufacturing line.

The submitted speed data indicates that the measured 85<sup>th</sup>ile speeds of traffic approaching the access are 30.37mph (eastbound) and 44.03mph (westbound). The submitted drawing (number 102093/C130 Rev P3) shows sufficient vision to accord with the requirements of TAN18 for the new access.

Notwithstanding this, there is concern that the nature of the road passing the new access point is de-restricted in nature and there are vehicle speeds in excess of the 85<sup>th</sup>ile speed but still within the legal limit. Also the access will generate large slow moving vehicles and there is concern that any conflict in vehicles could have serious consequences. Although the speed data is considered to be accurate, it cannot predict what may happen to vehicle speeds once a significant portion of the HGV traffic on the route is removed from the road to the eastern side of the new access by the proposal.

In order to ensure that the access remains safe once the proposal is operational and traffic flows have altered, the developer will be required to undertake another Road Safety Audit with an up to date speed survey. The Safety Audit will form part of the scheme for access and will need to consider the new speed data and the developer will need to address any issues or mitigation works as part of the scheme.

A revised/updated Delivery Management Plan will also be secured via the imposition of a condition together with a Construction Management Plan to minimise the impact of the development and its implementation on the surrounding highway network.

There are no objections to the proposal from a Highway safety perspective, particularly as the number of vehicles using the existing site entrance will be reduced as a result of this new storage area, advance warning signs will be erected around the new entrance, the scheme includes for lorry parking bays within the site and the development will have a natural traffic calming effect on the adjoining unrestricted highway to limit speeds. The HGVs will access the Rockwool factory via Junction 35 of the M4 to avoid any negative impacts on nearby settlements, particularly Heol y Cyw, and it is considered that the local highway network can accommodate the scheme.

*8) Avoiding or minimising noise, air, soil and water pollution and 9) Incorporating methods to ensure the site is free from contamination (including invasive species)*

In terms of noise impact, the Noise Report submitted with the application demonstrates that there will be no adverse impacts from the development to the properties at Wern Fawr Road or the adjoining tenanted Wern Fawr Farm. The proposed conveyor system will be enclosed and constructed as per Section 6.3 of the Noise Report. In addition, the existing chain link conveyor belt to the north of the existing site and closer to Wern Farm Road will be used on a limited basis and improved to reduce the level of noise it produces.

The potential noise levels are likely to result in an adverse impact at the property located to the south west of the development site. As a result, in order to mitigate the noise, it is recommended that a 3m high acoustic barrier is erected as illustrated and proposed in Figure 5 on page 23 of the Noise Report.

Therefore, together with conditions restricting the type of forklift truck warning systems to be employed on the site and limiting the construction periods for the development, it is considered that the noise impact of the development will not have a significantly detrimental impact on neighbouring residential amenities or the surrounding countryside.

In regard to air quality, in accordance with EPUK and IAQM guidance “Land-Use Planning and Development Control: Planning for Air Quality, January 2017”, table 6.2, and based on the projected figures of generated HGV movements from the current baseline, an Air Quality Assessment is not required in support of this application.

Planning permission has been granted previously which allows for the level of HGV movements captured within the submitted TA but it is necessary to restrict the traffic to using the assigned route via the M4, as outlined in the TA report Figure 4.4. The factory complies with strict legislation and licensing requirements as enforced by Natural Resources Wales and the Council’s Shared Regulatory Services Officer does not have any concerns about the impact of the factory and this scheme on air quality.

In terms of ground contamination, the Contamination Assessment Report submitted with the application did not identify any significant issues. However, given the history of the site, the potential for contamination to be encountered during the development cannot be ruled out completely. Consequently conditions relating to unforeseen contamination are attached to the recommendation.

A ground gas assessment has been undertaken but further monitoring is required to confirm that ground gas protection measures do not need to be incorporated into the development. This is also secured by condition to ensure that the risks to future users/staff is minimised.

*10) Safeguarding and enhancing biodiversity and green infrastructure*

This requirement reflects Section 40 of the Natural Environment and Rural Communities Act 2006 states that ‘every public authority must, in exercising its function, have regard, so far as is consistent with the proper exercise of those functions, to the purpose of conserving biodiversity’. This “duty to conserve biodiversity” has been replaced by a “biodiversity and resilience of ecosystems duty” under Section 6 of the Environment (Wales) Act 2016 which came into force on 21 March, 2016.



Section 6 (1) states that “a public authority must seek to maintain and enhance biodiversity in the exercise of functions in relation to Wales, and in so doing promote the resilience of ecosystems, so far as consistent with the proper exercise of those functions.”

Section 6(2) goes on to state that “In complying with subsection (1), a public authority must take account of the resilience of ecosystems, in particular (a) diversity between and within ecosystems; (b) the connections between and within ecosystems; (c) the scale of ecosystems; (d) the condition of ecosystems (including their structure and functioning); and, (e) the adaptability of ecosystems.”

Regulation 9 of the Conservation of Habitats & Species Regulations 2010 requires Local Planning Authorities to take account of the presence of European Protected Species at development sites. If they are present and affected by the development proposals, the Local Planning Authority must establish whether "the three tests" have been met, prior to determining the application. The three tests that must be satisfied are: (1) That the development is "in the interests of public health and public safety, or for other imperative reasons of overriding public interest, including those of a social or economic nature and beneficial consequences of primary importance for the environment".(2) That there is "no satisfactory alternative". (3) That the derogation is "not detrimental to the maintenance of the populations of the species concerned at a favourable conservation status in their natural range".

The Preliminary Ecological Appraisal submitted with the application identifies that the Brynna a Wern Tarw SSSI is located within 2km of the site. Additionally, there are 11 non-statutory sites of nature conservation value located within 2km of the site (mostly designated for the presence of Marshy Grassland (purple moor grass and rush pasture), native semi-natural woodland, and mosaic habitats).

The desk study identified records for bats, badger, brown hare, European hedgehog, hazel dormouse, Eurasian otter, reptiles, great crested newts and other amphibians, birds and invertebrate within 2km of the site. Receptors which may be subject to adverse effects in the absence of mitigation are statutory designations (Brynna a Wern Tarw SSSI); non-statutory designations (Brynau Gwynian SINC, Heol-y-Cyw East, Nant Crymlyn SINC, Rockwool Grounds SINC); Marshy Grassland; Section 7 Semi-Natural Broadleaved Woodland; Section 7 Hedgerows; Watercourses; Bats; European Hedgehog; Hazel dormouse; Eurasian otter; Common reptiles; Great Crested Newts & other amphibians; Birds; and Invertebrates.

Additional vegetation and protected species surveys were recommended and undertaken as part of the planning application including a National Vegetation Classification Survey; Bat activity surveys; Bat emergence/re-entry surveys on the building and mature trees; Hazel dormice surveys; Otter surveys; Reptile surveys; Amphibian surveys on waterbodies within 500m of the site; and Breeding bird surveys.

The site has the potential to provide suitable foraging, nesting and shelter for a number of species groups including protected species.

The submitted surveys and reports have been assessed by NRW. Whilst they do not object to the proposals, they have requested additional work and details including an assessment of the likely impacts of the proposals on bats and dormice, confirmation that the proposals are unlikely to result in a detrimental impact to the maintenance of the favourable conservation status of the population(s) of these species and the submission of more detailed survey information for water voles.

Since receiving their comments, the applicant has concluded their surveys and has submitted updated reports with recommendations and mitigation measures. These are included within an Ecology Mitigation Master Plan Report (August 2018) and a Construction Environmental Management Plan Report (dated August, 2018). In addition, the applicant will have to apply for a European Protected Species Licence from NRW before works commence on site and the applicant's consultants are aware of this requirement. The consultant has also been made aware of the additional requirement for further surveys for water voles.

As part of the scheme, there are clear opportunities to enhance the habitats' connections and foraging areas within and around the site despite the requirement to remove internal hedgerows and broadleaved woodland.

These opportunities and enhancements include retaining rush pasture habitats in the western part of the site, enhancements to the adjacent habitat to the west of the site which will benefit amphibians at a local level, three new swales to provide opportunities for a variety of wildlife including amphibians, the creation of wildlife friendly aquatic features, hibernacula and terrestrial habitat creation and enhancement, retention and provision of hedgerows and woodlands, the implementation of a planting scheme and management regime and habitat creation/translocation measures. Hedgerow sections being lost as a result of the development proposals, will be translocated to areas proposed for habitat creation, to speed up the establishment of replacement foraging habitat.

Other measures proposed include the provision of areas of dense and scattered scrub within the proposed green infrastructure to provide suitable habitat for dormouse; planting of species rich native hedgerows within landscape areas to provide suitable corridors and foraging habitats for dormice and other wildlife; infilling gaps in existing hedgerows that are going to be retained, the provision of more food resources on site by planting native species and appropriate management of hedgerows and planting.

A dormouse crossing will be created at the location of the conveyor belt, in the north east corner of the site, to maintain connectivity through the woodland belt. The crossing will be incorporated into the design of the conveyor belt and will comprise a strip vegetated with scrub species, below the gantry, approximately 43m long and 8m wide. Hazel coppice and honeysuckle will be established at either end of the crossing to encourage use by dormouse.

The landscape proposals for the site are shown on planting plan 297./18./PP001 and will be enforced as part of any consent. The landscape proposals for the site include the creation of approximately 0.38ha of woodland habitat; 1150m of hedgerow habitat; 0.62ha of wildflower grassland habitat and 3 swales.

A programme for hedgerow/woodland planting has been submitted as part of the application. To avoid killing/injury, dormouse will need to be removed from the site prior to works. This will be achieved through vegetation management.

The habitat losses/gains will result in a net loss of approximately 0.08ha of woodland habitat and approximately 26m of hedgerow habitat. However, given the current poor quality of the existing habitats on site for dormouse, the quality of the created habitats and enhancement measures to retained habitats being proposed, it is considered that there will be no significant residual adverse effect on dormouse as a result of the proposed development is anticipated.

A European Protected Species Licence for all species of bats roosting on site will need to be obtained from Natural Resources Wales before any works are undertaken on site. The development is unlikely to be detrimental to the maintenance of the population of the species concerned at a favourable conservation status in its natural range. The licence application will however need to detail a mitigation and compensation strategy with the aim to ensure that the maintenance of any roosts and local bat populations at a favourable conservation status. Subject to the construction works complying with the conditions of the licence, the development will have complied with both local and national policy and legislation.

#### *11) Ensuring equality of access by all*

Developments must conform to the provisions of the Equality Act 2010 and it is understood that the site has been designed to make it accessible for all those who might use the site in the future with connecting links to the factory.

#### *12) Ensuring that the viability and amenity of neighbouring uses and their users/occupiers will not be adversely affected*

In terms of the impact of the proposed lighting scheme on neighbouring occupiers, the levels have been designed to comply with BSEN12464-2 – Light and Lighting – Lighting of outdoor works places and ILP guidance notes for obtrusive lighting to nearby properties.

However, there are areas where the lighting is well above what is actually needed. Following further clarification from the Noise Consultant, the lighting engineers have confirmed that the light overspill at Wern Fawr Farm has been calculated at 0.75lux. The ILP guidance for rural areas recommends that post curfew (after 11pm) this should be no more than 1lux. Therefore, although 0.75lux does not exceed the maximum limit of 1lux, it is close to it and the difference between the levels with no development and with development may consequently appear that much greater as, currently, the lighting levels experienced at Wern Fawr Farm are very low.

The new lighting will be provided with baffles so that the optics will be directed away from the farm, in order that there will be no direct glare into the building. From a statutory nuisance perspective the lighting is unlikely to amount to a nuisance with the baffles in place.

Although the anticipated specifications of the lights have been included in the report, the height of the lighting columns, how the lights are to be operated and the agreed operational hours do not appear to be stipulated.

The lighting scheme will be reconsidered through the imposition of a condition to ensure that the areas are not overly illuminated. This will also be considered in light of the biodiversity enhancements secured as part of the scheme.

Section 3 of the Wellbeing of Future Generations (Wales) Act 2015 imposes a duty on public bodies to carry out sustainable development in accordance with sustainable development principles to act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs (section 5).

The well-being goals identified in the Act are:

- A prosperous Wales
- A resilient Wales
- A healthier Wales
- A more equal Wales
- A Wales of cohesive communities
- A Wales of vibrant culture and thriving Welsh language
- A globally responsible Wales

The duty has been considered in the assessment of this application. It is considered that there would be no significant or unacceptable impacts upon the achievement of wellbeing goals/objectives as a result of the proposed development. By protecting the long terms prospects of the facility and its workforce, the proposed development will contribute to a more cohesive community and the factory already incorporates measures which contribute to global responsibilities in relation to climate change.

*13) Incorporating appropriate arrangements for the disposal of foul sewage, waste and water*

Criterion 13 requires development to incorporate appropriate arrangements for the disposal of foul sewage, waste and water.

It is currently proposed to utilise a septic tank, depending on the volumes emanating from the logistics building and the security lodge, and NRW has advised that an Environment Permit may be required from their Water Quality Permitting Team if this is the case.

There is a foul water main running alongside the proposed development and NRW recommend connection to this as the preferred foul water disposal method. There may also be scope to utilise existing foul drainage within the existing factory site. Dwr Cymru/Welsh Water does not object to the use of an on-site septic tank. In order to secure the optimum solution to foul drainage on the site, suitable arrangements can be secured via the imposition of a condition.

In terms of flooding and surface water run-off the proposed development is not within a flood risk zone, is within 20m of a watercourse and does not propose to increase flood risk elsewhere.

Surface water will be disposed of via an existing watercourse. The proposed hardstanding areas will be served by a new surface water drainage network that will drain to attenuation ponds located to the south east and south west of the development site. Petrol interceptors will be installed at the downstream ends of the surface water networks prior to discharging to the attenuation ponds. Flows will then drain from the attenuation ponds to two separate existing watercourses. Ground levels are proposed to be lowered at the northern end of the site and raised at the southern end of the site, whilst gently sloping from north to south, as existing. A new ditch will be installed along the southern boundary of the site to prevent run-off onto the existing highway at Wern Tarw Road. The existing ditch located along the northern boundary of the site will be retained to manage flows from the northern catchment areas. Surface water from the development will drain via a new surface water network to three attenuation ponds. The drainage system will be designed to provide 30% betterment on the existing greenfield site.

The Drainage Strategy Report advises that infiltration is not a suitable method of surface water disposal. Surface water will be disposed of via two attenuation basins.

Based on the characteristics of the site, it is considered that a suitable foul and surface water scheme can be provided on the site without detriment to surrounding areas and this will be secured via a suitably worded condition.

## **CONCLUSION**

Section 38(6) of the 2004 Act requires that if regard is to be had to the Development Plan for the purposes of any determination to be made under the Planning Acts, the determination must be made in accordance with the Plan unless material considerations indicate otherwise.

Factors to be taken into account in making planning decisions (material considerations) must be planning matters, that is, they must be relevant to the regulation of the development and use of land in the public interest, towards the goal of sustainability.

In this case, it is considered that the information submitted in support of the current application is material to the determination of the application and has been taken into account during the consideration of the proposal.

On balance and having regard to the above weighing up of all material considerations relevant to this scheme, in planning terms it is considered that development is acceptable in this specific location due to the justification for the expansion of this established employment site within the County Borough and in regard to its potential impacts on surrounding residents by way of noise, air quality and lighting; any impact on the character and appearance of the site and surrounding countryside; its potential impact on biodiversity in and around the site; and its potential impact on the highway network and drainage in and around the site.

The application is therefore recommended for approval and referral to Council, subject to conditions and informative notes.

## **RECOMMENDATION**

- A. The application be referred to Council as a proposal that is a departure from the Development Plan that the Development Control Committee are not disposed to refuse based on the supporting information submitted with the application, the limited incursion into the countryside and the operational requirements of the business.
- B. If Council resolve to approve the proposal, the following conditions be included on the consent:-
  - 1. The development shall be carried out in accordance with the following approved plans:
    - (04) 100 Location Plan
    - (04) 200 Site Plan As Proposed
    - S100 Revision P3 Conveyor Belt Structure Over Roadway
    - S110 Revision P1 Logistics Building Ground Floor GA
    - S111 Revision P1 Logistics Building Roof GA
    - S112 Revision P1 Logistics Building Steelwork Elevations
    - S113 Revision P1 Logistics Building Sections
    - S114 Revision P1 Logistics Building 3D View
    - S120 Revision P1 Security Lodge Floor Plans
    - S121 Revision P1 Security Lodge Steelwork Elevations
    - S122 Revision P1 Security Lodge Sections
    - S123 Revision P1 Security Lodge 3D View
    - S140 Revision P1 Forklift Truck Storage Plans



S141 Revision P1 Forklift Truck Storage Elevations  
S142 Revision P1 Forklift Truck Storage 3D View  
(04) 210PL Logistic Building Ground Floor Plan  
(04) 211PL Logistic Building Roof Plan  
(04) 213PL Logistic Building 3D Views  
(04) 220PL Security Lodge Ground Floor Plan  
(04) 221PL Security Lodge Roof Plan  
(04) 223PL Security Lodge 3D View  
(04) 230PL Forklift Truck Enclosure Ground Floor Plan  
(04) 231PL Forklift Truck Enclosure Elevations As Proposed  
C100 Revision P5 Proposed Site General Arrangement  
C101 Revision P2 Proposed Surfacing General Arrangement  
C102 Revision P2 Proposed Highway General Arrangement  
C103 Revision P2 Proposed Levels  
C105 Revision P1 Proposed External Typical Details  
C107 Revision P2 Proposed Site Tracking 18m HGV  
C108 Revision P1 Proposed Site Tracking Standard 16.5m HGV  
C130 Revision P3 Proposed Junction General Arrangement  
C151 Revision P1 Proposed Site Clearance  
C160 Revision P3 Proposed Site Sections  
C161 Revision P1 Existing and Proposed Elevations At Location Of Conveyor  
C162 Revision P2 Wern Fawr Road Long Section Facing Development  
C163 Revision P1 Proposed Retaining Walls  
C200 Revision P1 Impact Assessment Logistics Layout  
C500 Revision P3 Proposed Drainage General Arrangement  
C502 Revision P4 Drainage Details Sheet 1  
C503 Revision P1 Proposed Attenuation Swale GA  
C504 Revision P1 Proposed Attenuation Swale Sections

All received on 28 June 2018.

(04) 222PL Security Lodge Elevation As Proposed  
(04) 212PL Logistic Building Elevation As Proposed

Received on 2 July 2018.

287./18./PP001 Soft Landscape Proposals Planting Plan

Received on 20 August 2018

Reason: To avoid doubt and confusion as to the nature and extent of the approved development.

2. The new access off Wern Tarw Road shall be completed in permanent materials in accordance with the approved details prior to the development being brought into beneficial use and shall be retained and maintained thereafter in perpetuity.

Reason: In the interests of highway safety.

3. No works whatsoever shall commence on site until a scheme has been submitted to and approved in writing by the Local Planning Authority for measures to highlight the presence of the new site access off Wern Tarw Road. The scheme shall include for temporary "new road layout ahead" signs and permanent vehicle active warning signage on both approaches to the new junction. The approved scheme shall be completed as approved before the beneficial occupation of any part of the site. Furthermore the scheme shall also include for a Safety Audit which will be undertaken and submitted for agreement within 6 months of the access being brought into beneficial use with any recommended remedial measures implemented within a further 6 Months of the Safety Audit being agreed with the Local Planning Authority. The agreed works under the scheme and any further works or measures agreed following the completion of the Safety Audit shall be retained and maintained in perpetuity.

Reason: In the interests of highway safety.

4. The loading, turning and parking areas shall be completed in permanent materials with the individual bays/spaces clearly demarcated in permanent materials in accordance with the approved layout prior to the development being brought into beneficial use and shall be retained and maintained as such thereafter in perpetuity.

Reason: To ensure a satisfactory form of development in the interests of highway safety.

5. The proposed means of access shall be laid out with vision splays of 4.5m x 103m to the west of the new access and 4.5m x 154m to the east of the new access before the development is brought into beneficial use and the visibility splays shall thereafter be retained as such in perpetuity.

Reason: In the interests of highway safety.

6. No structure, erection or planting exceeding 1.0 metre in height above adjacent carriageway level shall be placed within the required vision splay areas at any time.

Reason: In the interests of highway safety.

7. Any entrance gates erected specifically to close the access, either temporarily or permanently, shall be set back not less than 5.0 metres from the nearside edge of carriageway.

Reason: In the interests of highway safety.

8. Notwithstanding the submitted details, prior to the development being brought into beneficial use an updated Traffic & Delivery Management Plan shall be submitted to and agreed in writing by the Local Planning Authority. All servicing and delivery vehicle

movements to the site shall thereafter be made in accordance with the agreed Traffic & Delivery Management Plan in perpetuity.

Reason: In the interests of highway safety.

9. No development shall take place, including any works of site clearance, until a Construction Method Statement has been submitted to and approved in writing by the Local Planning Authority. The approved Statement shall be adhered to throughout the construction period. The Statement shall provide for:
- i. the routing of HGV construction traffic to/from the site in order to avoid the northern end of the unnamed road serving Rockwool, Wern Fawr Road or Bryngarn Road
  - ii. the parking of vehicles of site operatives and visitors
  - iii. loading and unloading of plant and materials
  - iv. storage of plant and materials used in constructing the development
  - v. wheel washing facilities
  - vi. temporary traffic and pedestrian management along the B4280

Reason: In the interests of highway safety.

10. No development shall commence on site until a scheme for the comprehensive and integrated drainage of the site, showing how foul, road and roof/yard water will be dealt with, including future maintenance requirements, has been submitted to and approved in writing by the Local Planning Authority. The approved scheme shall be implemented prior to the beneficial use of the site commencing.

Reason: To ensure that effective drainage facilities are provided for the proposed development and that flood risk is not increased.

11. The conveyor belt for the development referred to in Section 6.3 of the Noise Report entitled 'P18-283-R01-V1 June 2018 Rockwool Factory, Pencoed, Bridgend - New Storage Area and Access Road Noise' Assessment shall be fully enclosed with openings only for the spurs in accordance with the construction details as stated in Section 6.3 of the Report - composite construction formed of inner and outer profiled steel of 0.6mm thickness with a minimum 100mm cavity filled with Rockwool of a minimum density of 33kg/m<sup>2</sup>.

Reason: To preserve the amenities of the countryside and adjoining occupiers.

12. An acoustic barrier with a minimum height of 3m shall be erected along the western boundary of the access road (as illustrated in Figure 5 of the Noise Report entitled 'P18-283-R01-V1 June 2018 Rockwool Factory, Pencoed, Bridgend-New Storage Area and Access Road Noise'). The barrier shall be imperforate with no holes or gaps along its length or base and have a surface mass of at least 10kg/m<sup>2</sup>. The design details of the barrier shall be submitted to and approved in writing by the Local Planning Authority prior to the beneficial use of the site. The details shall include a location plan showing the exact position of the barrier, its construction details and confirmation of the level of attenuation that will be provided by the barrier. The design shall be implemented as agreed and the barrier shall be retained and maintained in perpetuity.

Reason: To preserve the amenities of the countryside and adjoining occupiers.



13. The forklift trucks to be operated on the site shall be fitted with white noise reversing alarms as opposed to tonal alarms in accordance with details to be submitted to and approved in writing by the Local Planning Authority prior to the beneficial use of the site.

Reason: To preserve the amenities of the countryside and adjoining occupiers.

14. Prior to the beneficial use of the site, details of a lighting scheme shall be submitted to and agreed with the Local Planning Authority. The scheme shall include the following information:
- a plan showing the location, height and orientation of the lights, as well as the form and type of lights to be erected and at which locations (as two different types of lighting are included in the Lighting Assessment)
  - lighting levels within the development site to demonstrate that the areas within the site are not overly illuminated (i.e. which do not greatly exceed the 50lux in hardstanding areas) and do not exceed the levels that are recommended to comply with BSEN12464-2 – Light and Lighting – Lighting of outdoor works places of 50 average lux for hardstanding areas and 20 lux for areas for slow moving traffic and predicted levels in lux at the closest residential receptors following final choice of design, location and height of lighting columns to demonstrate that the levels do not exceed the ILP requirements for obtrusive lighting in E2 – Rural areas
  - a comparison of current lighting levels in lux of what the current lighting is at Wern Fawr Farm after 11pm compared with post development
  - the operational hours
  - the specific mitigation measures to reduce light spillage beyond the site boundary and to ensure there is no direct glare from any optics into any residential properties (e.g. baffles and screening and specify which lights are to have baffles) and upward light spillage and mitigation measures to ensure that the lights are only operational between the agreed hours.

Upon approval in writing, the details shall be implemented as agreed and thereafter the development shall be operated in accordance with the approved details and retained as such in perpetuity.

Reason: To protect biodiversity and to preserve the amenities of the countryside and adjoining occupiers.

15. Should the Local Planning Authority, in conjunction with Shared Regulatory Services Officers, deem it necessary to request one, a post-operation survey shall be undertaken and submitted for approval by the Local Planning Authority within one month of such request being made to demonstrate that the light spill beyond the site boundaries do not exceed the approved specifications. If the survey demonstrates that it does not meet the approved specifications, any remedial action necessary to achieve such approved levels shall be undertaken within one month of such request being made in writing by the Local Planning Authority.

Reason: To ensure a satisfactory form of development.

16. The recommendations and mitigation measures set out in the documents listed below shall be implemented as prescribed in those documents. The development shall be carried out in accordance with the recommendations, enhancements and mitigation measures within the following documents:

- External Lighting Report (dated June 2018)
- Noise Assessment Report (dated June 2018)
- Stage 1 -2 Road Safety Audit (dated June 2018)
- Breeding Bird Report (dated June 2018)
- Coal Mining Risk Assessment Report – Mitigation Strategy as detailed in Section 4 (dated 20 June 2018)
- Hedgerow and Woodland Report (dated June 2018)
- Great Crested Newt Report (dated June 2018)
- National Vegetation Classification Report (dated June 2018)
- Otter Survey Report (dated June 2018)
- Phase II Geo-Environmental and Geotechnical Ground Investigation Report (dated May 2018)
- Reptile Survey Report (dated June 2018)
- Preliminary Ecological Appraisal Report (dated March 2018)
- Drainage Strategy (dated June 2018)
- Barn Owl Survey Report (dated August 2018)
- Dormouse Report (dated June 2018)
- Updated Bat Report (dated August 2018)
- Ecology Mitigation Master Plan Report (dated August 2018)
- Construction Environmental Management Plan Report (dated August 2018)

Reason: To avoid doubt and confusion as to the nature and extent of the approved development

17. No development including ground and hedgerow clearance shall commence until the developer has been granted a licence by Natural Resources Wales pursuant to Regulation 55 of the Conservation of Habitats and Species Regulations (2017) authorising the specified development to commence.

Reason: To ensure compliance with Regulation 55 of the Conservation of Habitats and Species Regulations (2017)

18. No development shall take place until a detailed specification for, or samples of, the materials to be used in the construction of the external surfaces of the buildings hereby permitted have been submitted to and agreed in writing by the Local Planning Authority. Development shall be carried out in accordance with the agreed details.

Reason: To ensure that the proposed materials of construction are appropriate for use on the development so as to enhance and protect the visual amenity of the area.

19. Prior to the beneficial use of the site, the sustainable drainage scheme for the site shall be completed in accordance with the submitted details. The sustainable drainage scheme shall be managed and maintained thereafter in accordance with an agreed management and maintenance plan to be submitted to and approved in writing by the Local Planning Authority prior to the commencement of development.

Reason: To ensure a satisfactory form of development.

20. No building or product stack on any part of the development site (excluding the proposed conveyor belt) shall exceed 5m metres in height above the finished ground level of the site.

Reason: To ensure a satisfactory form of development.

21. All planting, seeding or turfing comprised in the approved details of landscaping shall be carried out in the first planting and seeding seasons following the occupation of the site or the completion of the development, whichever is the sooner; and any trees or plants which within a period of 5 years from the completion of the development die, are removed or become seriously damaged or diseased shall be replaced in the next planting season with others of similar size and species.

Reason: To preserve the amenities of the countryside and in the interests of biodiversity within and around the site.

22. A Landscape Management Plan, including management responsibilities and maintenance schedules for all landscaped areas, shall be submitted to and approved in writing by the Local Planning Authority prior to the beneficial use of the site commencing. The Landscape Management Plan shall be carried out as approved.

Reason: To preserve the amenities of the countryside and in the interests of biodiversity within and around the site.

23. No development shall commence until details of existing ground levels and proposed finished ground and floor levels have been submitted to and approved in writing by the Local Planning Authority. The development shall be carried out in accordance with the approved details.

Reason: To ensure that the development relates appropriately to the topography of the site and the surrounding area.

24. Clearance and Construction works shall not take place outside 08:00 hours to 18:00 hours Mondays to Fridays and 08:00 hours to 13:00 hours on Saturdays and not at any time on Sundays and Bank Holidays.

Reason: To maintain noise levels at a sustainable level in the interests of residential amenities.

25. Prior to the commencement of any development works and following completion of the monitoring scheme referenced in:

Wardell Armstrong, May 2018; Phase II Geo-Environmental and Geotechnical Ground Investigation Report Ref: CA11382/005

the proposed details of appropriate gas protection measures to ensure the safe and inoffensive dispersal or management of gases and to prevent lateral migration of gases into or from land surrounding the application site shall be submitted to and approved in writing by the Local Planning Authority.

All required gas protection measures shall be installed and appropriately verified before occupation of any part of the development which has been permitted and the approved protection measures shall be retained and maintained until such time as the Local Planning Authority agrees in writing that the measures are no longer required.

Reason: To ensure that the safety of future occupiers is not prejudiced.

26. In the event that contamination is found at any time when carrying out the approved development that was not previously identified it must be reported in writing within 2 days to the Local Planning Authority, all associated works must stop and no further

development shall take place until a scheme to deal with the contamination found has been approved. An investigation and risk assessment must be undertaken and where remediation is necessary, a remediation scheme and verification plan must be prepared and submitted to and approved in writing by the Local Planning Authority. Following completion of measures identified in the approved remediation scheme a verification report must be submitted to and approved in writing by the Local Planning Authority. The timescale for the above actions shall be agreed with the Local Planning Authority within 2 weeks of the discovery of any unsuspected contamination.

Reason: To ensure that any unacceptable risks from land contamination to the future users of the land, neighbouring land, controlled waters, property and ecological systems are minimised and to ensure that the development can be carried out safely without unacceptable risks to workers, neighbours and other offsite receptors.

27. Any topsoil [natural or manufactured] or subsoil to be imported shall be assessed for chemical or other potential contaminants in accordance with a scheme of investigation which shall be submitted to and approved in writing by the Local Planning Authority in advance of its importation. Only material approved by the Local Planning Authority shall be imported. All measures specified in the approved scheme shall be undertaken in accordance with the relevant Code of Practice and Guidance Notes.

Subject to approval of the above, sampling of the material received at the development site to verify that the imported soil is free from contamination shall be undertaken in accordance with a scheme and timescale to be agreed in writing by the Local Planning Authority.

Reason: To ensure that the safety of future occupiers is not prejudiced.

28. Any aggregate (other than virgin quarry stone) or recycled aggregate material to be imported shall be assessed for chemical or other potential contaminants in accordance with a scheme of investigation which shall be submitted to and approved in writing by the Local Planning Authority in advance of its importation. Only material approved by the Local Planning Authority shall be imported. All measures specified in the approved scheme shall be undertaken in accordance with the relevant Code of Practice and Guidance Notes.

Subject to approval of the above, sampling of the material received at the development site to verify that the imported material is free from contamination shall be undertaken in accordance with a scheme and timescale to be agreed in writing by the Local Planning Authority.

Reason: To ensure that the safety of future occupiers is not prejudiced.

29. Any site won material including soils, aggregates, recycled materials shall be assessed for chemical or other potential contaminants in accordance with a sampling scheme which shall be submitted to and approved in writing by the Local Planning Authority in advance of the reuse of site won materials. Only material which meets site specific target values approved by the Local Planning Authority shall be reused.

Reason: To ensure that the safety of future occupiers is not prejudiced.

30. \* THE FOLLOWING ARE ADVISORY NOTES NOT CONDITIONS

Dwr Cymru Welsh Water have confirmed that the applicant may need to apply to Dwr

Cymru Welsh Water for any connection to the public sewer under S106 of the Water Industry Act 1991. If the connection to the public sewer network is either via a lateral drain (i.e. a drain which extends beyond the connecting property boundary) or via a new sewer (i.e. serves more than one property), it is now a mandatory requirement to first enter into a Section 104 Adoption Agreement (Water Industry Act 1991). The design of the sewers and lateral drains must also conform to the Welsh Ministers Standards for Gravity Foul Sewers and Lateral Drains, and conform with the publication "Sewers for Adoption"- 7th Edition. Further information can be obtained via the Developer Services pages of [www.dwrcymru.com](http://www.dwrcymru.com)

The applicant is also advised that some public sewers and lateral drains may not be recorded on Dwr Cymru Welsh Water's maps of public sewers because they were originally privately owned and were transferred into public ownership by nature of the Water Industry

Rainwater run-off shall not discharge into the highway surface-water drainage system. Failure to ensure this may result in action being taken under Section 163 of the Highways Act 1980.

The Highway Authority will require the Developer to enter into legally binding Section 111 Licence Agreement including an appropriate bond to secure the proper implementation of the proposed highway works and the adoption of the same as part of the maintainable highway. The commencement of the works on or abutting the existing maintainable highway will not be permitted until such time as the Agreement has been concluded.

The contamination assessments and the effects of unstable land are considered on the basis of the best information available to the Planning Authority and are not necessarily exhaustive. The Authority takes due diligence when assessing these impacts, however you are minded that the responsibility for:-

- i. determining the extent and effects of such constraints;
- ii. ensuring that any imported materials (including, topsoils, subsoils, aggregates and recycled or manufactured aggregates/soils) are chemically suitable for the proposed end use. Under no circumstances should controlled waste be imported. It is an offence under Section 33 of the Environmental Protection Act 1990 to deposit controlled waste on a site which does not benefit from an appropriate waste management license. The following must not be imported to a development site:-
  - Unprocessed / unsorted demolition wastes.
  - Any materials originating from a site confirmed as being contaminated or potentially contaminated by chemical or radioactive substances.
  - Japanese Knotweed stems, leaves and rhizome infested soils. In addition to section 33 above, it is also an offence under the Wildlife and Countryside Act 1981 to spread this invasive weed; and
- iii. The safe development and secure occupancy of the site

rests with the developer.

Proposals for areas of possible land instability should take due account of the physical and chemical constraints and may include action on land reclamation or other remedial action to enable beneficial use of unstable land.

The Local Planning Authority has determined the application on the basis of the

information available to it, but this does not mean that the land can be considered free from contamination.

No surface water is allowed to discharge to the public highway.

No land drainage run-off will be permitted to discharge (either directly or indirectly) into the public sewerage system.

To satisfy condition 10, the applicant must:

- Provide revised foul and surface water drainage layouts and additional drawings based on comments above;
- Provide an agreement in principle from NRW with regards to the acceptance and registration of the proposed foul water treatment units;
- Provide an updated maintenance plan in similar format to CIRIA C753 –SUDs Manual;
- Provide a design risk assessment for the whole project (including undertaking construction/maintenance activities in close proximity to the existing pylons/gas main).
- Provide a construction management plan associated with containing surface water runoff during the construction phase;
- Obtain ordinary watercourse consent for proposed discharge locations (BCBC land drainage are currently processing these applications).

**MARK SHEPHARD**  
**CORPORATE DIRECTOR COMMUNITIES**

**BACKGROUND PAPERS**

None

## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO COUNCIL

19 SEPTEMBER 2018

#### REPORT OF THE INTERIM HEAD OF FINANCE & SECTION 151 OFFICER

#### ANNUAL TREASURY MANAGEMENT OUTTURN REPORT 2017-18

### 1. Purpose of the Report

1.1 The purpose of the report is to:-

- Comply with the requirement of the Chartered Institute of Public Finance and Accountancy 'Treasury Management in the Public Services: Code of Practice' (the Code) to report an overview of treasury activities for the preceding financial year;
- Report on the actual Treasury Management and Prudential indicators for 2017-18.

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

2.1 This report assists in the achievement of the following corporate priority:

- *Smarter use of resources* – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

2.2 The Annual Treasury Management Outturn Report is integral to the delivery of the Corporate Improvement Objectives as the allocation of resources determines the extent to which the Corporate Objectives can be delivered.

### 3. Background

3.1 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 Chartered Institute of Public Finance and Accountancy's (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. In March 2018, the



Welsh Government published an amendment to the Local Authorities (Capital Finance and Accounting) (Wales) Regulations which enables the Council to invest in certain instruments from 2017-18, which were previously treated as capital expenditure, without the potential revenue cost of Minimum Revenue Provision (MRP) and without the proceeds from sale being considered a capital receipt.

- 3.2 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 2017-18 on 1 March 2017. CIPFA published new editions of Treasury Management in the Public Services: Code of Practice and the Prudential Code for Capital Finance in Local Authorities in late December 2017 however the TMS 2017-18 and this report has been produced using the 2011 Codes. The Code also requires that Council receives an Annual Report after the close of the financial year and this report fulfils that requirement.
- 3.3 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.
- 3.4 This Annual Report covers the following areas for 2017-18:
- The Council's external debt and investment position
  - Treasury Risk Management
  - External Context
  - Borrowing Strategy & Outturn
  - Investment Strategy & Outturn
  - Performance Measurement
  - Review of the Treasury Management Strategy
  - Reporting Arrangements
  - Treasury Management and Prudential Indicators

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

##### **4.1 External Debt and Investment Position 2017-18**

- 4.1.1 The Council's external debt and investment position for 1 April 2017 to 31 March 2018 is shown below in table 1; more detail is provided in section 4.4 the Borrowing Strategy and Outturn and section 4.5 the Investment Strategy and Outturn.

**Table 1: Council's external debt and investment position 1 April to 31 March 2018**

	<b>Principal as at 01-04-17 £m</b>	<b>Average Rate 01-04-17 %</b>	<b>Principal as at 31-03-18 £m</b>	<b>Average Rate 31-03-18 %</b>
<b>External long term borrowing:</b>				
Public Works Loan Board (PWLB)	77.62	4.70	77.62	4.70
Lender's Option Borrower's Option (LOBO)	19.25	4.65	19.25	4.65
<b>Total external borrowing</b>	<b>96.87</b>	<b>4.69</b>	<b>96.87</b>	<b>4.69</b>
<b>Other long term liabilities (LTL)</b>				
Private Finance Initiative (PFI)*	18.24		17.64	
Llynfi Loan**	2.40		2.40	
Other LTL	1.13		0.98	
<b>Total other long term liabilities</b>	<b>21.77</b>		<b>21.02</b>	
<b>Total gross external debt</b>	<b>118.64</b>		<b>117.89</b>	
<b>Treasury investments:</b>				
Banks	8.25	0.55	7.40	0.58
Building Societies	6.00	0.38	2.00	0.54
Government (including Local Authorities)	19.50	0.60	21.00	0.64
<b>Total treasury investments</b>	<b>33.75</b>	<b>0.55</b>	<b>30.40</b>	<b>0.62</b>
<b>Net Debt</b>	<b>84.89</b>		<b>87.49</b>	

\* (PFI) arrangement for the provision of a Secondary School in Maesteg 16 years remaining term

\*\* loan from the WG Central Capital Retained Fund for regeneration works within the Llynfi Valley which has not yet commenced

4.1.2 It should be noted that the accounting practice 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 table above 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.

4.1.3 The £19.25 million in the above table relates to Lender's Option Borrower's Option (LOBO) loans due to mature in 2054, 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. Following advice from Arlingclose, the Council approached the LOBO's lender for potential repayment options in 2017-18, however the premium was deemed too

excessive to action. The first trigger point in 2018-19 was July 2018 and the lender did not exercise this option in the current low interest rate environment, however an element of refinancing risk remains and the Council would take the option to repay these loans at no cost if it has the opportunity to do so in the future. The current average interest rate for these LOBO's is 4.65% compared to the PWLB Loans average interest rate of 4.70%.

- 4.1.4 The long term liabilities figure of £21.02 million at 31 March 2018 includes £17.64 million for the Council's Private Finance Initiative (PFI) arrangement (for the provision of a Secondary School in Maesteg - sixteen years remaining term) which includes the short term PFI liability of £0.64 million which is included as current liabilities in the Council's balance sheet in the Statement of Accounts. Also included is £2.40 million relating to a loan from the WG Central Capital Retained Fund for regeneration works within the Llynfi Valley which has not yet commenced.
- 4.1.5 Favourable cash flows have provided surplus funds for investment and the balance on investments at 31 March 2018 was £30.40 million (average interest rate 0.62%). This was a decrease from the start of the financial year where investments were £33.75 million (average interest rate 0.55%). Table 2 in section 4.5 details the movement of the investments during 2017-18 by counterparty types and shows the average balances, interest received, duration and rates for the year.
- 4.1.6 The treasury management function has been reviewed by the Council's External Auditors, the Wales Audit Office during the 2017-18 annual audit and there were no adjustments relating to treasury management. In addition to the External Audit work, Internal Audit undertook an audit of the treasury management function during 2017-18 and the audit identified that "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 and therefore substantial assurance can be placed upon the management of risks".
- 4.1.7 The Council's treasury management advisors are Arlingclose. Their contract runs from 1 September 2016 for four years following a tender process and the contract will be reviewed annually and either party may at any time terminate this agreement on 3 months prior written notice. The current 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
- training courses.

## **4.2 Treasury Risk Management 2017-18**

4.2.1 The TMS 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.

4.2.2 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.

4.2.3 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 2017-18. The majority of the Council's surplus funds during 2017-18 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 4.5.

4.2.4 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 2017-18 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 2018 that this was likely to crystallise. Table 3 below in section 4.5 summarises the credit risk exposures of the Council's investment portfolio by credit rating, based on the lowest long term rating.

### **4.3 External Context 2017-18**

- 4.3.1 The interest rate views, incorporated in the Council's TMS 2017-18, were based upon officers' views supported by a selection of City forecasts provided by Arlingclose. When the TMS 2017-18 was prepared in January 2017 it was forecast that the Bank Rate would remain at 0.25% during 2017-18 with a low possibility of a drop close to zero and with a very small chance of a reduction below zero.
- 4.3.2 The Bank Rate started the financial year at 0.25% and the Bank of England's Monetary Policy Committee (MPC) increased this by 0.25% to 0.50% in November 2017. It was significant in that it was the first rate hike in ten years, although in essence the MPC reversed its August 2016 cut following the EU referendum result. The Bank Rate remained at 0.50% for the remainder of 2017-18.

### **4.4 Borrowing Strategy and Outturn 2017-18**

- 4.4.1 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 lower than long term rates, it is likely to be more cost effective in the short term to either borrow short term 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 in section 4.9 and **Appendix A**. 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. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis.
- 4.4.2 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 (PWLB) at long term fixed rates of interest and the last time the Council took long term borrowing was £5 million from the PWLB in March 2012. 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 in 2017-18 as a consequence, however, in conjunction with Arlingclose, the loan portfolio will continue to be reviewed for any potential savings as a result of any loan rescheduling. For cash-flow purposes on two occasions short term borrowing was taken in 2017-18 totalling £4 million and repaid within a month and there was none outstanding at 31 March 2018.

4.4.3 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This is known as Internal Borrowing. This strategy is prudent as investment returns are low and counterparty risk is relatively high.

#### **4.5 Investment Strategy and Outturn 2017-18**

4.5.1 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 TMS 2017-18 includes the credit ratings defined for each category of investments, the prudential use of non-specified investments and the liquidity of investments.

4.5.2 Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's to ensure that this lies within the Council's agreed minimum credit rating. **Appendix B** shows the equivalence table for these published credit ratings and explains the different investment grades. 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.

4.5.3 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. The Council is diversifying into more secure and/or higher yielding asset classes and any new instruments used will be in full consultation with Arlingclose. In order to be able to use the majority of these different types of instruments, the Council is required to use a nominee account(s) with a third party for safe custody of such investments (a custody account) as they cannot be dealt direct. On 5 September 2017, Cabinet approved the opening of a King & Shaxson custody account. It also delegated authority to the Section 151 Officer, in consultation

with the Monitoring Officer, to open additional custody accounts to support delivery of treasury management responsibilities if required. The custody account was used in October 2017 to invest in a £1 million HM Treasury bill which matured in January 2018.

- 4.5.4 The Council opened a Money Market Fund in August 2017 with the Churches, Charities and Local Authorities (CCLA) Public Sector Deposit Fund which is a pooling of public sector deposits wholly aligned with the principles and values of the public sector. It is UK domiciled, regulated by the Financial Services Authority with an advisory board representing the public sector depositors which ensures strong governance arrangements of the Fund. This is an approved financial instrument in the TMS 2017-18 and provides instant access to the funds. There was no balance outstanding at 31 March 2018.
- 4.5.5 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 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 new long term investments (original duration of 12 months or more) made with local authorities in 2017-18 both for two years totalling £5 million but all other investments in 2017-18 were short term. The table below details the investments in 2017-18 by counterparty type:-



**Table 2: Investments Profile 2017-18**

Investment Counterparty Category	Balance 01 April 2017 (A) £m	Investments Raised (B) £m	Investments Repaid (C) £m	Balance 31 March 2018 (A+B-C) £m	Interest Received 2017-18 £'000	Average Original Duration of the Investment Days	Weighted Average Investment Balance 2017-18 £m	Weighted Average Interest Rate 2017-18 %
Government - DMO	-	134.40	134.40	-	3.76	6	2.04	0.18
Government Treasury Bill	-	1.00	1.00	-	0.67	91	0.25	0.27
Local Authorities	19.50	143.60	142.10	<b>21.00</b>	155.53	130	30.52	0.51
Building Societies	6.00	10.00	14.00	<b>2.00</b>	19.12	128	3.87	0.39
Banks (Fixed Maturity)	3.00	11.00	9.00	<b>5.00</b>	25.45	213	6.49	0.62
Banks Instant Access/Notice Period Accounts*	5.25	97.16	100.01	<b>2.40</b>	21.85	n/a	5.44	0.40
Money Market Fund (Instant Access)*	-	11.30	11.30	-	2.65	n/a	1.02	0.29
<b>Total/Average</b>	<b>33.75</b>	<b>408.46</b>	<b>411.81</b>	<b>30.40</b>	<b>229.03</b>	<b>113</b>	<b>49.63</b>	<b>0.49</b>

\* An average duration is not shown as there is no original duration as instant access or notice period and money is added and withdrawn to/from these accounts as required by cash-flow

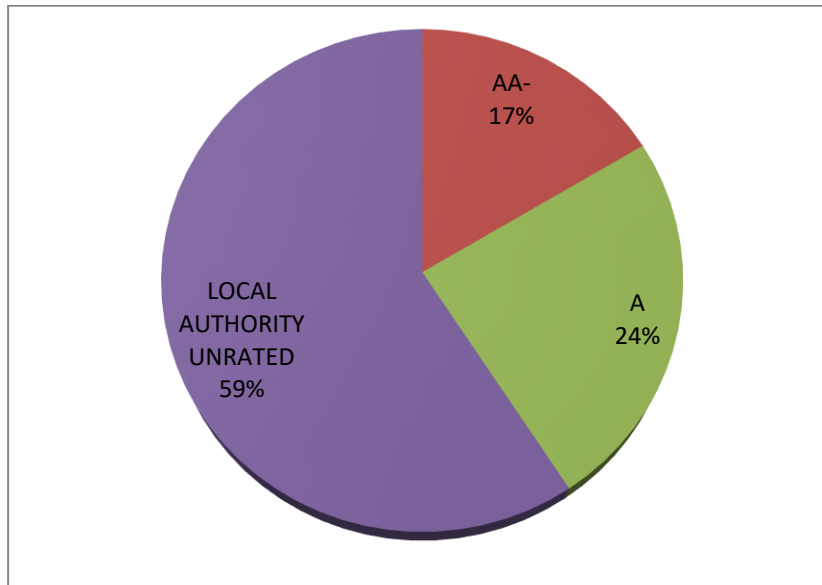
4.5.6 Occasionally, investments are placed with the UK Debt Management Office (DMO - Executive Agency of UK Government) but only for very short term deposits (as shown in table 2 above) and only as a last resort as the interest rates offered by this facility are lower than some other counterparties but 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 2018.

4.5.7 Favourable cash flows have provided positive cash balances for investment and as shown above the balance on investments at 31 March 2018 was £30.40 million made up of £9 million long term investments, £20 million short term investments and £1.40 million Cash and Cash Equivalents. Table 3 below summarises the credit risk exposure of the Council's £30.40 million investments at 31 March 2018 by credit rating, (based on the lowest long term rating) maturity profile (remaining duration from 31 March 2018) and counterparty type:-

**Table 3: Investments Outstanding Maturity Profile 31 March 2018**

Counterparty Category	Credit Rating	Instant Access Deposit Account	Notice Period Deposit Account	Deposits Maturing within 1 Month	Deposits Maturing Within 2 to 6 Months	Deposits Maturing Within 7 Months up to 1 Yr.	Deposits Maturing Within 1 to 3 Yrs.	Total 31-3-18
		£m	£m	£m	£m	£m	£m	£m
Bank	AA-				2.00			2.00
Bank	A	1.40	1.00	2.00	1.00			5.40
Building Societies	A				2.00			2.00
Local Authorities	AA-						3.00	3.00
Local Authorities unrated				2.00	9.00	1.00	6.00	18.00
<b>Total</b>		<b>1.40</b>	<b>1.00</b>	<b>4.00</b>	<b>14.00</b>	<b>1.00</b>	<b>9.00</b>	<b>30.40</b>

4.5.8 The Council defines high credit quality as organisations and securities having a credit rating of A- or higher. The pie chart below summarises the above table by credit ratings and shows the £30.40 million investments at 31 March 2018 by percentage outstanding. Most Local Authorities do not have credit ratings and the remainder of the Council’s investments all had a credit rating of A or above.



## 4.6 Performance Measurement 2017-18

4.6.1 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 and the ones set in the TMS 2017-18 are shown below. These are distinct historic indicators as opposed to the Treasury Management and Prudential Indicators (shown below in section 4.9 and Appendix A) 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.

4.6.2 The average long term borrowing rate for 2017-18 and at 31 March 2018 was 4.69% (the same rate as at 31 March 2017) 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 2017). Comparable performance indicators are shown below:-

<b>Bridgend CBC Average Rate of PWLB Debt 31-03-18 %</b>	<b>All Welsh Local Authorities* Average Rate for outstanding PWLB Debt 31-03-18 %</b>	<b>All UK Local Authorities* Average Rate for outstanding PWLB Debt 31-03-18 %</b>
<b>4.70</b>	4.75	4.07
	<b>-0.05</b>	<b>+0.63</b>

\*excluding Parish, Town and Community Councils

4.6.3 The average rate on investments for 2017-18 was 0.49% and at 31 March 2018 was 0.62% (compared to 0.49% for 2016-17 and 0.55% at 31 March 2017). Comparable performance indicators for benchmarking purposes set in the TMS 2017-18 were the average 1 month London Inter Bank Bid (LIBID) rate and the average Bank Rate. The tables below show the investments average interest rate for 2017-18 and the actual rate as at 31 March 2018 compared favourably against these two benchmarking rates:

<b>Bridgend CBC Average Rate of Return on Investments 2017-18 %</b>	<b>Average 1 month LIBID (London Inter-Bank Bid rate) 2017-18 %</b>	<b>Average Bank Rate 2017-18 %</b>
<b>0.49</b>	0.23	0.35%
	<b>+0.26</b>	<b>+0.14</b>
<b>Bridgend CBC Average Rate of Return on Investments 31-03-18 %</b>	<b>1 month LIBID (London Inter-Bank Bid rate) 31-03-18 %</b>	<b>Bank Rate 31-03-18 %</b>
<b>0.62</b>	0.39	0.50
	<b>+0.23</b>	<b>+0.12</b>

4.6.4 The Council participates in a benchmarking exercise with Arlingclose. As shown below, the Council's average rate of return on investments at the end of each quarter in 2017-18 was more favourable compared to the average of Arlingclose Welsh Local Authorities Unitary clients:

2017-18	Principal £m	Bridgend CBC Average Rate of Return on Investments %	Principal £m	Arlingclose Clients Welsh Unitaries Average Rate of Return on Investments %
30-06-17	47.10	0.45	31.60	0.40
30-09-17	44.00	0.48	25.90	0.29
31-12-17	43.30	0.58	30.00	0.44
31-03-18	30.40	0.62	31.00	0.47

#### 4.7 Review of the Treasury Management Strategy 2017-18

4.7.1 CIPFA's Code of Practice for Treasury Management requires all local authorities to conduct a mid-year review of its treasury management policies, practices and activities. As a result of this review it was not deemed necessary to make any major changes to the TMS 2017-18.

#### 4.8 Reporting Arrangements 2017-18

4.8.1 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 outturn report after its close to 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 TMS and CIPFA's Standard of Professional Practice on Treasury Management.

4.8.2 The Council has complied with its legislative and regulatory requirements during 2017-18. The TMS 2017-18 and the Half Yearly Outturn were reported to Council on 1 March 2017 and 1 November 2017 respectively and this Annual Treasury Management Outturn Report is being reported to Cabinet and Council in September 2018. In addition, quarterly monitoring reports were presented to Cabinet during 2017-18.

4.8.3 To ensure effective scrutiny of treasury management in accordance with the TMS, Audit Committee has been nominated to be responsible for ensuring effective scrutiny of the TMS and policies. Audit Committee received training in June 2017 to assist them in their function of scrutinising treasury management,

with particular emphasis on investment options available to the Council and Elected Members were also invited to attend.

- 4.8.4 During the 2017-18 financial year, in addition to the regular treasury management reports to Cabinet and Council, Audit Committee received the Annual Treasury Management Report 2016-17 in June 2017, the Half Year Treasury Management Report 2017-18 in November 2017, the TMS 2018-19 in January 2018 and an Annual Outturn Report 2017-18 in June 2018.

#### **4.9 Treasury Management & Prudential Indicators 2017-18**

- 4.9.1 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 in **Appendix A** of the estimated indicators for 2017-18 as detailed in the TMS 2017-18 approved by Council 1 March 2017, the revised projection (where applicable) as set out in the TMS 2018-19 approved by Council 28 February 2018, and the actual indicators for 2017-18.

- 4.9.2 In 2017-18, the Council operated within the limits and indicators as set out in the agreed TMS 2017-18 and complied with its treasury management practices.

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

- 5.1 As required by Financial Procedure Rule 20.3 within the Council's Constitution, all investments and borrowing transactions have been undertaken in accordance with the TMS 2017-18 as approved by Council with due regard to the requirements of the CIPFA's Code of Practice on Treasury Management in the Public Services.

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

- 6.1 There are no equality implications.

#### **7. Well-being of Future Generations (Wales) Act 2015 Implications**

- 7.1 The well-being goals identified in the Act were considered in the preparation of this report. As the report provides financial performance and is retrospective in nature it is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

#### **8. Financial Implications**

- 8.1 The financial implications are reflected within the report.

#### **9. Recommendation**

9.1 It is recommended that Council:

- Approve the treasury management activities for 2017-18;
- Approve the actual Treasury Management and Prudential Indicators for 2017-18.

**Gill Lewis**  
**Interim Head of Finance & Section 151 Officer**  
**9 August 2018**

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**Background documents:**

Treasury Management Strategy 2017-18  
Treasury Management Strategy 2018-19

## 1 Treasury Management Indicators 2017-18

- 1.1 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 relating 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. Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or transaction date if later and all other instruments are classed as variable. The majority of the Council's investments are less than 12 months and even though interest rates may be fixed for the investment duration these would be classed as variable. LOBO loans are variable interest rate loans, therefore, as the investments were in excess of total variable rate loans, the variable interest rate exposure (net principal) is shown as negative 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.

No.	Interest Rate Exposure	TMS 2017-18  £m	Revised Projection 2017-18 TMS 2018-19 £m	Actual Outstanding  31-03-18 £m
	Total Projected Principal Outstanding on Borrowing 31 March 2018	96.87	96.87	<b>96.87</b>
	Total Projected Principal Outstanding on Investments 31 March 2018	24.00	30.00	<b>30.40</b>
	<b>Net Principal Outstanding</b>	<b>72.87</b>	<b>66.87</b>	<b>66.47</b>
1.	<b>Upper Limit on fixed interest rates (net principal) exposure</b>	130.00	n/a	n/a
2.	<b>Upper Limit on variable interest rates Exposure (net principal) exposure</b>	50.00	n/a	n/a
	<b>Fixed interest rate exposure (net principal) 31 March 2018</b>		<b>68.62</b>	<b>68.62</b>
	<b>Variable interest rate exposure (net principal) 31 March 2018</b>		<b>1.25</b>	<b>-2.15</b>



- 1.2 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 2017-18	Upper limit %	Lower limit %	Actual 31-03-18 %
3.	Under 12 months	50	0	19.87
	12 months and within 24 months	25	0	-
	24 months and within 5 years	25	0	-
	5 years and within 10 years	50	0	13.91
	10 years and within 20 years	60	0	23.49
	20 years and above	100	40	42.73

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 above. The Code requires the maturity of LOBO loans to be shown (even though the rate is variable) as the earliest date on which the lender can require payment, i.e. the next call date after 31 March 2018 which is July 2018, however, the lender did not exercise this option due to current low interest rates and the Council is not anticipating that this will occur during 2018-19 so the maturity date is actually uncertain but is shown in the “Under 12 months” category as per the Code.

- 1.3 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 2017-18  £m	Actual Principal Outstanding Over 364 days 31-03-18 £m
4.	Upper Limit for Total Principal Sums Invested for more than 364 days	15	9

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

## 2. Prudential Indicators 2017-18

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 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.

## 2.1 Prudential Indicators for Prudence

2.1.1 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 2017-18	Estimate TMS 2017-18 £m	Revised Projection 2017-18 TMS 2018-19 £m	Actual 2017-18 £m
1.	<b>Estimates of Capital Expenditure (Non-HRA)</b>	63.85	45.41	<b>36.58</b>
	<b>Total Capital Expenditure</b>	<b>63.85</b>	<b>45.41</b>	<b>36.58</b>
	<b>Financed by :-</b>			
	Capital Grants and Contributions	24.37	15.14	<b>16.63</b>
	Capital Receipts	20.04	10.90	<b>0.18</b>
	Revenue contribution to Capital	9.92	9.61	<b>9.92</b>
	<b>Net Financing Need for Year</b>	<b>9.52</b>	<b>9.76</b>	<b>9.85</b>

The capital expenditure figures have changed from the TMS 2017-18 as the capital programme approved by Council on 1 March 2017 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 very small increase in the Net Financing Need for 2017-18.

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 2017-18. Directorates who receive Council approval for capital schemes via Unsupported Borrowing make annual contributions to the capital costs of their schemes known as Voluntary Revenue Provisions (VRP) or additional MRP. This type of borrowing is only approved when Directorates have the necessary revenue resources to make VRP to fund the capital costs though this will be deferred in some cases until the asset becomes operational in accordance with the Council's MRP Policy.

2.1.2 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 in line with the Prudential Code.

The MRP requirement for the Maesteg School PFI Scheme and the Innovation Centre 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 2017-18 £m	Revised Projection 2017-18 TMS 2018-19 £m	Actual 2017-18 £m
<b>2.</b>	<b>Capital Financing Requirement (CFR)</b>			
	Opening CFR (1 April 2017) adjusted excluding PFI & other liabilities	150.65	149.20	149.20
	Opening PFI CFR	18.24	18.24	18.24
	Opening Innovation Centre	0.66	0.66	0.66
	Opening Coychurch Crematorium	0.08	0.08	0.08
	<b>Total Opening CFR</b>	<b>169.63</b>	<b>168.18</b>	<b>168.18</b>
	Movement in CFR excluding PFI & other liabilities	2.90	<b>3.36</b>	3.44
	Movement in PFI CFR	(0.60)	(0.60)	(0.60)
	Movement in Innovation Centre CFR	(0.06)	(0.06)	(0.06)
	Movement in CREM CFR	(0.08)	(0.08)	(0.08)
	<b>Total Movement in CFR</b>	<b>2.16</b>	<b>2.62</b>	<b>2.70</b>
	<b>Closing CFR (31 March 2018)</b>	<b>171.79</b>	<b>170.80</b>	<b>170.88</b>
	Movement in CFR represented by :-			
	Net Financing Need for Year (above)	9.52	9.76	9.85
	Minimum and Voluntary Revenue Provisions*	(7.36)	(7.14)	(7.15)
	<b>Total Movement</b>	<b>2.16</b>	<b>2.62</b>	<b>2.70</b>

\*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) and the Innovation Centre

## 2.2 Limits to Borrowing Activity

2.2.1 The Council's long term borrowing at the 31 March 2018 was £96.87 million as detailed in section 1 of the main report. External Borrowing can arise as a result of both capital and revenue expenditure and timing of cash flows. As the Council has an integrated TMS 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 especially when a Council is using Internal Borrowing as highlighted in paragraph 4.4.3 in the main report

The **Gross Debt** position (Borrowing and Long Term Liabilities) is shown below.

No.	Prudential indicators For Prudence Gross Debt 2017-18	Estimate TMS 2017-18 £m	Revised Projection 2017-18 TMS 2018-19 £m	Actual Outstanding 31-03-18 £m
3.	External Borrowing	96.87	96.87	96.87
	Long Term Liabilities (including PFI)	21.07	20.99	21.02
	<b>Total Gross Debt</b>	<b>117.94</b>	<b>117.86</b>	<b>117.89</b>

2.2.2 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 2017-18. The table below shows that the Council has complied with this requirement.

No.	Prudential indicators For Prudence 2017-18	Estimate TMS 2017-18 £m	Revised Projection 2017-18 TMS 2018-19 £m	Actual Outstanding 31-03-18 £m
4.	<b>Gross Debt &amp; the CFR</b>			
	Total Gross Debt	117.94	117.86	117.89
	Closing CFR (31 March)	171.79	170.80	170.88

2.2.3 A further two Prudential Indicators detailed below control the Council's overall level of debt to support Capital Expenditure and were well within the limit set:

**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.

No.	Prudential indicators For Prudence	TMS Limit 2017-18 £m	Actual 31-03-18 £m
5.	<b>Authorised limit for external debt -</b>		
	Borrowing	140	
	Other long term liabilities	30	
	<b>Total</b>	<b>170</b>	
6.	<b>Operational Boundary</b>		
	Borrowing	105	
	Other long term liabilities	25	
	<b>Total</b>	<b>130</b>	
	<b>Borrowing</b>		<b>96.87</b>
	<b>Other long term liabilities</b>		<b>21.02</b>
	<b>Total</b>		<b>117.89</b>

## 2.3 Prudential Indicators for Affordability

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

No.	Prudential Indicators for Affordability 2017-18	Estimate TMS 2017-18 %	Revised Projection 2017-18 TMS 2018-19 %	Actual 2017-18 %
7.	<b>Ratio of Financing Costs to Net Revenue Stream</b>	4.84	4.79	<b>4.72</b>

Credit Rating Equivalence Table

	Description	Fitch		Moody's		Standard & Poor's	
		Long	Short	Long	Short	Long	Short
INVESTMENT GRADE	Extremely strong	AAA		Aaa		AAA	
	Very strong	AA+	F1+	Aa1	P-1	AA+	A-1+
		AA		Aa2		AA	
		AA-		Aa3		AA-	
	Strong	A+	F1	A1	P-2	A+	A-1
		A		A2		A	
		A-		A3		A-	
	Adequate	BBB+	F2	Baa1	P-3	BBB+	A-2
		BBB		Baa2		BBB	
BBB-		Baa3		BBB-			
SPECULATIVE GRADE	Speculative	BB+	B	Ba1	Not Prime (NP)	BB+	B
		BB		Ba2		BB	
		BB-		Ba3		BB-	
	Very speculative	B+	B1	B+			
		B	B2	B			
		B-	B3	B-			
	Vulnerable	CCC+	C	Caa1		CCC+	C
		CCC		Caa2		CCC	
		CCC-		Caa3		CCC-	
		CC		Ca		CC	
	C			C			
Defaulting	D	D	C		D	D	

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## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO COUNCIL

19 SEPTEMBER 2018

### REPORT OF THE INTERIM HEAD OF FINANCE AND SECTION 151 OFFICER

#### REVIEW OF THE MINIMUM REVENUE PROVISION (MRP) POLICY 2018-19

##### 1. Purpose of the Report

1.1 The purpose of the report is to present to Council alternative methods of calculating a prudent annual revenue charge to repay capital financing costs. This is known as the Minimum Revenue Provision (MRP). It asks Council to approve:-

- The revision of the MRP Policy 2018-19 for calculating MRP on capital expenditure funded from supported borrowing from a 4% reducing balance method to a straight-line over 45 years method;
- That the resultant surplus on the capital financing budget for 2018-19 is used to increase the Capital programme earmarked reserve; and
- Further consideration is given to the treatment of the base budget for MRP 2019-20 within the Medium Term Financial Strategy.

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

2.1 This report supports the Corporate Priority:

**Smarter use of resources** – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

##### 3. Background

3.1 Under regulation 21 of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003, local authorities are required to charge Minimum Revenue Provision (MRP) to their revenue account for each financial year to account for the principal cost of their debt in that financial year.

3.2 Since 2007-08, local authorities calculate an amount of MRP which they consider to be **prudent**. The legislation does not define what constitutes a "prudent provision". However previous guidance issued by the Welsh Government (April 2010) provides an interpretation of prudent provision and

examples of options of acceptable methods for calculating a prudent level of MRP.

3.3 The guidance states that there are four options :-

- Options 1 & 2 are based on the principle that for supported borrowing through the RSG, the level of provision is reasonably commensurate with the period implicit in the determination of the grant.
- Option 3 & 4 are recommended for borrowing where there is no support being given and therefore is self-financed. Option 3 is the Asset Life Method and makes the provision over the estimated life of the asset for which the borrowing is undertaken. Option 4 is the depreciation method and makes the MRP in accordance with standard rules for depreciation.

Local authorities are legally obliged to “have regard” to such guidance, but having done so may consider a more individually designed MRP approach is justified. The aim of the guidance is to ensure that the debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

3.4 The responsibility for determining what is prudent is entirely a matter for the authority. It is not the role of the Welsh Government or the external auditor to determine in cases whether any proposed arrangement is prudent. The external auditor does have a responsibility however to consider whether or not an authority has complied with its statutory duty in their approach to setting MRP. Authorities are required to prepare an annual statement of their policy on making MRP. Within Bridgend CBC, this Policy is included within the Treasury Management Strategy and is formally approved by Full Council.

#### 4. Current Situation / Proposal

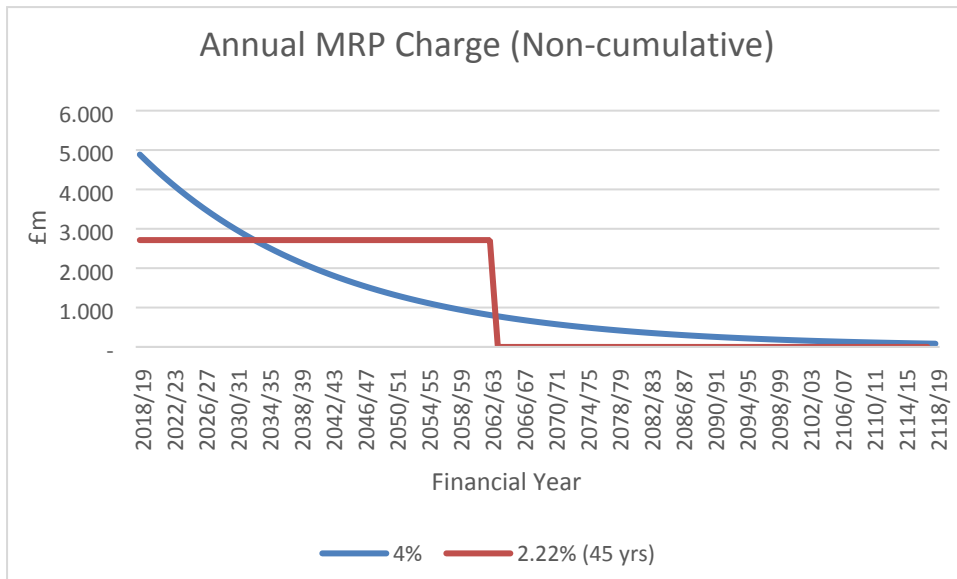
4.1 Council approved the Annual MRP Policy 18-19 as part of the Treasury Management Strategy in February 2018 and is contained as **Appendix A**. This report examines changing the charging mechanism for capital expenditure identified as paragraph 1 in the Policy that is:-

- i. Capital expenditure incurred before 1 April 2008 and any capital expenditure after 1 April 2008 that is government supported expenditure and does not result in a significant asset will be based on the Capital Financing Requirement after accounting adjustments at 4% of the opening balance. This charge was supplemented by voluntary MRP (based on the useful asset life) in respect of those assets which were financed by unsupported borrowing before 1 April 2008.

4.2 The MRP charge for supported borrowing for 2018-19 on the current methodology (4% reducing balance) is £4.884 million. This charge is met from the capital financing budget that sits within the non-Directorate service area of the revenue account.

- 4.3 As the mechanism for charging is discretionary and as Councils explore ways to generate revenue budget savings, there has been a growing number of authorities that have reviewed their existing MRP Policy and amended the method of charging. There are now only a small number that still base their MRP charge for Supported Borrowing on a 4% reducing balance basis.
- 4.4 The current reducing balance approach allocates a higher charge to earlier years and a lower charge to latter years. The rationale being in the years when expenditure is first incurred is when most of the benefits are used and when maintenance costs are minimal. Only in latter years maintenance costs would be higher, coinciding with a lower revenue provision for debt. The method implies that borrowing will be repaid over a 25 year period (in that  $100\% / 4\% = 25$ ), however as the calculation applies the 4% to the reducing balance it takes much more than 25 years to fully repay the borrowing. Therefore, there is an argument that it does not support the Well-being of Future Generations (Wales) Act 2015 as there would still be a revenue charge in two hundred years' time. In forty-five years' time, which is akin to the average residual life of the Council's assets, the current methodology would still leave £18.673 million of remaining debt to be paid off and an annual revenue charge still at £0.778 million.
- 4.5 **Appendix B** provides examples of the actual revenue provision that would be calculated on different approaches based on a Capital Financing Requirement (CFR) for supported borrowing of £122 million at 1 April 2018. For the purpose of modelling, it ignores the impact of subsequent annual approvals of supported borrowing from Welsh Government.
- 4.6 One alternative method could still be to make MRP based on a reducing balance but at 3%. This would generate savings for twenty-seven years when it would then become more expensive than at 4%. There would still remain the issue that the debt is never really extinguished and therefore it is felt that a reducing balance approach does not meet the requirements of the Well-being of Future Generations (Wales) Act.
- 4.7 A straight line approach assumes all users benefit equally from use of the assets over the period. It provides certainty of the annual revenue charge for supported borrowing and ensures that the debt is fully paid off over the life of the asset. The graph below shows a comparison of the MRP annual charge based on the existing 4% reducing balance and straight line using an average asset life of forty-five years equivalent to 2.22% :-

Graph 1 : Comparison of MRP Charge on Existing Basis & Straight-line over 45 Years



- 4.8 As can be seen from the above, changing the methodology from reducing balance to straight-line does produce savings in the first fifteen years. However, in 2033-34, the charge using the existing methodology would become cheaper until the time when the debt is fully extinguished on the straight-line method.
- 4.9 Appendix B includes an analysis based on the time value of money. It uses a discount factor of 3.5% which is assumed to indicate the discounted cash flow of the monetary differences after a number of years. This demonstrates the significant revenue savings which can be made in the early years for each approach but after a period of time MRP will be greater than that charged at 4% reducing balance currently charged.
- 4.10 The table below summarises the Appendix and indicates the impact of each approach compared to 4% reducing balance method together with the discounted cash flow of the savings:-

**Table 1 : Comparison of MRP Charges on Various Bases over 200 years**

Years	Current MRP 4% Reducing Balance £'m	Straight Line 40 Years			Straight Line 45 Years			Straight Line 50 Years		
		£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
	Charges	Charges	(Savings) /Cost	DCF	Charges	(Savings) /Cost	DCF	Charges	(Savings) /Cost	DCF
0-5	26.527	18.316	(8.211)	(7.647)	16.281	(10.246)	(9.518)	14.653	(11.874)	(11.014)
6-27	56.646	67.159	10.513	4.266	59.697	3.051	(0.066)	53.727	(2.919)	(3.531)
28-50	23.709	36.632	12.923	4.904	46.129	22.420	6.812	53.727	30.018	7.883
51-100	13.248	0.000	(13.248)	(1.420)	0.000	(13.248)	(1.420)	0.000	(13.248)	(1.420)
101-200	1.944	0.000	(1.944)	(0.034)	0.000	(1.944)	(0.034)	0.000	(1.944)	(0.034)
<b>TOTAL</b>	<b>122.074</b>	<b>122.107</b>	<b>0.033</b>	<b>0.069</b>	<b>122.107</b>	<b>0.033</b>	<b>(4.225)</b>	<b>122.107</b>	<b>0.033</b>	<b>(8.116)</b>

- 4.11 By amending the MRP Policy and re-phasing the repayment of debt, then there are potential savings to be achieved. The table demonstrates the greatest savings can be realised in years 0-5 under the 50 years straight line method £11.874 million (£11.014 million discounted), but for years 28-50, the Council will incur £30.018 million (£7.883 million discounted) more than that charged at 4% reducing balance, before further savings are realised. In all three straight-line scenarios, the overall cost of the charges is £33,000 more than the existing methodology but this is because the full amount of the debt outstanding, that is the £122.074 million, is extinguished. The discounted cash flow shows for straight-line charges for both 45 and 50 years that there are still positive savings over fifty years even where the charges increase in later years. The below table shows the net present value of savings for the charges based on straight-line 45 years of £2.772 million and £6.662 million on straight-line 50 years in:-

**Table 2 : Comparison of Current MRP Charge on Various Bases over 50 years**

Years	Current MRP 4% Reducing Balance £'m	Straight Line 40 Years			Straight Line 45 Years			Straight Line 50 Years		
		£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
	Charges	Charges	(Savings) /Cost	DCF	Charges	(Savings) /Cost	DCF	Charges	(Savings) /Cost	DCF
0-5	26.527	18.316	(8.211)	(7.647)	16.281	(10.246)	(9.518)	14.653	(11.874)	(11.014)
6-27	56.646	67.159	10.513	4.266	59.697	3.051	(0.066)	53.727	(2.919)	(3.531)
28-50	23.709	36.632	12.923	4.904	46.129	22.420	6.812	53.727	30.018	7.883
<b>TOTAL</b>	<b>106.881</b>	<b>122.107</b>	<b>15.226</b>	<b>1.523</b>	<b>122.107</b>	<b>15.226</b>	<b>(2.772)</b>	<b>122.107</b>	<b>15.226</b>	<b>(6.662)</b>

- 4.12 As at the 31 March 2018, the net book value (NBV) of the Council's fixed assets was £491.898 million. A number of these assets would have been funded from supported borrowing but actual borrowing is not assigned to individual assets. As stated previously, the supporting borrowing Capital Financing Requirement (CFR) at the 1 April 2018 was £122.107 million which represents 24.8% of the net book value. The assets have a range of estimated asset lives and it is difficult to establish which would be included

within the supported borrowing CFR. However, examining the range of asset lives within the Asset Register (vary from 1 to 99 years for land) and the fact that the majority of the CFR relates to historic debt, it would seem that a prudent MRP charge could be based on asset lives of 45 years and a move to a straight-line basis which would result in a total saving of £2.171 million in the current year. The under-spend that would result in 2018-19 would be used to increase the earmarked reserve that supports the Capital Programme. It would also provide an opportunity to permanently reduce the budget for the 2019-20 financial year.

4.13 Welsh Government has just released a consultation document on proposed changes to the existing MRP Guidance. The three proposed changes which would be applicable from 1 April 2019 are:-

1. Definition of Prudent Provision – Welsh Government proposes to change the definition of prudent provision to one that requires local authorities to set MRP in a way that covers the gap between the Capital Financing Requirement and the amount of that requirement that is funded by income, grants and receipts. The revised methodology is based on an assessment of asset lives and therefore the MRP charge will be commensurate with the period of benefit.
2. Meaning of a Charge to the Revenue Account – Welsh Government proposes that there should not be any credit back to revenue for previously overpaid MRP. This revised policy is not looking to backdate the change in methodology so there would not be any credit back to the revenue account in 2018-19 as a result.
3. Impact of changing Methods of Calculating MRP – Welsh Government continues to recognise that local authorities should have flexibility to change the methods for charging MRP but again clarifies that an overpayment cannot be calculated retrospectively. Again the proposed policy does not suggest any retrospective adjustment.

The proposal is therefore in line with any proposed changes that might come into effect for the next financial year.

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

5.1 None

## **6. Equalities Impact Assessment**

6.1 None

## **7. Well-being of Future Generations (Wales) Act 2015 Implications**

7.1 This report links to the Council's long-term well-being objectives. It ensures that the purchase of assets to support front line service delivery is prudent, affordable and sustainable and there is sufficient investment in infrastructure to enable the Council to provide services well in to the future.

7.2 The recommendation to change the MRP policy for supported capital expenditure from reducing balance to straight line ensures that the costs are

spread more evenly amongst the taxpayers benefiting from the capital expenditure. It also means that there is certainty with a consistent revenue charge for the provision of debt and that the debt is full extinguished within forty-five years instead of leaving a residual debt balance for citizens for up to two hundred years.

7.3 The change therefore is not considered as compromising the ability of future generations to meet their own needs merely that future generations pay for assets from which they benefit. It seeks to charge MRP to the revenue account over a period which is commensurate with the estimated residual lives of the Council's assets.

## 8. Financial Implications

8.1 The budget for MRP for supported borrowing for 2018-19 is £5.113 million. This includes a small budget of £132,000 to finance an on-going charge based on asset life leaving a balance of £4.981 million for the charges based on 4% reducing balance. If the methodology is changed to straight-line over 45 years as in the graph above, there would be a surplus in the current year as below:

Financial Year	Annual Budget £m	Proposed Charge (2.22%) £m	Surplus £m
2018-19	4.981	2.713	2.268

8.2 It is recommended that this surplus is used to increase the earmarked reserve that supports the Capital programme given the pressures on capital funding for Band B schools and other essential capital expenditure.

8.3 Members will need to be aware that the proposed charge above is based on the CFR at 1 April 2018. Every subsequent year the charge will be increased on the basis of the allocation of supported borrowing from Welsh Government. For example, if the allocation is £3.935 million as per the assumptions within the MTFS Capital Programme, an additional annual charge of £87,000 would be generated. Therefore any adjustment to the base budget in 2019-20 would need to be mindful of this. For this reason, the MRP Policy will continue to be kept under review annually.

## 9. Recommendation

9.1 It is recommended that Council approve:-

- The revision of the MRP Policy 2018-19 for calculating MRP on capital expenditure funded from supported borrowing from a 4% reducing balance method to a straight-line over 45 years method and a revised Minimum Revenue Provision Statement is approved (**Appendix C**);
- That the resultant surplus on the capital financing budget for 2018-19 is used to increase the Capital programme earmarked reserve; and



- Further consideration is given to the treatment of the base budget for MRP 2019-20 within the Medium Term Financial Strategy.

**Gill Lewis**

**Interim Head of Finance & Section 151 Officer**

**15 August 2018**

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**Background documents:**

- Treasury Management Strategy 2018-19

**ANNUAL MINIMUM REVENUE PROVISION STATEMENT 2018-19**

The Annual Minimum Revenue Provision Statement needs to be approved by Council before the start of each financial year. The MRP charges for 2018-19 will be on the following bases:-

- i. Capital expenditure incurred before 1 April 2008 and any capital expenditure after 1 April 2008 that is government supported expenditure and does not result in a significant asset will be based on the Capital Financing Requirement after accounting adjustments at 4% of the opening balance. This charge was supplemented by voluntary MRP (based on the useful asset life) in respect of those assets which were financed by unsupported borrowing before 1 April 2008
- ii. Supported capital expenditure that results in a significant asset (based on an internal assessment) incurred on or after 1 April 2008 and all unsupported capital expenditure, exercised under the Prudential Code, the MRP charge will be based on the Asset Life Method. The minimum revenue provision will be at equal annual instalments over the life of the asset. The first charge can be delayed until the year after the asset is operational but this will be at the discretion of the Section 151 Officer
- iii. for assets reclassified as finance leases under International Financial Reporting Standards (IFRS) or resulting from a Private Finance Initiative, the MRP charge will be regarded as met by a charge equal to the element of the rent/charge that goes to write down the balance sheet liability for the year
- iv. Where loans are made to other bodies for their capital expenditure with an obligation for the bodies to repay, no MRP will be charged. The capital receipts generated by the annual repayments on those loans will be put aside to repay debt instead
- v. MRP may be waived on expenditure recoverable within a prudent period of time through capital receipts (e.g. land purchases) or deferred to when the benefits from investment are scheduled to begin or when confirmed external grant payments towards that expenditure are expected.

The MRP Charge 2018-19 based on the estimated capital financing requirement is detailed below:-

	Options	Estimated Capital Financing Requirement  31-03-18  £m	2018-19 Estimated MRP    £m
<p>Capital expenditure before 01-04-2008 and any after 01-04-2008 that does not result in a significant asset</p> <p>(Supported)</p> <p>Capital Expenditure before 01-04-2008 (Unsupported)</p>	(i)	<p>122.19</p> <p>-</p>	<p>4.88</p> <p>-</p>
<p>Supported capital expenditure that results in a significant asset, incurred on or after 1 April 2008</p> <p>(Supported)</p> <p>Unsupported capital expenditure, exercised under the Prudential Code</p> <p>(Unsupported)</p>	(ii)	<p>3.42</p> <p>26.95</p>	<p>0.13</p> <p>1.55</p>
<p>PFI, Finance Leases and other arrangements</p> <p>PFI School</p> <p>Innovation Centre</p>	(iii)	<p>17.64</p> <p>0.60</p>	<p>0.64</p> <p>0.06</p>
<b>TOTAL</b>		<b>170.80</b>	<b>7.26</b>

Prudent Minimum Revenue Provision (MRP) for the Repayment of Debt - Review of Supported Borrowing

APPENDIX B

Capital Financing Requirement at 01.04.2018 £m 122,107 122,106,979.55  
 Discount Rate (For Discounted Cash Flow (DCF)) 3.50%

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Financial Year	Year	Discount Factor	Reducing Balance %		Straight Line															
			Current Method 4%		3%				40 Years				45 Years				50 Years			
			4.0%	y/e balance	3.0%	y/e balance	(Saving) / Increase p/a	DCF	2.5%	y/e balance	(Saving) / Increase p/a	DCF	2.22%	y/e balance	(Saving) / Increase p/a	DCF	2.0%	y/e balance	(Saving) / Increase p/a	DCF
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
2018/19	0	1.000	4.884	117.223	3.663	118.444	(1.221)	(1.221)	3.053	119.054	(1.832)	(1.832)	2.713	119.393	(2.171)	(2.171)	2.442	119.665	(2.442)	(2.442)
2019/20	1	0.966	4.689	112.534	3.553	114.890	(1.136)	(1.097)	3.053	116.002	(1.636)	(1.581)	2.713	116.680	(1.975)	(1.909)	2.442	117.223	(2.247)	(2.171)
2020/21	2	0.934	4.501	108.032	3.447	111.444	(1.055)	(0.985)	3.053	112.949	(1.449)	(1.352)	2.713	113.967	(1.788)	(1.669)	2.442	114.781	(2.059)	(1.922)
2021/22	3	0.902	4.321	103.711	3.343	108.100	(0.978)	(0.882)	3.053	109.896	(1.269)	(1.144)	2.713	111.253	(1.608)	(1.450)	2.442	112.338	(1.879)	(1.695)
2022/23	4	0.871	4.148	99.563	3.243	104.857	(0.905)	(0.789)	3.053	106.844	(1.096)	(0.955)	2.713	108.540	(1.435)	(1.250)	2.442	109.896	(1.706)	(1.487)
2023/24	5	0.842	3.983	95.580	3.146	101.712	(0.837)	(0.705)	3.053	103.791	(0.930)	(0.783)	2.713	105.826	(1.269)	(1.068)	2.442	107.454	(1.540)	(1.297)
2024/25	6	0.814	3.823	91.757	3.051	98.660	(0.772)	(0.628)	3.053	100.738	(0.771)	(0.627)	2.713	103.113	(1.110)	(0.903)	2.442	105.012	(1.381)	(1.123)
2025/26	7	0.786	3.670	88.087	2.960	95.701	(0.710)	(0.558)	3.053	97.686	(0.618)	(0.485)	2.713	100.399	(0.957)	(0.752)	2.442	102.570	(1.228)	(0.965)
2026/27	8	0.759	3.523	84.563	2.871	92.830	(0.652)	(0.495)	3.053	94.633	(0.471)	(0.358)	2.713	97.686	(0.810)	(0.615)	2.442	100.128	(1.081)	(0.821)
2027/28	9	0.734	3.383	81.181	2.785	90.045	(0.598)	(0.439)	3.053	91.580	(0.330)	(0.242)	2.713	94.972	(0.669)	(0.491)	2.442	97.686	(0.940)	(0.690)
2028/29	10	0.709	3.247	77.933	2.701	87.343	(0.546)	(0.387)	3.053	88.528	(0.195)	(0.138)	2.713	92.259	(0.534)	(0.378)	2.442	95.243	(0.805)	(0.571)
2029/30	11	0.685	3.117	74.816	2.620	84.723	(0.497)	(0.340)	3.053	85.475	(0.065)	(0.044)	2.713	89.545	(0.404)	(0.277)	2.442	92.801	(0.675)	(0.462)
2030/31	12	0.662	2.993	71.823	2.542	82.181	(0.451)	(0.298)	3.053	82.422	0.060	0.040	2.713	86.832	(0.279)	(0.185)	2.442	90.359	(0.551)	(0.364)
2031/32	13	0.639	2.873	68.951	2.465	79.716	(0.408)	(0.261)	3.053	79.370	0.180	0.115	2.713	84.118	(0.159)	(0.102)	2.442	87.917	(0.431)	(0.275)
2032/33	14	0.618	2.758	66.193	2.391	77.324	(0.367)	(0.226)	3.053	76.317	0.295	0.182	2.713	81.405	(0.045)	(0.028)	2.442	85.475	(0.316)	(0.195)
2033/34	15	0.597	2.648	63.545	2.320	75.005	(0.328)	(0.196)	3.053	73.264	0.405	0.242	2.713	78.691	0.066	0.039	2.442	83.033	(0.206)	(0.123)
2034/35	16	0.577	2.542	61.003	2.250	72.755	(0.292)	(0.168)	3.053	70.212	0.511	0.295	2.713	75.978	0.172	0.099	2.442	80.591	(0.100)	(0.057)
2035/36	17	0.557	2.440	58.563	2.183	70.572	(0.257)	(0.143)	3.053	67.159	0.613	0.341	2.713	73.264	0.273	0.152	2.442	78.148	0.002	0.001
2036/37	18	0.538	2.343	56.220	2.117	68.455	(0.225)	(0.121)	3.053	64.106	0.710	0.382	2.713	70.551	0.371	0.200	2.442	75.706	0.100	0.054
2037/38	19	0.520	2.249	53.972	2.054	66.401	(0.195)	(0.102)	3.053	61.053	0.804	0.418	2.713	67.837	0.465	0.242	2.442	73.264	0.193	0.101
2038/39	20	0.503	2.159	51.813	1.992	64.409	(0.167)	(0.084)	3.053	58.001	0.894	0.449	2.713	65.124	0.555	0.279	2.442	70.822	0.283	0.142
2039/40	21	0.486	2.073	49.740	1.932	62.477	(0.140)	(0.068)	3.053	54.948	0.980	0.476	2.713	62.410	0.641	0.311	2.442	68.380	0.370	0.179
2040/41	22	0.469	1.990	47.751	1.874	60.602	(0.115)	(0.054)	3.053	51.895	1.063	0.499	2.713	59.697	0.724	0.340	2.442	65.938	0.453	0.212
2041/42	23	0.453	1.910	45.841	1.818	58.784	(0.092)	(0.042)	3.053	48.843	1.143	0.518	2.713	56.983	0.803	0.364	2.442	63.496	0.532	0.241
2042/43	24	0.438	1.834	44.007	1.764	57.021	(0.070)	(0.031)	3.053	45.790	1.219	0.534	2.713	54.270	0.880	0.385	2.442	61.053	0.609	0.267
2043/44	25	0.423	1.760	42.247	1.711	55.310	(0.050)	(0.021)	3.053	42.737	1.292	0.547	2.713	51.556	0.953	0.403	2.442	58.611	0.682	0.289
2044/45	26	0.409	1.690	40.557	1.659	53.651	(0.031)	(0.012)	3.053	39.685	1.363	0.557	2.713	48.843	1.024	0.418	2.442	56.169	0.752	0.308
2045/46	27	0.395	1.622	38.935	1.610	52.041	(0.013)	(0.005)	3.053	36.632	1.430	0.565	2.713	46.129	1.091	0.431	2.442	53.727	0.820	0.324
2046/47	28	0.382	1.557	37.377	1.561	50.480	0.004	0.001	3.053	33.579	1.495	0.571	2.713	43.416	1.156	0.441	2.442	51.285	0.885	0.338
2047/48	29	0.369	1.495	35.882	1.514	48.966	0.019	0.007	3.053	30.527	1.558	0.574	2.713	40.702	1.218	0.449	2.442	48.843	0.947	0.349
2048/49	30	0.356	1.435	34.447	1.469	47.497	0.034	0.012	3.053	27.474	1.617	0.576	2.713	37.989	1.278	0.455	2.442	46.401	1.007	0.359
2049/50	31	0.344	1.378	33.069	1.425	46.072	0.047	0.016	3.053	24.421	1.675	0.577	2.713	35.275	1.336	0.460	2.442	43.959	1.064	0.366
2050/51	32	0.333	1.323	31.746	1.382	44.690	0.059	0.020	3.053	21.369	1.730	0.575	2.713	32.562	1.391	0.463	2.442	41.516	1.119	0.372
2051/52	33	0.321	1.270	30.476	1.341	43.349	0.071	0.023	3.053	18.316	1.783	0.573	2.713	29.848	1.444	0.464	2.442	39.074	1.172	0.377
2052/53	34	0.310	1.219	29.257	1.300	42.049	0.081	0.025	3.053	15.263	1.834	0.569	2.713	27.135	1.494	0.464	2.442	36.632	1.223	0.380
2053/54	35	0.300	1.170	28.087	1.261	40.787	0.091	0.027	3.053	12.211	1.882	0.565	2.713	24.421	1.543	0.463	2.442	34.190	1.272	0.382
2054/55	36	0.290	1.123	26.963	1.224	39.563	0.100	0.029	3.053	9.158	1.929	0.559	2.713	21.708	1.590	0.461	2.442	31.748	1.319	0.382
2055/56	37	0.280	1.079	25.885	1.187	38.377	0.108	0.030	3.053	6.105	1.974	0.553	2.713	18.994	1.635	0.458	2.442	29.306	1.364	0.382
2056/57	38	0.271	1.035	24.850	1.151	37.225	0.116	0.031	3.053	3.053	2.017	0.546	2.713	16.281	1.678	0.454	2.442	26.864	1.407	0.381
2057/58	39	0.261	0.994	23.856	1.117	36.109	0.123	0.032	3.053	(0.000)	2.059	0.538	2.713	13.567	1.720	0.450	2.442	24.421	1.448	0.379
2058/59	40	0.253	0.954	22.901	1.083	35.025	0.129	0.033	0.000		(0.954)	(0.241)	2.713	10.854	1.759	0.444	2.442	21.979	1.488	0.376
2059/60	41	0.244	0.916	21.985	1.051	33.975	0.135	0.033	0.000		(0.916)	(0.224)	2.713	8.140	1.797	0.439	2.442	19.537	1.526	0.372
2060/61	42	0.236	0.879	21.106	1.019	32.955	0.140	0.033	0.000		(0.879)	(0.207)	2.713	5.427	1.834	0.432	2.442	17.095	1.563	0.368
2061/62	43	0.228	0.844	20.262	0.989	31.967	0.144	0.033	0.000		(0.844)	(0.192)	2.713	2.713	1.869	0.426	2.442	14.653	1.598	0.364
2062/63	44	0.220	0.810	19.451	0.959	31.008	0.149	0.033	0.000		(0.810)	(0.178)	2.713	0.000	1.903	0.419	2.442	12.211	1.632	0.359
2063/64	45	0.213	0.778	18.673	0.930	30.077	0.152	0.032	0.000		(0.778)	(0.165)	0.000	0.000	(0.778)	(0.165)	2.442	9.769	1.664	0.354
2064/65	46	0.205	0.747	17.926	0.902	29.175	0.155	0.032	0.000		(0.747)	(0.153)	0.000	0.000	(0.747)	(0.153)	2.442	7.326	1.695	0.348
2065/66	47	0.199	0.717	17.209	0.875	28.300	0.158	0.031	0.000		(0.717)	(0.142)	0.000	0.000	(0.717)	(0.142)	2.442	4.884	1.725	0.342
2066/67	48	0.192	0.688	16.521	0.849	27.451	0.161	0.031	0.000		(0.688)	(0.132)	0.000	0.000	(0.688)	(0.132)	2.442	2.442	1.754	0.336
2067/68	49	0.185	0.661	15.860	0.824	26.627	0.163	0.030	0.000		(0.661)	(0.122)	0.000	0.000	(0.661)	(0.122)	2.442	(0.000)	1.781	0.330
2068/69	50	0.179	0.634	15.226	0.799	25.828	0.164	0.029	0.000		(0.634)	(0.114)	0.000	0.000	(0.634)	(0.114)	0.000		(0.634)	(0.114)
2069/70	51	0.173	0.609	14.617	0.775	25.054	0.166	0.029	0.000		(0.609)	(0.105)	0.000	0.000	(0.609)	(0.105)	0.000		(0.609)	(0.105)

Prudent Minimum Revenue Provision (MRP) for the Repayment of Debt - Review of Supported Borrowing

APPENDIX B

Capital Financing Requirement at 01.04.2018  
Discount Rate (For Discounted Cash Flow (DCF))

£m  
122.107  
3.50%  
122,106,979.55

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Financial Year	Year	Discount Factor	Reducing Balance %		Straight Line															
			Current Method 4%		3%				40 Years				45 Years				50 Years			
			4.0%	y/e balance	3.0%	y/e balance	(Saving) / Increase p/a	DCF	2.5%	y/e balance	(Saving) / Increase p/a	DCF	2.22%	y/e balance	(Saving) / Increase p/a	DCF	2.0%	y/e balance	(Saving) / Increase p/a	DCF
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m		
2070/71	52	0.167	0.585	14.032	0.752	24.302	0.167	0.028	0.000		(0.585)	(0.098)	0.000	0.000	(0.585)	(0.098)	0.000		(0.585)	(0.098)
2071/72	53	0.161	0.561	13.471	0.729	23.573	0.168	0.027	0.000		(0.561)	(0.091)	0.000	0.000	(0.561)	(0.091)	0.000		(0.561)	(0.091)
2072/73	54	0.156	0.539	12.932	0.707	22.866	0.168	0.026	0.000		(0.539)	(0.084)	0.000	0.000	(0.539)	(0.084)	0.000		(0.539)	(0.084)
2073/74	55	0.151	0.517	12.415	0.686	22.180	0.169	0.025	0.000		(0.517)	(0.078)	0.000	0.000	(0.517)	(0.078)	0.000		(0.517)	(0.078)
2074/75	56	0.146	0.497	11.918	0.665	21.514	0.169	0.025	0.000		(0.497)	(0.072)	0.000	0.000	(0.497)	(0.072)	0.000		(0.497)	(0.072)
2075/76	57	0.141	0.477	11.441	0.645	20.869	0.169	0.024	0.000		(0.477)	(0.067)	0.000	0.000	(0.477)	(0.067)	0.000		(0.477)	(0.067)
2076/77	58	0.136	0.458	10.984	0.626	20.243	0.168	0.023	0.000		(0.458)	(0.062)	0.000	0.000	(0.458)	(0.062)	0.000		(0.458)	(0.062)
2077/78	59	0.131	0.439	10.544	0.607	19.636	0.168	0.022	0.000		(0.439)	(0.058)	0.000	0.000	(0.439)	(0.058)	0.000		(0.439)	(0.058)
2078/79	60	0.127	0.422	10.122	0.589	19.047	0.167	0.021	0.000		(0.422)	(0.054)	0.000	0.000	(0.422)	(0.054)	0.000		(0.422)	(0.054)
2079/80	61	0.123	0.405	9.718	0.571	18.475	0.166	0.020	0.000		(0.405)	(0.050)	0.000	0.000	(0.405)	(0.050)	0.000		(0.405)	(0.050)
2080/81	62	0.118	0.389	9.329	0.554	17.921	0.166	0.020	0.000		(0.389)	(0.046)	0.000	0.000	(0.389)	(0.046)	0.000		(0.389)	(0.046)
2081/82	63	0.114	0.373	8.956	0.538	17.383	0.164	0.019	0.000		(0.373)	(0.043)	0.000	0.000	(0.373)	(0.043)	0.000		(0.373)	(0.043)
2082/83	64	0.111	0.358	8.597	0.521	16.862	0.163	0.018	0.000		(0.358)	(0.040)	0.000	0.000	(0.358)	(0.040)	0.000		(0.358)	(0.040)
2083/84	65	0.107	0.344	8.254	0.506	16.356	0.162	0.017	0.000		(0.344)	(0.037)	0.000	0.000	(0.344)	(0.037)	0.000		(0.344)	(0.037)
2084/85	66	0.103	0.330	7.923	0.491	15.865	0.161	0.017	0.000		(0.330)	(0.034)	0.000	0.000	(0.330)	(0.034)	0.000		(0.330)	(0.034)
2085/86	67	0.100	0.317	7.606	0.476	15.389	0.159	0.016	0.000		(0.317)	(0.032)	0.000	0.000	(0.317)	(0.032)	0.000		(0.317)	(0.032)
2086/87	68	0.096	0.304	7.302	0.462	14.928	0.157	0.015	0.000		(0.304)	(0.029)	0.000	0.000	(0.304)	(0.029)	0.000		(0.304)	(0.029)
2087/88	69	0.093	0.292	7.010	0.448	14.480	0.156	0.015	0.000		(0.292)	(0.027)	0.000	0.000	(0.292)	(0.027)	0.000		(0.292)	(0.027)
2088/89	70	0.090	0.280	6.730	0.434	14.045	0.154	0.014	0.000		(0.280)	(0.025)	0.000	0.000	(0.280)	(0.025)	0.000		(0.280)	(0.025)
2089/90	71	0.087	0.269	6.461	0.421	13.624	0.152	0.013	0.000		(0.269)	(0.023)	0.000	0.000	(0.269)	(0.023)	0.000		(0.269)	(0.023)
2090/91	72	0.084	0.258	6.202	0.409	13.215	0.150	0.013	0.000		(0.258)	(0.022)	0.000	0.000	(0.258)	(0.022)	0.000		(0.258)	(0.022)
2091/92	73	0.081	0.248	5.954	0.396	12.819	0.148	0.012	0.000		(0.248)	(0.020)	0.000	0.000	(0.248)	(0.020)	0.000		(0.248)	(0.020)
2092/93	74	0.078	0.238	5.716	0.385	12.434	0.146	0.011	0.000		(0.238)	(0.019)	0.000	0.000	(0.238)	(0.019)	0.000		(0.238)	(0.019)
2093/94	75	0.076	0.229	5.487	0.373	12.061	0.144	0.011	0.000		(0.229)	(0.017)	0.000	0.000	(0.229)	(0.017)	0.000		(0.229)	(0.017)
2094/95	76	0.073	0.219	5.268	0.362	11.699	0.142	0.010	0.000		(0.219)	(0.016)	0.000	0.000	(0.219)	(0.016)	0.000		(0.219)	(0.016)
2095/96	77	0.071	0.211	5.057	0.351	11.348	0.140	0.010	0.000		(0.211)	(0.015)	0.000	0.000	(0.211)	(0.015)	0.000		(0.211)	(0.015)
2096/97	78	0.068	0.202	4.855	0.340	11.008	0.138	0.009	0.000		(0.202)	(0.014)	0.000	0.000	(0.202)	(0.014)	0.000		(0.202)	(0.014)
2097/98	79	0.066	0.194	4.661	0.330	10.678	0.136	0.009	0.000		(0.194)	(0.013)	0.000	0.000	(0.194)	(0.013)	0.000		(0.194)	(0.013)
2098/99	80	0.064	0.186	4.474	0.320	10.357	0.134	0.009	0.000		(0.186)	(0.012)	0.000	0.000	(0.186)	(0.012)	0.000		(0.186)	(0.012)
2099/00	81	0.062	0.179	4.295	0.311	10.047	0.132	0.008	0.000		(0.179)	(0.011)	0.000	0.000	(0.179)	(0.011)	0.000		(0.179)	(0.011)
2100/01	82	0.060	0.172	4.123	0.301	9.745	0.130	0.008	0.000		(0.172)	(0.010)	0.000	0.000	(0.172)	(0.010)	0.000		(0.172)	(0.010)
2101/02	83	0.058	0.165	3.958	0.292	9.453	0.127	0.007	0.000		(0.165)	(0.009)	0.000	0.000	(0.165)	(0.009)	0.000		(0.165)	(0.009)
2102/03	84	0.056	0.158	3.800	0.284	9.169	0.125	0.007	0.000		(0.158)	(0.009)	0.000	0.000	(0.158)	(0.009)	0.000		(0.158)	(0.009)
2103/04	85	0.054	0.152	3.648	0.275	8.894	0.123	0.007	0.000		(0.152)	(0.008)	0.000	0.000	(0.152)	(0.008)	0.000		(0.152)	(0.008)
2104/05	86	0.052	0.146	3.502	0.267	8.627	0.121	0.006	0.000		(0.146)	(0.008)	0.000	0.000	(0.146)	(0.008)	0.000		(0.146)	(0.008)
2105/06	87	0.050	0.140	3.362	0.259	8.369	0.119	0.006	0.000		(0.140)	(0.007)	0.000	0.000	(0.140)	(0.007)	0.000		(0.140)	(0.007)
2106/07	88	0.048	0.134	3.228	0.251	8.118	0.117	0.006	0.000		(0.134)	(0.007)	0.000	0.000	(0.134)	(0.007)	0.000		(0.134)	(0.007)
2107/08	89	0.047	0.129	3.098	0.244	7.874	0.114	0.005	0.000		(0.129)	(0.006)	0.000	0.000	(0.129)	(0.006)	0.000		(0.129)	(0.006)
2108/09	90	0.045	0.124	2.975	0.236	7.638	0.112	0.005	0.000		(0.124)	(0.006)	0.000	0.000	(0.124)	(0.006)	0.000		(0.124)	(0.006)
2109/10	91	0.044	0.119	2.856	0.229	7.409	0.110	0.005	0.000		(0.119)	(0.005)	0.000	0.000	(0.119)	(0.005)	0.000		(0.119)	(0.005)
2110/11	92	0.042	0.114	2.741	0.222	7.186	0.108	0.005	0.000		(0.114)	(0.005)	0.000	0.000	(0.114)	(0.005)	0.000		(0.114)	(0.005)
2111/12	93	0.041	0.110	2.632	0.216	6.971	0.106	0.004	0.000		(0.110)	(0.004)	0.000	0.000	(0.110)	(0.004)	0.000		(0.110)	(0.004)
2112/13	94	0.039	0.105	2.526	0.209	6.762	0.104	0.004	0.000		(0.105)	(0.004)	0.000	0.000	(0.105)	(0.004)	0.000		(0.105)	(0.004)
2113/14	95	0.038	0.101	2.425	0.203	6.559	0.102	0.004	0.000		(0.101)	(0.004)	0.000	0.000	(0.101)	(0.004)	0.000		(0.101)	(0.004)
2114/15	96	0.037	0.097	2.328	0.197	6.362	0.100	0.004	0.000		(0.097)	(0.004)	0.000	0.000	(0.097)	(0.004)	0.000		(0.097)	(0.004)
2115/16	97	0.036	0.093	2.235	0.191	6.171	0.098	0.003	0.000		(0.093)	(0.003)	0.000	0.000	(0.093)	(0.003)	0.000		(0.093)	(0.003)
2116/17	98	0.034	0.089	2.146	0.185	5.986	0.096	0.003	0.000		(0.089)	(0.003)	0.000	0.000	(0.089)	(0.003)	0.000		(0.089)	(0.003)
2117/18	99	0.033	0.086	2.060	0.180	5.806	0.094	0.003	0.000		(0.086)	(0.003)	0.000	0.000	(0.086)	(0.003)	0.000		(0.086)	(0.003)
2118/19	100	0.032	0.082	1.978	0.174	5.632	0.092	0.003	0.000		(0.082)	(0.003)	0.000	0.000	(0.082)	(0.003)	0.000		(0.082)	(0.003)
2119/20	101	0.031	0.079	1.898	0.169	5.463	0.090	0.003	0.000		(0.079)	(0.002)	0.000	0.000	(0.079)	(0.002)	0.000		(0.079)	(0.002)
2120/21	102	0.030	0.076	1.823	0.164	5.299	0.088	0.003	0.000		(0.076)	(0.002)	0.000	0.000	(0.076)	(0.002)	0.000		(0.076)	(0.002)
2121/22	103	0.029	0.073	1.750	0.159	5.140	0.086	0.002	0.000		(0.073)	(0.002)	0.000	0.000	(0.073)	(0.002)	0.000		(0.073)	(0.002)

Prudent Minimum Revenue Provision (MRP) for the Repayment of Debt - Review of Supported Borrowing

APPENDIX B

Capital Financing Requirement at 01.04.2018  
Discount Rate (For Discounted Cash Flow (DCF))

£m  
122.107  
3.50%  
122,106,979.55

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Financial Year	Year	Discount Factor	Reducing Balance %		Straight Line															
			Current Method 4%		3%				40 Years				45 Years				50 Years			
			4.0%	y/e balance	3.0%	y/e balance	(Saving) / Increase p/a	DCF	2.5%	y/e balance	(Saving) / Increase p/a	DCF	2.22%	y/e balance	(Saving) / Increase p/a	DCF	2.0%	y/e balance	(Saving) / Increase p/a	DCF
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m		
2122/23	104	0.028	0.070	1.680	0.154	4.986	0.084	0.002	0.000		(0.070)	(0.002)	0.000	0.000	(0.070)	(0.002)	0.000		(0.070)	(0.002)
2123/24	105	0.027	0.067	1.612	0.150	4.837	0.082	0.002	0.000		(0.067)	(0.002)	0.000	0.000	(0.067)	(0.002)	0.000		(0.067)	(0.002)
2124/25	106	0.026	0.064	1.548	0.145	4.692	0.081	0.002	0.000		(0.064)	(0.002)	0.000	0.000	(0.064)	(0.002)	0.000		(0.064)	(0.002)
2125/26	107	0.025	0.062	1.486	0.141	4.551	0.079	0.002	0.000		(0.062)	(0.002)	0.000	0.000	(0.062)	(0.002)	0.000		(0.062)	(0.002)
2126/27	108	0.024	0.059	1.427	0.137	4.414	0.077	0.002	0.000		(0.059)	(0.001)	0.000	0.000	(0.059)	(0.001)	0.000		(0.059)	(0.001)
2127/28	109	0.024	0.057	1.370	0.132	4.282	0.075	0.002	0.000		(0.057)	(0.001)	0.000	0.000	(0.057)	(0.001)	0.000		(0.057)	(0.001)
2128/29	110	0.023	0.055	1.315	0.128	4.153	0.074	0.002	0.000		(0.055)	(0.001)	0.000	0.000	(0.055)	(0.001)	0.000		(0.055)	(0.001)
2129/30	111	0.022	0.053	1.262	0.125	4.029	0.072	0.002	0.000		(0.053)	(0.001)	0.000	0.000	(0.053)	(0.001)	0.000		(0.053)	(0.001)
2130/31	112	0.021	0.050	1.212	0.121	3.908	0.070	0.001	0.000		(0.050)	(0.001)	0.000	0.000	(0.050)	(0.001)	0.000		(0.050)	(0.001)
2131/32	113	0.020	0.048	1.163	0.117	3.791	0.069	0.001	0.000		(0.048)	(0.001)	0.000	0.000	(0.048)	(0.001)	0.000		(0.048)	(0.001)
2132/33	114	0.020	0.047	1.117	0.114	3.677	0.067	0.001	0.000		(0.047)	(0.001)	0.000	0.000	(0.047)	(0.001)	0.000		(0.047)	(0.001)
2133/34	115	0.019	0.045	1.072	0.110	3.567	0.066	0.001	0.000		(0.045)	(0.001)	0.000	0.000	(0.045)	(0.001)	0.000		(0.045)	(0.001)
2134/35	116	0.018	0.043	1.029	0.107	3.460	0.064	0.001	0.000		(0.043)	(0.001)	0.000	0.000	(0.043)	(0.001)	0.000		(0.043)	(0.001)
2135/36	117	0.018	0.041	0.988	0.104	3.356	0.063	0.001	0.000		(0.041)	(0.001)	0.000	0.000	(0.041)	(0.001)	0.000		(0.041)	(0.001)
2136/37	118	0.017	0.040	0.948	0.101	3.255	0.061	0.001	0.000		(0.040)	(0.001)	0.000	0.000	(0.040)	(0.001)	0.000		(0.040)	(0.001)
2137/38	119	0.017	0.038	0.911	0.098	3.158	0.060	0.001	0.000		(0.038)	(0.001)	0.000	0.000	(0.038)	(0.001)	0.000		(0.038)	(0.001)
2138/39	120	0.016	0.036	0.874	0.095	3.063	0.058	0.001	0.000		(0.036)	(0.001)	0.000	0.000	(0.036)	(0.001)	0.000		(0.036)	(0.001)
2139/40	121	0.016	0.035	0.839	0.092	2.971	0.057	0.001	0.000		(0.035)	(0.001)	0.000	0.000	(0.035)	(0.001)	0.000		(0.035)	(0.001)
2140/41	122	0.015	0.034	0.806	0.089	2.882	0.056	0.001	0.000		(0.034)	(0.001)	0.000	0.000	(0.034)	(0.001)	0.000		(0.034)	(0.001)
2141/42	123	0.015	0.032	0.773	0.086	2.795	0.054	0.001	0.000		(0.032)	(0.000)	0.000	0.000	(0.032)	(0.000)	0.000		(0.032)	(0.000)
2142/43	124	0.014	0.031	0.742	0.084	2.711	0.053	0.001	0.000		(0.031)	(0.000)	0.000	0.000	(0.031)	(0.000)	0.000		(0.031)	(0.000)
2143/44	125	0.014	0.030	0.713	0.081	2.630	0.052	0.001	0.000		(0.030)	(0.000)	0.000	0.000	(0.030)	(0.000)	0.000		(0.030)	(0.000)
2144/45	126	0.013	0.029	0.684	0.079	2.551	0.050	0.001	0.000		(0.029)	(0.000)	0.000	0.000	(0.029)	(0.000)	0.000		(0.029)	(0.000)
2145/46	127	0.013	0.027	0.657	0.077	2.475	0.049	0.001	0.000		(0.027)	(0.000)	0.000	0.000	(0.027)	(0.000)	0.000		(0.027)	(0.000)
2146/47	128	0.012	0.026	0.631	0.074	2.400	0.048	0.001	0.000		(0.026)	(0.000)	0.000	0.000	(0.026)	(0.000)	0.000		(0.026)	(0.000)
2147/48	129	0.012	0.025	0.605	0.072	2.328	0.047	0.001	0.000		(0.025)	(0.000)	0.000	0.000	(0.025)	(0.000)	0.000		(0.025)	(0.000)
2148/49	130	0.011	0.024	0.581	0.070	2.259	0.046	0.001	0.000		(0.024)	(0.000)	0.000		(0.024)	(0.000)	0.000		(0.024)	(0.000)
2149/50	131	0.011	0.023	0.558	0.068	2.191	0.045	0.000	0.000		(0.023)	(0.000)	0.000		(0.023)	(0.000)	0.000		(0.023)	(0.000)
2150/51	132	0.011	0.022	0.536	0.066	2.125	0.043	0.000	0.000		(0.022)	(0.000)	0.000		(0.022)	(0.000)	0.000		(0.022)	(0.000)
2151/52	133	0.010	0.021	0.514	0.064	2.061	0.042	0.000	0.000		(0.021)	(0.000)	0.000		(0.021)	(0.000)	0.000		(0.021)	(0.000)
2152/53	134	0.010	0.021	0.494	0.062	2.000	0.041	0.000	0.000		(0.021)	(0.000)	0.000		(0.021)	(0.000)	0.000		(0.021)	(0.000)
2153/54	135	0.010	0.020	0.474	0.060	1.940	0.040	0.000	0.000		(0.020)	(0.000)	0.000		(0.020)	(0.000)	0.000		(0.020)	(0.000)
2154/55	136	0.009	0.019	0.455	0.058	1.881	0.039	0.000	0.000		(0.019)	(0.000)	0.000		(0.019)	(0.000)	0.000		(0.019)	(0.000)
2155/56	137	0.009	0.018	0.437	0.056	1.825	0.038	0.000	0.000		(0.018)	(0.000)	0.000		(0.018)	(0.000)	0.000		(0.018)	(0.000)
2156/57	138	0.009	0.017	0.419	0.055	1.770	0.037	0.000	0.000		(0.017)	(0.000)	0.000		(0.017)	(0.000)	0.000		(0.017)	(0.000)
2157/58	139	0.008	0.017	0.402	0.053	1.717	0.036	0.000	0.000		(0.017)	(0.000)	0.000		(0.017)	(0.000)	0.000		(0.017)	(0.000)
2158/59	140	0.008	0.016	0.386	0.052	1.666	0.035	0.000	0.000		(0.016)	(0.000)	0.000		(0.016)	(0.000)	0.000		(0.016)	(0.000)
2159/60	141	0.008	0.015	0.371	0.050	1.616	0.035	0.000	0.000		(0.015)	(0.000)	0.000		(0.015)	(0.000)	0.000		(0.015)	(0.000)
2160/61	142	0.008	0.015	0.356	0.048	1.567	0.034	0.000	0.000		(0.015)	(0.000)	0.000		(0.015)	(0.000)	0.000		(0.015)	(0.000)
2161/62	143	0.007	0.014	0.342	0.047	1.520	0.033	0.000	0.000		(0.014)	(0.000)	0.000		(0.014)	(0.000)	0.000		(0.014)	(0.000)
2162/63	144	0.007	0.014	0.328	0.046	1.474	0.032	0.000	0.000		(0.014)	(0.000)	0.000		(0.014)	(0.000)	0.000		(0.014)	(0.000)
2163/64	145	0.007	0.013	0.315	0.044	1.430	0.031	0.000	0.000		(0.013)	(0.000)	0.000		(0.013)	(0.000)	0.000		(0.013)	(0.000)
2164/65	146	0.007	0.013	0.302	0.043	1.387	0.030	0.000	0.000		(0.013)	(0.000)	0.000		(0.013)	(0.000)	0.000		(0.013)	(0.000)
2165/66	147	0.006	0.012	0.290	0.042	1.346	0.030	0.000	0.000		(0.012)	(0.000)	0.000		(0.012)	(0.000)	0.000		(0.012)	(0.000)
2166/67	148	0.006	0.012	0.279	0.040	1.305	0.029	0.000	0.000		(0.012)	(0.000)	0.000		(0.012)	(0.000)	0.000		(0.012)	(0.000)
2167/68	149	0.006	0.011	0.268	0.039	1.266	0.028	0.000	0.000		(0.011)	(0.000)	0.000		(0.011)	(0.000)	0.000		(0.011)	(0.000)
2168/69	150	0.006	0.011	0.257	0.038	1.228	0.027	0.000	0.000		(0.011)	(0.000)	0.000		(0.011)	(0.000)	0.000		(0.011)	(0.000)
2169/70	151	0.006	0.010	0.247	0.037	1.191	0.027	0.000	0.000		(0.010)	(0.000)	0.000		(0.010)	(0.000)	0.000		(0.010)	(0.000)
2170/71	152	0.005	0.010	0.237	0.036	1.156	0.026	0.000	0.000		(0.010)	(0.000)	0.000		(0.010)	(0.000)	0.000		(0.010)	(0.000)
2171/72	153	0.005	0.009	0.227	0.035	1.121	0.025	0.000	0.000		(0.009)	(0.000)	0.000		(0.009)	(0.000)	0.000		(0.009)	(0.000)
2172/73	154	0.005	0.009	0.218	0.034	1.087	0.025	0.000	0.000		(0.009)	(0.000)	0.000		(0.009)	(0.000)	0.000		(0.009)	(0.000)
2173/74	155	0.005	0.009	0.209	0.033	1.055	0.024	0.000	0.000		(0.009)	(0.000)	0.000		(0.009)	(0.000)	0.000		(0.009)	(0.000)



Prudent Minimum Revenue Provision (MRP) for the Repayment of Debt - Review of Supported Borrowing

APPENDIX B

Capital Financing Requirement at 01.04.2018  
Discount Rate (For Discounted Cash Flow (DCF))

£m  
122.107      122,106,979.55  
3.50%

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Financial Year	Year	Discount Factor	Reducing Balance %		Straight Line															
			Current Method 4%		3%				40 Years				45 Years				50 Years			
			4.0%	y/e balance	3.0%	y/e balance	(Saving) / Increase p/a	DCF	2.5%	y/e balance	(Saving) / Increase p/a	DCF	2.22%	y/e balance	(Saving) / Increase p/a	DCF	2.0%	y/e balance	(Saving) / Increase p/a	DCF
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m		
2174/75	156	0.005	0.008	0.201	0.032	1.023	0.023	0.000	0.000		(0.008)	(0.000)	0.000		(0.008)	(0.000)	0.000		(0.008)	(0.000)
2175/76	157	0.005	0.008	0.193	0.031	0.992	0.023	0.000	0.000		(0.008)	(0.000)	0.000		(0.008)	(0.000)	0.000		(0.008)	(0.000)
2176/77	158	0.004	0.008	0.185	0.030	0.963	0.022	0.000	0.000		(0.008)	(0.000)	0.000		(0.008)	(0.000)	0.000		(0.008)	(0.000)
2177/78	159	0.004	0.007	0.178	0.029	0.934	0.021	0.000	0.000		(0.007)	(0.000)	0.000		(0.007)	(0.000)	0.000		(0.007)	(0.000)
2178/79	160	0.004	0.007	0.171	0.028	0.906	0.021	0.000	0.000		(0.007)	(0.000)	0.000		(0.007)	(0.000)	0.000		(0.007)	(0.000)
2179/80	161	0.004	0.007	0.164	0.027	0.879	0.020	0.000	0.000		(0.007)	(0.000)	0.000		(0.007)	(0.000)	0.000		(0.007)	(0.000)
2180/81	162	0.004	0.007	0.157	0.026	0.852	0.020	0.000	0.000		(0.007)	(0.000)	0.000		(0.007)	(0.000)	0.000		(0.007)	(0.000)
2181/82	163	0.004	0.006	0.151	0.026	0.827	0.019	0.000	0.000		(0.006)	(0.000)	0.000		(0.006)	(0.000)	0.000		(0.006)	(0.000)
2182/83	164	0.004	0.006	0.145	0.025	0.802	0.019	0.000	0.000		(0.006)	(0.000)	0.000		(0.006)	(0.000)	0.000		(0.006)	(0.000)
2183/84	165	0.003	0.006	0.139	0.024	0.778	0.018	0.000	0.000		(0.006)	(0.000)	0.000		(0.006)	(0.000)	0.000		(0.006)	(0.000)
2184/85	166	0.003	0.006	0.134	0.023	0.754	0.018	0.000	0.000		(0.006)	(0.000)	0.000		(0.006)	(0.000)	0.000		(0.006)	(0.000)
2185/86	167	0.003	0.005	0.128	0.023	0.732	0.017	0.000	0.000		(0.005)	(0.000)	0.000		(0.005)	(0.000)	0.000		(0.005)	(0.000)
2186/87	168	0.003	0.005	0.123	0.022	0.710	0.017	0.000	0.000		(0.005)	(0.000)	0.000		(0.005)	(0.000)	0.000		(0.005)	(0.000)
2187/88	169	0.003	0.005	0.118	0.021	0.689	0.016	0.000	0.000		(0.005)	(0.000)	0.000		(0.005)	(0.000)	0.000		(0.005)	(0.000)
2188/89	170	0.003	0.005	0.114	0.021	0.668	0.016	0.000	0.000		(0.005)	(0.000)	0.000		(0.005)	(0.000)	0.000		(0.005)	(0.000)
2189/90	171	0.003	0.005	0.109	0.020	0.648	0.015	0.000	0.000		(0.005)	(0.000)	0.000		(0.005)	(0.000)	0.000		(0.005)	(0.000)
2190/91	172	0.003	0.004	0.105	0.019	0.628	0.015	0.000	0.000		(0.004)	(0.000)	0.000		(0.004)	(0.000)	0.000		(0.004)	(0.000)
2191/92	173	0.003	0.004	0.100	0.019	0.610	0.015	0.000	0.000		(0.004)	(0.000)	0.000		(0.004)	(0.000)	0.000		(0.004)	(0.000)
2192/93	174	0.003	0.004	0.096	0.018	0.591	0.014	0.000	0.000		(0.004)	(0.000)	0.000		(0.004)	(0.000)	0.000		(0.004)	(0.000)
2193/94	175	0.002	0.004	0.093	0.018	0.574	0.014	0.000	0.000		(0.004)	(0.000)	0.000		(0.004)	(0.000)	0.000		(0.004)	(0.000)
2194/95	176	0.002	0.004	0.089	0.017	0.556	0.014	0.000	0.000		(0.004)	(0.000)	0.000		(0.004)	(0.000)	0.000		(0.004)	(0.000)
2195/96	177	0.002	0.004	0.085	0.017	0.540	0.013	0.000	0.000		(0.004)	(0.000)	0.000		(0.004)	(0.000)	0.000		(0.004)	(0.000)
2196/97	178	0.002	0.003	0.082	0.016	0.523	0.013	0.000	0.000		(0.003)	(0.000)	0.000		(0.003)	(0.000)	0.000		(0.003)	(0.000)
2197/98	179	0.002	0.003	0.079	0.016	0.508	0.012	0.000	0.000		(0.003)	(0.000)	0.000		(0.003)	(0.000)	0.000		(0.003)	(0.000)
2198/99	180	0.002	0.003	0.075	0.015	0.493	0.012	0.000	0.000		(0.003)	(0.000)	0.000		(0.003)	(0.000)	0.000		(0.003)	(0.000)
2199/00	181	0.002	0.003	0.072	0.015	0.478	0.012	0.000	0.000		(0.003)	(0.000)	0.000		(0.003)	(0.000)	0.000		(0.003)	(0.000)
2200/01	182	0.002	0.003	0.070	0.014	0.463	0.011	0.000	0.000		(0.003)	(0.000)	0.000		(0.003)	(0.000)	0.000		(0.003)	(0.000)
2201/02	183	0.002	0.003	0.067	0.014	0.450	0.011	0.000	0.000		(0.003)	(0.000)	0.000		(0.003)	(0.000)	0.000		(0.003)	(0.000)
2202/03	184	0.002	0.003	0.064	0.013	0.436	0.011	0.000	0.000		(0.003)	(0.000)	0.000		(0.003)	(0.000)	0.000		(0.003)	(0.000)
2203/04	185	0.002	0.003	0.062	0.013	0.423	0.011	0.000	0.000		(0.003)	(0.000)	0.000		(0.003)	(0.000)	0.000		(0.003)	(0.000)
2204/05	186	0.002	0.002	0.059	0.013	0.410	0.010	0.000	0.000		(0.002)	(0.000)	0.000		(0.002)	(0.000)	0.000		(0.002)	(0.000)
2205/06	187	0.002	0.002	0.057	0.012	0.398	0.010	0.000	0.000		(0.002)	(0.000)	0.000		(0.002)	(0.000)	0.000		(0.002)	(0.000)
2206/07	188	0.002	0.002	0.054	0.012	0.386	0.010	0.000	0.000		(0.002)	(0.000)	0.000		(0.002)	(0.000)	0.000		(0.002)	(0.000)
2207/08	189	0.002	0.002	0.052	0.012	0.374	0.009	0.000	0.000		(0.002)	(0.000)	0.000		(0.002)	(0.000)	0.000		(0.002)	(0.000)
2208/09	190	0.001	0.002	0.050	0.011	0.363	0.009	0.000	0.000		(0.002)	(0.000)	0.000		(0.002)	(0.000)	0.000		(0.002)	(0.000)
2209/10	191	0.001	0.002	0.048	0.011	0.352	0.009	0.000	0.000		(0.002)	(0.000)	0.000		(0.002)	(0.000)	0.000		(0.002)	(0.000)
2210/11	192	0.001	0.002	0.046	0.011	0.342	0.009	0.000	0.000		(0.002)	(0.000)	0.000		(0.002)	(0.000)	0.000		(0.002)	(0.000)
2211/12	193	0.001	0.002	0.044	0.010	0.331	0.008	0.000	0.000		(0.002)	(0.000)	0.000		(0.002)	(0.000)	0.000		(0.002)	(0.000)
2212/13	194	0.001	0.002	0.043	0.010	0.322	0.008	0.000	0.000		(0.002)	(0.000)	0.000		(0.002)	(0.000)	0.000		(0.002)	(0.000)
2213/14	195	0.001	0.002	0.041	0.010	0.312	0.008	0.000	0.000		(0.002)	(0.000)	0.000		(0.002)	(0.000)	0.000		(0.002)	(0.000)
2214/15	196	0.001	0.002	0.039	0.009	0.303	0.008	0.000	0.000		(0.002)	(0.000)	0.000		(0.002)	(0.000)	0.000		(0.002)	(0.000)
2215/16	197	0.001	0.002	0.038	0.009	0.293	0.008	0.000	0.000		(0.002)	(0.000)	0.000		(0.002)	(0.000)	0.000		(0.002)	(0.000)
2216/17	198	0.001	0.002	0.036	0.009	0.285	0.007	0.000	0.000		(0.002)	(0.000)	0.000		(0.002)	(0.000)	0.000		(0.002)	(0.000)
2217/18	199	0.001	0.001	0.035	0.009	0.276	0.007	0.000	0.000		(0.001)	(0.000)	0.000		(0.001)	(0.000)	0.000		(0.001)	(0.000)
2218/19	200	0.001	0.001	0.033	0.008	0.268	0.007	0.000	0.000		(0.001)	(0.000)	0.000		(0.001)	(0.000)	0.000		(0.001)	(0.000)
<b>Total</b>			<b>122.074</b>		<b>121.839</b>		<b>(0.234)</b>	<b>(9.074)</b>	<b>122.107</b>		<b>0.033</b>	<b>0.069</b>	<b>122.107</b>		<b>0.033</b>	<b>(4.225)</b>	<b>122.107</b>		<b>0.033</b>	<b>(8.116)</b>



**ANNUAL MINIMUM REVENUE PROVISION STATEMENT 2018-19**

The Annual Minimum Revenue Provision Statement needs to be approved by Council before the start of each financial year. The MRP charges for 2018-19 will be on the following bases:-

- i. Capital expenditure incurred before 1 April 2008 and any capital expenditure after 1 April 2008 that is government supported expenditure the charge to revenue will be based on a straight line basis over 45 years of the opening Capital Financing Requirement after accounting adjustments. This charge was supplemented by voluntary MRP (based on the useful asset life) in respect of those assets which were financed by unsupported borrowing before 1 April 2008.
- ii. Supported capital expenditure that results in a significant asset (based on an internal assessment) incurred on or after 1 April 2008 and all unsupported capital expenditure, exercised under the Prudential Code, the MRP charge will be based on the Asset Life Method. The minimum revenue provision will be at equal annual instalments over the life of the asset. The first charge can be delayed until the year after the asset is operational but this will be at the discretion of the Section 151 Officer
- iii. for assets reclassified as finance leases under International Financial Reporting Standards (IFRS) or resulting from a Private Finance Initiative, the MRP charge will be regarded as met by a charge equal to the element of the rent/charge that goes to write down the balance sheet liability for the year
- iv. Where loans are made to other bodies for their capital expenditure with an obligation for the bodies to repay, no MRP will be charged. The capital receipts generated by the annual repayments on those loans will be put aside to repay debt instead
- v. MRP may be waived on expenditure recoverable within a prudent period of time through capital receipts (e.g. land purchases) or deferred to when the benefits from investment are scheduled to begin or when confirmed external grant payments towards that expenditure are expected.

The MRP Charge 2018-19 based on the estimated capital financing requirement is detailed below:-

	Options	Estimated Capital Financing Requirement 31-03-18	Estimated MRP 2018-19 £m
<p>Capital expenditure before 01-04-2008 and any after 01-04-2008 that does not result in a significant asset</p> <p style="text-align: right;">(Supported)</p> <p style="text-align: right;">122.19</p> <p style="text-align: right;">2.71</p>	(i)		
<p>Capital Expenditure before 01-04-2008</p> <p style="text-align: right;">(Unsupported)</p> <p style="text-align: right;">-</p>		-	-
<p>Supported capital expenditure that results in a significant asset, incurred on or after 1 April 2008</p> <p style="text-align: right;">(Supported)</p> <p style="text-align: right;">3.42</p> <p style="text-align: right;">0.13</p>	(ii)		
<p>Unsupported capital expenditure, exercised under the Prudential Code</p> <p style="text-align: right;">(Unsupported)</p> <p style="text-align: right;">26.95</p> <p style="text-align: right;">1.55</p>			
<p>PFI, Finance Leases and other arrangements</p> <p style="text-align: right;">PFI School</p> <p style="text-align: right;">17.64</p> <p style="text-align: right;">0.64</p> <p style="text-align: right;">Innovation Centre</p> <p style="text-align: right;">0.60</p> <p style="text-align: right;">0.06</p>	(iii)		
<b>TOTAL</b>		<b>170.80</b>	<b>5.09</b>

## BRIDGEND COUNTY BOROUGH COUNCIL

### REPORT TO COUNCIL

19 SEPTEMBER 2018

#### REPORT OF THE HEAD OF LEGAL AND REGULATORY SERVICES

##### INFORMATION REPORTS FOR NOTING

**1. Purpose of Report .**

1.1 The purpose of this report is to inform Council of the Information Reports for noting which have been published since its last scheduled meeting.

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

2.1 The report relates to the Corporate Priority Smarter Use of Resources by improving the way we communicate and engage with citizens.

**3. Background.**

3.1 At a previous meeting of Council, it was resolved to approve a revised procedure for the presentation to Council of Information Reports for noting.

**4. Current situation / proposal.**

4.1 Information Reports

The following information reports have been published since the last meeting of Council:-

<u>Title</u>	<u>Date Published</u>
Urgent Delegated Decision	13 September 2018
Urgent Delegated Decision	13 September 2018
Final Statement of Accounts 2017-18	13 September 2018

4.2 Availability of Documents

The documents have been circulated to Elected Members electronically via Email and placed on the BCBC website, and also are available from the date of publication.

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

5.1 This procedure has been adopted within the procedure rules of the Constitution.

**6. Equality Impact Assessment**

6.1 There are no negative equality implications arising from this report.

**7. Wellbeing of Future Generations (Wales) Act 2015 Implications**

7.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

**8. Financial Implications.**

8.1 There are no financial implications regarding this report.

**9. Recommendation.**

9.1 That Council acknowledges the publication of the documents listed in this report.

**K Watson  
Head of Legal and Regulatory Services  
20 August 2018**

**Contact Officer: Mark Anthony Galvin  
Senior Democratic Services Officer – Committees  
Telephone: (01656) 643148  
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**Postal address: Democratic Services  
Legal and Regulatory Services  
Civic Offices  
Angel Street  
Bridgend  
CF31 4WB**

**Background documents:** Reports referred to in Paragraph 4.1 of this report.

**BRIDGEND COUNTY BOROUGH COUNCIL**

**INFORMATION REPORT TO COUNCIL**

**19 SEPTEMBER 2018**

**REPORT OF THE MONITORING OFFICER**

**URGENT DELEGATED DECISIONS**

**1. Purpose of Report.**

- 1.1 To report to Council delegated decisions taken as a matter of urgency under the Scheme of Delegation of Functions.

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

- 2.1 The ability of Members and Officers to make decisions directly impacts upon the Authority's ability to implement the Corporate Improvement Objectives and Other Corporate Priorities.

**3. Background.**

- 3.1 The decisions required to be reported to Council under Paragraph 18 of the Overview & Scrutiny Procedure Rules which are to be found at Part 4 of the Constitution.

**4. Current situation / proposal.**

- 4.1 The decisions taken under Scheme A paragraph 1.1 by-passes the call-in procedure (as set out in paragraph 19 of Part 4 Rules of Procedure within the Constitution), are summarised as follows:-
- 4.2 WEL-ASC-18-035 - Award of contract for the provision of a care home.  
OPS-LEG-18-726 - Award of contracts for provision of mini bus/wheelchair Accessible vehicles  
EFS-ST-18-19 - Suspend Council CPR's to provide urgently Home to School Transport contracts

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

- 5.1 This report has no effect on the Council's Policy Framework and Procedure Rules.

**6. Equality Impact Assessment**

- 6.1 There are no negative equality implications arising from this report.

**7. Wellbeing of Future Generations (Wales) Act 2015 Implications**

- 7.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no impact upon the achievement of well-being goals/objectives as a result of this report.

**7. Financial Implications.**

7.1 There are no financial implications relating to the report.

**8. Recommendation.**

8.1 It is recommended that Council notes the report.

**K Watson**  
**Head of Legal and Regulatory Services and Monitoring Officer**  
**4 September 2018**

**Contact Officer:** **Mark Anthony Galvin**  
Senior Democratic Services Officer – Committees

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4WB

**Background documents**

Delegated Decision referred to in Paragraph 4.2 of the report.

**BRIDGEND COUNTY BOROUGH COUNCIL**

**INFORMATION REPORT TO COUNCIL**

**19 SEPTEMBER 2018**

**REPORT OF THE SECTION 151 OFFICER**

**FINAL STATEMENT OF ACCOUNTS 2017-18**

**1. Purpose of this report**

1.1 The purpose of this report is to inform Council of the audited Statement of Accounts for 2017-18.

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

2.1 This report assists in the achievement of the following corporate priority:

- Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

2.2 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 Council's audited Statement of Accounts for the financial year ended 31 March 2018 is attached as Appendix A. The preparation of the statement is a requirement of the Accounts and Audit (Wales) Regulations 2014 (as amended 2018). Its content is largely defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) 'Code of Practice on Local Authority Accounting in the United Kingdom' (the Code) which is in line with International Financial Reporting Standards and CIPFA's Service Reporting Code of Practice (SerCOP).

3.2 The audited Statement of Accounts are signed by the Chief Financial Officer as presenting a true and fair view of the financial position of the Council at 31 March 2018 and are approved by Audit Committee, following which the Auditor General for Wales signs the audit certification.

3.3 The Auditor General for Wales' Report to Members is included at page 86 of Appendix A which states that the accounting statements and related notes have been prepared in accordance with proper practice

and give a true and fair view of the financial position of the Council. There is also the certification of completion of the audit as required by the Public Audit (Wales) Act 2014.

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

4.1 The Statement of Accounts set out the Council's financial position as at 31 March 2018 and the Income and Expenditure for the year to 31 March 2018. The Council Fund balance as at 31 March 2018 presented in the pre-audit Statement of Accounts was £8.347 million. There were no audit adjustments that impacted on this position.

4.2 A signed version of the Statement of Accounts 2017-18 will be published on the Council's website no later than 30 September 2018 in accordance with Accounts and Audit (Wales) Regulations 2014 (as amended 2018).

#### **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 Whilst the production of the Statement of Accounts itself does not 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. Well-being of Future Generations (Wales) Act 2015 Implications**

7.1 This report links to the Council's long-term well-being objectives. It presents a positive picture in respect of both the 2017-18 revenue position and the accumulated reserves position.

#### **8. Financial implications**

8.1 These are reflected in the body of the report.

#### **9. Recommendation**

9.1 It is recommended that Members:-

- Note the audited Statement of Accounts 2017-18 (**Appendix A**)

**Gill Lewis**  
**Interim Head of Finance & s151 Officer**



**Contact Officer** : Mary Williams, Group Manager – Chief Accountant

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**Background Documents:**

Bridgend County Borough Council Statement of Accounts 2017-18  
The Accounts and Audit (Wales) (Amendment) Regulations 2014

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# Statement of Accounts

**Bridgend County Borough Council • 2017-18**



**Bridgend County Borough Council  
Civic Offices  
Angel Street  
BRIDGEND  
CF31 4WB  
(01656) 643643**

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## Narrative Report

### 1. Bridgend as a place

Bridgend is conveniently situated between Wales' Capital, Cardiff to the East and Swansea to the West, approximately 20 miles from each. Nestled just south of the M4 corridor, with easy access from both major cities, bounded by the Bristol Channel to the South, it is at the heart of the South Wales industrial and coastal belt. Bridgend as a County Borough is home to over 140,000 and continues to grow. The Borough's towns are undergoing redevelopment and a number of historic buildings and the town centres have been rejuvenated over recent years. To the North is the residential town of Maesteg and to the South West is the coastal town of Porthcawl. Bridgend is one of 22 Councils in Wales, and accounts for approximately 9% of the Principality's population.

- Welsh Government funding is falling year-on-year, and made up 54% of core funding in 2016-17, reducing to 52% in 2017-18
- The Council manages an asset base, excluding the road network, of £495 million to deliver its services
- The Council employs over 6,000 staff to deliver a wide range of services including education, social care, highways maintenance and economic development.
- An increasingly ageing population will continue to present challenges on the Council's budget in years to come

The Council has identified three priorities that are intended to improve the quality of life of people in the county while significantly changing the nature of the Council:

Supporting a successful economy	Helping people to become more self-reliant	Smarter use of resources
A successful, sustainable and inclusive economy that will be supported by a skilful, ambitious workforce.	Individuals and families that will be more independent and less reliant on traditional Council services.	A Council that has lean, robust processes and a skilful workforce. A supported third/community sector with the opportunity to take on services that meet citizens' needs.

Alongside this in April 2016, the Well-being of Future Generations (Wales) Act 2015 came into effect. The Act is about improving the economic, social, environmental and cultural well-being of Wales. It places a duty upon all public bodies to apply the principles of sustainable development to ensure that present needs are met without compromising the ability of future generations to meet their own needs. The Act sets out seven long-term national goals:

- A prosperous Wales
- A resilient Wales
- A healthier Wales
- A more equal Wales
- A Wales of cohesive communities
- A Wales of vibrant culture and thriving Welsh language
- A globally responsible Wales.

As a public body, we have a duty towards achieving the seven goals. The Act requires that we set our well-being objectives and take steps to realise them. The three priorities set out above are our well-being objectives and it is through these objectives that we will contribute most to the seven goals.

## 2. Governance

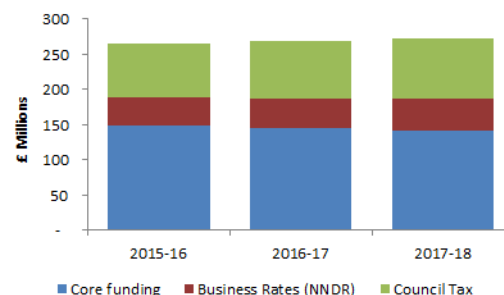
The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. This includes ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in delivering its functions in terms of strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation. The Annual Governance Statement included within these Statement of Accounts sets out in detail the Council's governance arrangements.

## 3. Financial Performance

### Financial context of the Council

The Council:

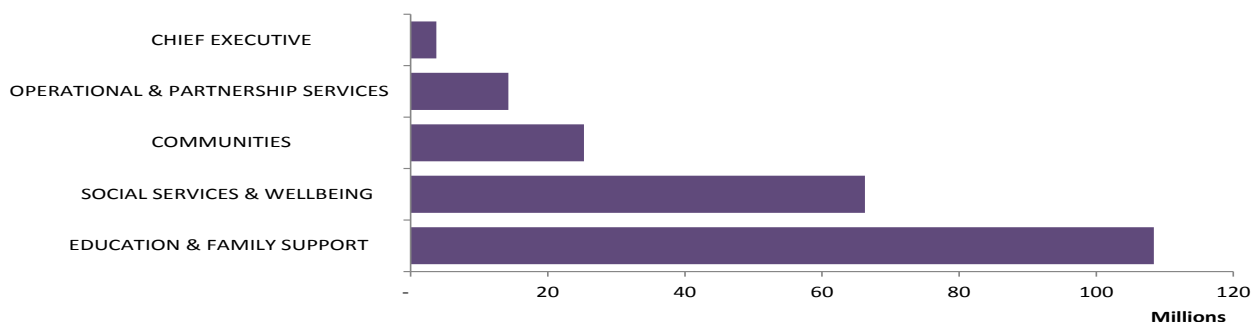
- Manages cash-flows and assets in excess of £687 million
- Holds £495 million of fixed assets, including £482 million of operational assets for delivering services, £9 million of long-term investments and £4 million intangible assets
- Generates £52 million of fees, internal and external charges and other service income used to deliver services



In common with the rest of local government, the Council has seen a real-terms reduction in its core funding but has been able to continue to deliver its services through achievement of efficiencies and innovative approaches to service delivery rather than through cuts to service delivery.

### Council Spending

Council spending by Department was within 99.85% of budget for all departments reflecting sound financial management and budgetary control. The table below shows the net spend by Directorate.



The council achieved underspend in the year of £0.387 million, or 0.15% of its net budget. This demonstrates its sound financial management throughout the year and its commitment to ensuring it

does not spend beyond its means. The Council's outturn report for the year can be found at: <https://democratic.bridgend.gov.uk/ieListDocuments.aspx?CId=141&Mid=3207&Ver=4&LLL=0>

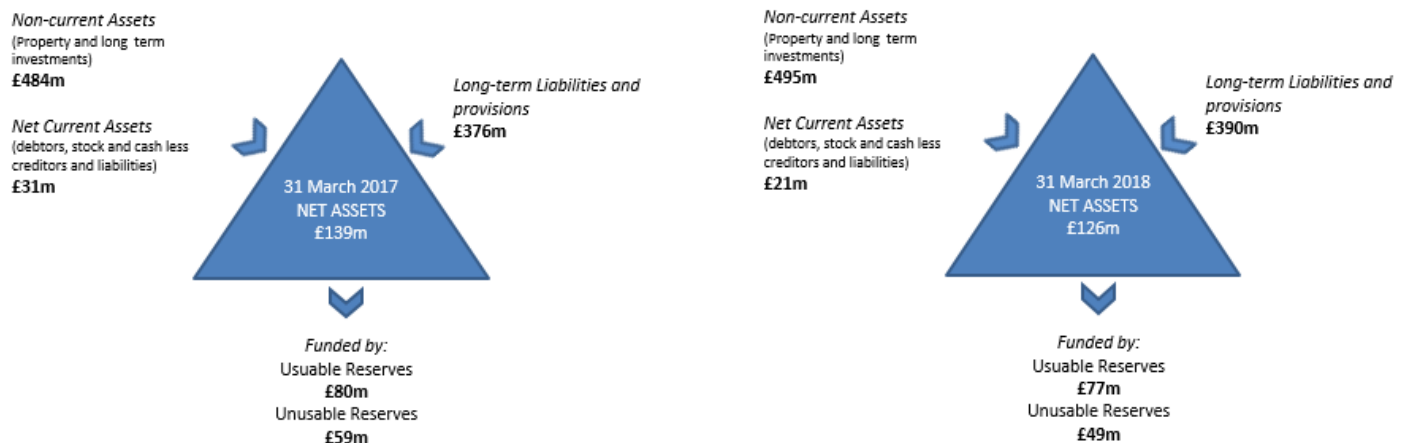
#### 4. Addressing future challenges

The Council faces significant challenges moving forward. These include demographic pressures, such as an ageing population and an increasing number of young people with complex disabilities living into adulthood and adding progressively to the demand for care. In addition to this there are inflationary pressures arising from specific contractual commitments and significant increases in staffing costs arising not only from the increase in the national living wage but also the agreed two-year deal for local government workers. Whilst the Welsh Government settlement for Bridgend for 2018-19 is an increase of 0.1%, the impact of new responsibilities on the Council in respect of increased capital limits on residential care, targeted relief to support local businesses and homelessness prevention means that the true position for Bridgend is a reduction of 0.25% year-on-year. Indications for the Welsh Government Settlement for Council's in 2019-20 suggests a funding reduction of 1% year-on-year, which again will not meet all of the pressures that the Council is facing.

Whilst the Council continues to face increasing pressures on its budget, it has approved a balanced budget for 2018-19.

#### 5. FINANCIAL POSITION

The Council maintains a strong balance sheet despite the financial challenges.



#### Borrowing

The council has long term borrowing outstanding as at 31 March 2018 of £97.421 million. This is a mixture of Public Works Loan Board (PWLB) of £77.617 million and Lender's Option Borrower's Option (LOBO's) of £19.804 million, to finance capital expenditure. More detail in relation to borrowing is provided in note 31. The borrowing should be seen in the context of the total value of the Council's long-term assets, which are shown in the Balance Sheet at £495 million. Borrowing is permitted in line with the Prudential Code for Capital Finance in Local Authorities regulations as long as, in the opinion of the Chief Finance Officer, the revenue costs are capable of being met and are in keeping with prudential indicators and guidelines. Given the strength of the Balance sheet, the Council's borrowing levels are reasonable.





Enable Smarter Use of resources:

- Continuing the significant investment in the Schools Modernisation Programme supported through 21<sup>st</sup> Century Schools funding.
- Energy efficiency schemes investing in street lighting and across Council buildings

Significant capital schemes during 2017-18 included the completion of Betws Primary School, and the commencement of a new primary school in Pencoed.



*Phase 1 of the new Betws Primary school completed in 2017-18. Phase 2 to build the new Welsh primary school commenced during the year and is anticipated to be completed during October 2018. Both were supported by the Welsh Government's 21<sup>st</sup> Century Schools Programme.*



*Work commenced on a new primary at Pencoed jointly financed through the Welsh Government 21<sup>st</sup> Century Schools Programme.*

## 7. ACCOUNTS PREPARATION

These Accounts have been produced in line with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2017-18, which is underpinned by International Financial Reporting Standards (IFRS). There have been no significant changes since the prior year.

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 the Section 151 officer for the preparation and approval of the Statement of Accounts.

**b) The Financial Statements**

*i. The Comprehensive Income & Expenditure Statement (CIES)*

The Comprehensive Income and Expenditure 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 from taxation. Councils raise taxation to cover expenditure in accordance with statutory requirements; this may be difference from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

The Comprehensive Income and Expenditure Statement is split into two parts.

The first part reflects the full economic cost of providing the services of the Council with the results summarised at the Surplus or Deficit on the Provision of Services line. It represents the operating costs of providing the services of the Council in the year. In the private sector this would be the equivalent to the profit or loss of a company.

The second part, other comprehensive income and expenditure, shows the gains or losses in the measurement of the assets and liabilities of the Council. Those gains or losses arise as a result of changes in market valuations, interest rates or changes in measurement assumptions relating to pensions assets and liabilities.

*ii. Movement in Reserves Statement (MiRS)*

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can currently be used to fund expenditure or reduce local taxation) and 'unusable' reserves, which must be set aside for specific purposes. It shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the

statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory Council Fund balance movements in the year following those adjustments.

*iii. Balance Sheet*

The Balance sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves represents those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement in 'Adjustment between accounting basis and funding basis under regulations'.

*iv. Cash Flow Statement*

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows 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 provided by the Council. Investing activities represent the extent to which cash outflows have been made for 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 capital (i.e. borrowing) to the Council.

**c) Notes to the Accounts**

These set out the Accounting Policies adopted for the Statement of Accounts and disclosures relating to the financial statements and include pensions and financial instruments disclosures. These include the Expenditure and Funding Analysis which shows how annual expenditure is used and funded from resources (government grants, fees and charges, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

**d) 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.

## 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.

Signed: \_\_\_\_\_ 06 September 2018

Chair of Audit Committee

### 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 as at 31 March 2018 and of its income and expenditure for the year ended 31 March 2018

Signed: \_\_\_\_\_ 06 September 2018







# Financial Statements

## Comprehensive Income and Expenditure Statement

2016-17 (restated)					2017-18				Notes
Gross Expenditure £'000	Govt Grants £'000	Other Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Govt Grants £'000	Other Income £'000	Net Expenditure £'000	
156,831	(23,128)	(18,018)	115,685	Education and Family Support	158,109	(23,977)	(16,546)	117,586	
85,871	(4,444)	(16,689)	64,738	Social Services and Wellbeing	92,805	(6,199)	(16,792)	69,814	
63,758	(9,177)	(14,765)	39,816	Communities	62,946	(7,923)	(13,697)	41,326	
28,001	(9,624)	(3,258)	15,119	Operational and Partnership	28,167	(9,257)	(2,840)	16,070	
54,702	(49,917)	(1,256)	3,529	Services	54,513	(49,338)	(1,087)	4,088	
17,879	(4)	(5,713)	12,162	Chief Executives and Finance	18,366	-	(962)	17,404	
				Central Services					
<b>407,042</b>	<b>(96,294)</b>	<b>(59,699)</b>	<b>251,049</b>	<b>Cost Of Services</b>	<b>414,906</b>	<b>(96,694)</b>	<b>(51,924)</b>	<b>266,288</b>	
				<b>Other Operating Expenditure</b>					
12,700			12,700	Precepts payable	13,567			13,567	7
6,881			6,881	Levies payable	6,968			6,968	7
1,050			1,050	(Gain) / loss on disposal of non current assets	1,815			1,815	
<b>20,631</b>	<b>-</b>	<b>-</b>	<b>20,631</b>	<b>Other Operating Expenditure</b>	<b>22,350</b>	<b>-</b>	<b>-</b>	<b>22,350</b>	
				<b>Financing and Investment Income and Expenditure</b>					
4,576			4,576	Interest payable on debt	4,567			4,567	
65			65	Interest element of finance leases (lessee)	60			60	
1,395			1,395	Interest payable on PFI unitary payments	1,352			1,352	13
8,050			8,050	Net Interest on Net Defined Benefit Liability	6,350			6,350	30
		(942)	(942)	Investment Interest & Other Interest Receivable			(959)	(959)	
				Changes in fair value of investment properties			(350)	(350)	
<b>14,086</b>	<b>-</b>	<b>(942)</b>	<b>13,144</b>	<b>Financing and Investment Income and Expenditure</b>	<b>12,329</b>	<b>-</b>	<b>(1,309)</b>	<b>11,020</b>	
				<b>Taxation and Non-Specific Grant Income</b>					
	(145,233)		(145,233)	Revenue Support Grant		(141,610)		(141,610)	8
		(42,142)	(42,142)	National Non Domestic Rates			(45,888)	(45,888)	9
		(81,049)	(81,049)	Council Tax			(84,617)	(84,617)	10
	(6,486)		(6,486)	Recognised capital grants and contributions		(13,024)		(13,024)	11
<b>-</b>	<b>(151,719)</b>	<b>(123,191)</b>	<b>(274,910)</b>	<b>Taxation and Non-Specific Grant Income</b>	<b>-</b>	<b>(154,634)</b>	<b>(130,505)</b>	<b>(285,139)</b>	
<b>441,759</b>	<b>(248,013)</b>	<b>(183,832)</b>	<b>9,914</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>449,585</b>	<b>(251,328)</b>	<b>(183,738)</b>	<b>14,519</b>	
		(8,705)	(8,705)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(10,830)	(10,830)	
3,941			3,941	Impairment losses on non-current assets charged to the Revaluation reserve	4,580			4,580	
		(1,960)	(1,960)	Actuarial (gains) / losses on pension liabilities	4,360			4,360	30
			<b>(6,724)</b>	<b>Other Comprehensive (Income) and Expenditure</b>				<b>(1,890)</b>	
			<b>3,190</b>	<b>Total Comprehensive (Income) and Expenditure</b>				<b>12,629</b>	



## Movement in Reserves Statement

	Council Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserves £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
<b>Balance at 31 March 2016 brought forward</b>	7,604	44,913	18,352	183	71,052	71,001	142,053
<b><u>Movement in Reserves during 2016-17</u></b>							
Total Comprehensive (Income) and Expenditure	(9,914)				(9,914)	6,724	(3,190)
Adjustments between accounting basis & funding basis under regulations (Note 20)	16,516		3,012	-	19,528	(19,528)	-
Transfers to Earmarked Reserves (Note 28)	(6,246)	6,246	-	-	-	-	-
<b>Increase/(Decrease) in 2016-17</b>	<b>356</b>	<b>6,246</b>	<b>3,012</b>	<b>-</b>	<b>9,614</b>	<b>(12,804)</b>	<b>(3,190)</b>
<b>Balance at 31 March 2017 carried forward</b>	<b>7,960</b>	<b>51,159</b>	<b>21,364</b>	<b>183</b>	<b>80,666</b>	<b>58,197</b>	<b>138,863</b>

	Council Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserves £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
<b>Balance at 31 March 2017 brought forward</b>	7,960	51,159	21,364	183	80,666	58,197	138,863
<b><u>Movement in Reserves during 2017-18</u></b>							
Total Comprehensive (Income) and Expenditure	(14,519)				(14,519)	1,890	(12,629)
Adjustments between accounting basis & funding basis under regulations (Note 20)	11,822		(203)	105	11,724	(11,724)	-
Transfers to Earmarked Reserves (Note 28)	3,084	(3,084)			-		
<b>Increase/(Decrease) in 2017-18</b>	<b>387</b>	<b>(3,084)</b>	<b>(203)</b>	<b>105</b>	<b>(2,795)</b>	<b>(9,834)</b>	<b>(12,629)</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>8,347</b>	<b>48,075</b>	<b>21,161</b>	<b>288</b>	<b>77,871</b>	<b>48,363</b>	<b>126,234</b>

## Balance Sheet

31 March 2017 £'000		31 March 2018 £'000	Notes
	<b>Property, Plant &amp; Equipment</b>		<b>21c</b>
379,014	Other Land and Buildings	381,032	
4,605	Vehicles, Plant, Furniture and Equipment	4,732	
70,047	Infrastructure	63,702	
5,015	Community Assets	4,914	
4,067	Assets under Construction	7,739	
8,237	Surplus Assets not Held for Sale	15,128	
73	<b>Heritage Assets</b>	220	
5,060	<b>Investment Property</b>	4,360	<b>22</b>
4,375	<b>Intangible Assets</b>	4,109	<b>21d</b>
4,003	<b>Long Term Investments</b>	9,010	<b>31</b>
8	<b>Long Term Debtors</b>	1	
<b>484,504</b>	<b>Long Term Assets</b>	<b>494,947</b>	
26,572	Short Term Investments	20,084	<b>31</b>
1,730	Assets Held for Sale	5,961	<b>24</b>
513	Inventories	583	
29,467	Short Term Debtors	31,058	<b>23</b>
1,664	Cash and Cash Equivalents	88	<b>31</b>
<b>59,946</b>	<b>Current Assets</b>	<b>57,774</b>	
(952)	Short Term Borrowing	(2,623)	<b>31</b>
(27,310)	Short Term Creditors	(32,254)	<b>25</b>
(1,214)	Provisions due in 1 year	(1,979)	
<b>(29,476)</b>	<b>Current Liabilities</b>	<b>(36,856)</b>	
(2,451)	Provisions due after 1 year	(2,222)	<b>26</b>
(97,432)	Long Term Borrowing	(97,421)	<b>31</b>
(21,064)	<b>Other Long Term Liabilities</b>	(20,267)	<b>27</b>
(252,450)	PFI & Other Long Term Liabilities	(268,620)	<b>30</b>
(2,714)	Net Pensions Liability		
	Capital Receipts in Advance	(1,101)	
<b>(376,111)</b>	<b>Long Term Liabilities</b>	<b>(389,631)</b>	
<b>138,863</b>	<b>Net Assets</b>	<b>126,234</b>	
	<b>Usable reserves</b>		<b>28</b>
7,960	Council Fund	8,347	
51,159	Earmarked reserves	48,075	<b>28b</b>
21,364	Capital Receipts Reserve	21,161	<b>28a</b>
183	Capital Grants Unapplied	288	
	<b>Unusable Reserves</b>		<b>29</b>
124,703	Revaluation Reserve	126,378	<b>29a</b>
(252,450)	Pensions Reserve	(268,620)	<b>29b</b>
189,468	Capital Adjustment Account	194,640	<b>29c</b>
(731)	Financial Instruments Adjustment Account	(723)	
(2,793)	Short-term Accumulating Compensated Absences Account	(3,312)	
<b>138,863</b>	<b>Total Reserves</b>	<b>126,234</b>	

## Cash Flow Statement

2016-17 £'000		2017-18 £'000	Notes
9,914	Net (surplus)/deficit on the Provision of Services	14,519	
(31,442)	Adjustments to net deficit on the provision of services for non-cash movements	(41,329)	<b>34</b>
11,778	Adjustments for Items included in the net deficit on the provision of services that are investing and financing activities	13,598	
<b>(9,750)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(13,212)</b>	<b>35</b>
22,614	Investing Activities	27,861	<b>36</b>
(7,346)	Financing Activities	(13,073)	<b>37</b>
<b>5,518</b>	<b>Net (Increase) / Decrease in Cash &amp; Cash Equivalents</b>	<b>1,576</b>	
(7,182)	Cash & Cash Equivalent at the beginning of the Reporting Period	(1,664)	
<b>(1,664)</b>	<b>Cash &amp; Cash Equivalent at the end of the Reporting Period</b>	<b>(88)</b>	

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.







# Notes to the Financial Statements

## Notes to the Financial Statements

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## 1. Accounting Policies

### 1.1 General principles

The Statement of Accounts summarises the Council's transactions for the 2017-18 financial year and its position at the year end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 in accordance with proper accounting practices. These practices comprise the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) 2017-18 and the *Service Reporting Code of Practice 2017-18* 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.

### 1.2 Standards that have been issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 (the Code) requires that the Council discloses information relating to the anticipated impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to the adoption of the following new or amended standards within the 2017-18 Code:

Standard	Effective date	Further details
<b>IFRS 9 Financial instruments</b>	2018-19	IFRS 9 financial instruments will replace IAS 39 and includes a new principles-based approach for the classification and measurement of financial assets. It also introduces a new impairment methodology for financial assets based on expected losses rather than incurred losses. This will result in earlier and more timely recognition of expected credit losses. The accounting requirements for financial liabilities are almost all carried forward unchanged from IAS 39.
<b>IFRS 15 Revenue from contracts with customers</b>	2018-19	IFRS 15 revenue from contracts with customers introduces a principles-based five-step model for recognising revenue arising from contracts with customers. It is based on a core principle requiring revenue recognition to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration the body expects to be entitled to, in exchange for those goods or services. It will also require more extensive disclosures than are currently required.
<b>IFRS 16 Leases</b>	2019-20	IFRS 16 will replace the current leases standard IAS 17. The key change is that it largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. It will lead to all leases being recognised on the balance sheet as an asset based on a 'right of use' principle with a corresponding liability for future rentals. This is a significant change in lessee accounting.

As their implementation is for financial years starting after from 1 April 2018 they would not have any impact on the 2017-18 Statements.

### 1.3 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 Council.
- 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.

### 1.4 Provisions, Contingent Liabilities and Contingent Assets

#### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For example, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

### **1.5 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 are 'Unusable' reserves as set out in Note 29 to the accounts.

### **1.6 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. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## 1.7 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, paid sick leave and bonuses for current employees. These 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 relevant Service Cost line in the Comprehensive Income and Expenditure Statement, but then reversed out through the Movement in 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 Council 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 relevant Service Cost 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 Council 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 Council. 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 Education and Family 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 entitled to be 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, 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:-
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Property – market value
- The change in the net pensions liability is analysed into the following components:-
  - 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
  - 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 Central Services in the Comprehensive Income and Expenditure Statement
  - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – 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.
  - Re-measurements 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:-
  - 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.

### 1.8 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

### 1.9 Overheads and Support Services

In line with the Code of Practice on Local Authority Accounting (the Code) for 2017-18, overheads and support services are shown in the relevant service where they are incurred and are not recharged out to supported service areas. Any internal income as a result of transactions between departments is shown in the supplying service line with the corresponding charge being shown in the recipient service line.

### 1.10 Intangible Assets

The Council accounts for software as intangible assets to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The most significant intangible asset is the Wales Community Care Information System (WCCIS) software development costs and licence.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful life used by the Council of the WCCIS is 8 years. Amortisation of the intangible asset is charged on a straight line basis over the useful life and is charged to the Social Services and Wellbeing line in the Comprehensive Income and Expenditure Statement.

### 1.11 Property, Plant and Equipment

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 Council 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.

All expenditure on Property, Plant and Equipment is recognised irrespective of value. Expenditure below £40,000 is considered non-enhancing and is immediately impaired unless cumulatively over more than one year the expenditure would amount to more than this value.

#### Measurement

Assets are initially measured at cost, comprising its purchase price and all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- **Land and buildings** – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- **Non-specialised operational properties** – existing use value (EUV)
- **Specialised operational properties (such as schools)** – depreciated replacement cost (DRC)
- **Vehicles, plant and equipment** – depreciated historical cost

- **Community assets** – historical cost
- **Assets under construction** – historical cost (until they become operational)
- **Infrastructure assets** – depreciated historical cost
- **Surplus assets and investment properties** – fair value
- **Assets held for sale** – lower of carrying amount and fair value less costs of sale

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 flow 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.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

### Revaluations

Assets included in the Balance Sheet at fair value or current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value or current value at the year-end. Revaluations of the Council's property assets are undertaken on a 3 year rolling programme basis. Revaluation gains since 1 April 2007 only are recognised in the Revaluation Reserve, the date of its inception. Previous revaluation gains 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 there have been previous revaluation gains against the asset held in the Revaluation Reserve, any subsequent loss is firstly written out against the accumulated Revaluation Reserve with any balance being charged against the Comprehensive Income and Expenditure Statement.

### Depreciation

Depreciation is provided for on Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. Exceptions are made for:

- Heritage assets
- Assets without a determinable finite useful life such as freehold land
- Assets that are not yet available for use i.e. assets under construction, and assets held for sale.

Depreciation is calculated on the value of the asset at the start of the year and on the following bases:

<b>Asset</b>	<b>Policy</b>	<b>Life</b>
Land	No depreciation charged	N/A
Buildings	Straight line depreciation on estimated remaining life	As advised by Valuer (between 1 - 79 years)
Vehicles, plant and equipment	Straight line depreciation on estimated remaining life	3 - 10 years
Infrastructure - Bridges	Straight line depreciation on estimated remaining life	30 years
Infrastructure - Roads	Straight line depreciation on estimated remaining life	15 years
Infrastructure - Other	Straight line depreciation on estimated remaining life	1 - 30 years

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.

### Componentisation

Assets purchased or revalued during the year are reviewed to confirm whether any part of the asset will have a significantly different useful life and a material impact on depreciation. Where this is the case the asset will be 'componentised' and the differing parts will be depreciated over their respective useful lives. Within the Council's asset portfolio there are a number of asset classes where componentisation is not considered, including:

- Equipment – as this is considered immaterial
- Asset classes which are not depreciated – such as land, investment property, heritage assets, community assets and assets held for sale.

### 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 criteria for recognising assets as being held for sale are:

- Available for immediate sale in present condition
- Sales highly probable
- Actively marketed
- Sales completion expected within 12 months.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

### 1.12 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 worth. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. The Council recognises its Civic Regalia and a number of paintings in the Balance Sheet at insurance value. The value of the paintings were added



to the Balance Sheet during 2017-18 based on an insurance valuation carried out by professional valuers during the year. According to the Code there is no prescribed minimum period between valuations and the Council does not intend to revalue its Heritage Assets in the near future unless there is evidence of impairment such as physical deterioration or damage, or doubts to their authenticity arise.

### 1.13 Charges to revenue for non-current assets

Services 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.

### 1.14 Revenue Expenditure Funded from Capital Resources under Statute (REFCUS)

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 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. Where this expenditure is funded by grants or contributions, this is also taken to the relevant service area where the expenditure has been charged.

### 1.15 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

##### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.



Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a rent-free period at the commencement of the lease).

## **The Council as a Lessor**

### Operating Leases

Where the Council 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 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 (e.g. 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.

### **1.16 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 re-measured amounts for the LOBOs on the Balance Sheet.

### **1.17 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.

### **1.18 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.

### **1.19 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 Council 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 Council at the end of the contracts for no additional charge, the Council 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 Council.

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.

### **1.20 Joint Arrangements**

The Council is part of a number of joint arrangements including the Joint Committee for the Cardiff Capital Region City Deal (CCRCD) which consists of 10 Partner Authorities: Blaenau Gwent; Caerphilly; Cardiff; Merthyr Tydfil; Monmouthshire; Newport; Rhondda-Cynon-Taf; Torfaen and the Vale of Glamorgan. The Joint Committee has been established to oversee delivery of a range of programmes designed to increase connectivity and to improve physical and digital infrastructure. The contributions to the Joint Committee are classified as Revenue Expenditure Funded from Capital Under Statute (REFCUS). The Council has not consolidated the assets or liabilities of the Joint Committee.

The Council continues to have administrative responsibilities for Coychurch Crematorium and independent financial statements continue to be prepared and reviewed for this joint committee. 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.

### **1.21 Council Tax Income**

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

### **1.22 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 Council'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.

### 1.23 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 Council's cash management.

### 1.24 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.

### 1.25 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 (that is **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.

### **1.26 Carbon Reduction Commitment 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 i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. 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.

### **1.27 Local Authority Schools**

The Code of Practice on Local Authority Accounting confirms that the balance of control for local Council maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the Council. The Code also stipulates that those schools' assets, liabilities and cash flows are recognised in the Council's 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.

## 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 £24.1 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 however 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 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

### **Plant, Property and Equipment**

Revaluation of the Council's assets is undertaken on a 3-year rolling programme. 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. Revaluation takes account of the value and condition of the asset, relevant components and also de-recognition where appropriate.

### **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 2017 for all of the Council's investment portfolio and 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 (**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 balance sheet date;

**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.

## 4. Expenditure and Funding Analysis

2016-17				2017-18		
Net Expenditure Chargeable to the Council Fund	Adjustments between the Funding and Accounting Basis & transfers to Earmarked Reserves (Note 5)	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the Council Fund	Adjustments between the Funding and Accounting Basis & transfers to Earmarked Reserves (Note 5)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
107,653	(8,032)	115,685	Education and Family Support	108,387	(9,199)	117,586
62,560	(2,178)	64,738	Social Services & Wellbeing	66,281	(3,533)	69,814
24,517	(15,299)	39,816	Communities	25,271	(16,055)	41,326
13,238	(1,881)	15,119	Operational & Partnership Services	14,259	(1,811)	16,070
3,467	(62)	3,529	Chief Executives	3,746	(342)	4,088
33,428	21,266	12,162	Central Services	29,635	12,231	17,404
<b>244,863</b>	<b>(6,186)</b>	<b>251,049</b>	<b>Cost Of Services</b>	<b>247,579</b>	<b>(18,709)</b>	<b>266,288</b>
(245,219)	(4,084)	(241,135)	Other income and Expenditure	(247,966)	3,803	(251,769)
<b>(356)</b>	<b>(10,270)</b>	<b>9,914</b>	<b>Surplus or Deficit</b>	<b>(387)</b>	<b>(14,906)</b>	<b>14,519</b>
7,604			Opening Council Fund Balance	7,960		
356			Surplus or (Deficit) on Council Fund for year	387		
<b>7,960</b>			<b>Closing Council Fund Balance as at 31 March</b>	<b>8,347</b>		



## 5. Note to the Expenditure and Funding Analysis

<b>Adjustments between Funding and Accounting Basis 2016-17 - restated</b>				
Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statements amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£'000	£'000	£'000	£'000
Education and Family Support	(6,296)	(241)	(1,495)	(8,032)
Social Services & Wellbeing	(177)	(185)	(1,816)	(2,178)
Communities	(13,761)	(78)	(1,460)	(15,299)
Operational & Partnership Services	(925)	(62)	(894)	(1,881)
Chief Executives	-	(24)	(38)	(62)
Central Services	8,776	(500)	12,990	21,266
<b>Net cost of services</b>	<b>(12,383)</b>	<b>(1,090)</b>	<b>7,287</b>	<b>(6,186)</b>
Other income and expenditure from the Expenditure and Funding Analysis	5,425	(8,050)	(1,459)	(4,084)
<b>Difference between Council Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(6,958)</b>	<b>(9,140)</b>	<b>5,828</b>	<b>(10,270)</b>

Note: the above figures have been restated for adjustments between Capital and Other Differences.

<b>Adjustments between Funding and Accounting Basis 2017-18</b>				
Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statements amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£'000	£'000	£'000	£'000
Education and Family Support	(4,957)	(2,215)	(2,027)	(9,199)
Social Services & Wellbeing	(650)	(1,720)	(1,163)	(3,533)
Communities	(9,978)	(727)	(5,350)	(16,055)
Operational & Partnership Services	(816)	(572)	(423)	(1,811)
Chief Executives	-	(226)	(116)	(342)
Central Services	5,343	-	6,888	12,231
<b>Net cost of services</b>	<b>(11,058)</b>	<b>(5,460)</b>	<b>(2,191)</b>	<b>(18,709)</b>
Other income and expenditure from the Expenditure and Funding Analysis	11,558	(6,350)	(1,405)	3,803
<b>Difference between Council Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>500</b>	<b>(11,810)</b>	<b>(3,596)</b>	<b>(14,906)</b>

**Note 1 - Adjustments for Capital Purposes**

The adjustments for capital purposes column adds in depreciation and impairment, revaluation gains and losses and Revenue Expenditure Funded by Capital under Statute (REFCUS) in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets
- Financing and investment income and expenditure – the statutory charges for capital financing (i.e. the Minimum Revenue Provision) and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

**Note 2 - Net Change for the Pensions Adjustments**

The net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- For Services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs
- For Financing and Investment Income and Expenditure – the net interest on the defined benefit liability is charged to the CIES.

**Note 3 - Other Differences**

Other differences between amounts debited / credited to the Comprehensive Income and Expenditure Statement and amounts payable / receivable to be recognised under statute:

- For financing and investment income and expenditure the other differences column recognises adjustments to the Council Fund for the timing differences for premiums and discounts
- The charge under Taxation and Non-Specific Grant Income represents the difference between what is chargeable under statutory regulations for council tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices.

**6. Expenditure and Income Analysed by Nature**

This table sets out how the funding to the Council has been used in providing services in line with generally accepted accounting practices. This will include cash and non-cash transactions including accounting adjustments in line with International Financial Reporting Standards.

2016-17 £'000		2017-18 £'000
	<b>Expenditure</b>	
174,030	Employee expenses	180,687
209,003	Other services expenses	209,767
24,009	Depreciation, amortisation, impairment	24,451
14,086	Interest payments	12,329
19,581	Precepts and levies	20,535
1,050	Loss on disposal of assets	1,816
<b>441,759</b>	<b>Total expenditure</b>	<b>449,585</b>
	<b>Income</b>	
(59,699)	Fees, charges and other service income	(51,924)
(123,191)	Income from council tax, non-domestic rates	(130,505)
(248,013)	Government grants and contributions	(251,328)
(942)	Interest and investment income	(959)
-	Other income	(350)
<b>(431,845)</b>	<b>Total income</b>	<b>(435,066)</b>
<b>9,914</b>	<b>(Surplus) or Deficit on the provision of services</b>	<b>14,519</b>

## Notes to the Comprehensive Income and Expenditure Statement

### 7. 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 Council, either on a joint service basis, where one Council administers the service where other Councils contribute to the costs, or by external bodies who levy on the appropriate Councils. The amounts paid were as follows:

2016-17 £'000		2017-18 £'000
	<b>Precepts</b>	
10,791	Police and Crime Commissioner for South Wales	11,514
1,909	Community Councils	2,053
<b>12,700</b>	<b>Total Precepts</b>	<b>13,567</b>
	<b>Levies</b>	
6,542	South Wales Fire and Rescue Authority	6,603
226	Coroners Service	255
93	Archive Service	92
20	Swansea Bay Port Authority	18
<b>6,881</b>	<b>Total Levies</b>	<b>6,968</b>
<b>19,581</b>	<b>Total Precepts and Levies</b>	<b>20,535</b>

### 8. Revenue Support Grant (RSG)

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 2017-18 was £141.6 million (£145.2 million for 2016-17).

### 9. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Government 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 49.9p in 2017-18 (48.6p in 2016-17). 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 is reflected separately in the Comprehensive Income and Expenditure Statement. This amount was £45.888 million in 2017-18 (£42.142 million in 2016-17).

### 10. 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 Police and Crime Commissioner for South Wales 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 – 52,759.01 dwellings for 2017-18 (51,916.19 in 2016-17). The average amount for a Band D property is £1,592.58 in 2017-18 (£1,542.40 in 2016-17 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	26	10,099	14,815	13,990	10,171	7,351	4,136	1,390	283	90

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

2016-17 £'000		2017-18 £'000
(81,049)	Council Tax Collectable	(84,617)
	Less:	
1,909	Payable to Community Councils	2,053
10,791	Payable to Police and Crime Commissioner for South Wales	11,514
(1,084)	Provision for non-payment of Council Tax increase/(decrease)	403
<b>(69,433)</b>	<b>Net Proceeds from Council Tax</b>	<b>(70,647)</b>

**11. Grants**

In addition to the Revenue Support Grant, the Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

2016-17 £'000	Specific Grants credited to Services	2017-18 £'000
(48,571)	Housing Benefit Subsidy	(47,980)
(6,331)	DCELLS Post 16 Grant	(6,446)
(4,951)	Education Improvement Grant	(5,142)
(6,823)	Other Education & Family Support	(7,605)
(1,704)	Other Social Services & Wellbeing	(4,828)
(5,013)	Others	(3,592)
(5,816)	Supporting People	(5,816)
(405)	Sport Play & Active Wellbeing	(445)
(2,996)	Concessionary Fares Grant	(2,699)
(3,287)	Flying Start	(3,301)
(2,777)	Sustainable Waste Grant	(2,650)
(595)	Housing/Council Tax Benefit Administration	(545)
(1,550)	Communities First	(995)
(1,740)	Families First	(1,690)
(2,382)	General Capital Grant	(2,379)
(1,353)	Other Capital Grants	(581)
<b>(96,294)</b>	<b>Total</b>	<b>(96,694)</b>

2016-17 £'000	Other Government Grants credited to Taxation and Non-specific Grant Income	2017-18 £'000
(6,486)	Capital Grants and Contributions	(13,024)
<b>(6,486)</b>	<b>Total</b>	<b>(13,024)</b>

<b>(102,780)</b>	<b>Total</b>	<b>(109,718)</b>
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**12. Leases**Council as a LesseeOperating Leases

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

2016-17 £'000		2017-18 £'000
(768)	Not later than one year	(692)
(1,943)	Later than one year but less than five years	(1,698)
(7,026)	Later than five years	(6,756)
<b>(9,737)</b>	<b>Total</b>	<b>(9,146)</b>

Expenditure charged in the year to the Service areas was £0.776 million made up of minimum lease payments of £0.232 million and £0.544 million for contingent rents (£0.843 million in 2016-17 made up of £0.299 million minimum lease payments and £0.545 million contingent rents).

Council as a LessorOperating Leases

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

2016-17 £'000		2017-18 £'000
88	Not later than one year	105
139	Later than one year but less than five years	139
875	Later than five years	849
<b>1,102</b>	<b>Total</b>	<b>1,093</b>

**13. 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 which 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:-

2016-17 £'000	Unitary Charge	2017-18 £'000
638	Service Charge Element	660
1,395	Interest Element	1,352
552	Finance Lease Liability	595
<b>2,585</b>	<b>Total</b>	<b>2,607</b>

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

Unitary Charge	2018-19 £'000	2019-20 to 2023-24 £'000	2024-25 to 2028-29 £'000	2029-30 to 2033-34 £'000	TOTAL £'000
Service Charge Element	502	2,511	2,511	2,504	8,028
Interest Element	1,306	5,708	3,895	1,288	12,197
Finance Lease Liability	641	4,026	5,839	7,134	17,640
<b>Total</b>	<b>2,449</b>	<b>12,245</b>	<b>12,245</b>	<b>10,926</b>	<b>37,865</b>

The Council meets the costs of the Unitary Charge from its own resources and funding from the WG allocated through the revenue settlement. 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 however the Council has recognised this reduction as a revenue budget pressure to be funded via an earmarked reserve set aside for this purpose.

**14. Pooled Fund Arrangements**

There are some formal pooled budget arrangements between the Council and Abertawe Bro Morgannwg University Local Health Board under Section 33 NHS (Wales) Act 2006 and a pooled fund arrangement between 3 Councils for the delivery of an Integrated Family Support Service under s.166-169 Social Services Wellbeing (Wales) Act 2014.



2016-17			Partner	Purpose of Partnership	2017-18		
Gross Income Of Partnership £'000	Gross Expenditure of Partnership £'000	Council's Contribution £'000			Gross Income Of Partnership £'000	Gross Expenditure of Partnership £'000	Council's Contribution £'000
(596)	596	318	Abertawe Bro-Morgannwg University Health Board	Provision of day opportunities for people recovering from mental health problems.	(560)	560	280
(2,645)	2,574	629	Rhondda Cynon Taff CBC Merthyr Tydfil CBC Cwm Taf LHB Abertawe Bro Morgannwg University Health Board	Provision of specified community equipment for service users to enable them to continue to live in their own homes. Rhondda Cynon Taf are the lead partner	(2,646)	2,734	609
(4,595)	4,595	2,473	Abertawe Bro-Morgannwg University Health Board	Provision of integrated community support services	(4,730)	4,730	2,595
(825)	825	275	Neath Port Talbot CBC, City and County of Swansea Council	Provision of an Integrated Family Support Service	(657)	657	198

## 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 (2016-17: 6.64) and median salary is £20,138 (2016-17: £19,939), i.e. the Remuneration of the Chief Executive is 6.64 times more than the median remuneration of the Council's employees.

### **Disclosure 2 : Table of Officers' Remuneration over £60,000**

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

2016-17 including Redundancy Costs	Remuneration Band	Number of Employees				
		Movement in Bandings	2017-18 inc Redundancy Costs (Note 1)	2017-18 exc Redundancy Costs (Note 2)	Number of Teachers inc in Figures exc Redundancy (Note 2)	Number of Non-Teachers inc in Figures exc Redundancy (Note 2)
19	£60,000 - £64,999	3	22	21	19	2
13	£65,000 - £69,999	(2)	11	11	11	-
6	£70,000 - £74,999	(2)	4	4	4	-
8	£75,000 - £79,999	(1)	7	7	5	2
6	£80,000 - £84,999	3	9	6	1	5
1	£85,000 - £89,999	-	1	1	1	-
1	£90,000 - £94,999	1	2	1	1	-
2	£95,000 - £99,999	(2)	-	-	-	-
2	£100,000 - £104,999	-	2	2	1	1
6	£105,000 - £109,999	(4)	2	2	-	2
-	£110,000 - £114,999	1	1	-	-	-
1	£115,000 - £119,999	(1)	-	-	-	-
1	£120,000 - £124,999	(1)	-	-	-	-
-	£125,000 - £129,999	1	1	1	1	-
1	£130,000 - £134,999	-	1	1	-	1
1	£135,000 - £139,999	(1)	-	-	-	-
-	£335,000 - £339,999	2	2	-	-	-
<b>68</b>		<b>(3)</b>	<b>65</b>	<b>57</b>	<b>44</b>	<b>13</b>

Note 1: These costs include redundancy costs and payments in lieu of notice at time of departure as well as any applicable strain costs, which are the costs of the early payment of benefit payable by the Council to the Pension Fund when a member of staff over 55 is made redundant.

Note 2: There are 57 individuals with remuneration of £60,000 or more, including:-

- a) 44 Headteachers and Deputy Headteachers, and
- b) 13 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 (note 2)		Total Remuneration including Pension Contributions	
	17-18	16-17	17-18	16-17	17-18	16-17
	£	£	£	£	£	£
Chief Executive Officer & Head of Paid Service (Note 1)	133,726	132,402	28,484	28,202	162,210	160,604
Corporate Director - Education and Family Support (Note 4)	81,618	105,109	17,385	22,388	99,003	127,497
Interim Corporate Director - Education and Family Support (Note 4)	102,602	3,238	21,854	690	124,456	3,928
Corporate Director - Communities	106,160	105,109	22,612	22,388	128,772	127,497
Corporate Director - Social Service & Wellbeing	106,160	105,109	22,612	22,388	128,772	127,497
Corporate Director - Resources & s151 Officer (Note 5)	-	2,650	-	862	-	3,512
Head of Finance - s151 Officer (Note 5)	61,562	78,700	13,113	16,763	74,675	95,463
Corporate Director - Operational and Partnership Services	103,682	100,227	22,084	21,348	125,766	121,575

**Notes**

Note 1: The Chief Executive Officer's salary excludes payment for Election Duties. These amounted to £18,824 for 2 Parliamentary, 39 County Borough and 49 Community Council Elections.

Note 2: Pension Contributions relate to actual payments made.

Note 3: No 'Expenses' or 'Benefits in Kind' were paid in the year.

Note 4: The Corporate Director – Education and Family Support was seconded to Welsh Government until leaving the Council on 7 January 2018. All costs of the secondment were recovered from the Welsh Government. An interim Director was appointed during 2016-17 to cover this role.

Note 5: The Corporate Director – Resources left the Council in April 2016 and the Head of Finance assumed the role of s.151 Officer and member of the Corporate Management Board. The Head of Finance left the Council on 2 January 2018 and an interim Head of Finance and s.151 Officer was appointed under a contractual arrangement with the Welsh Local Government Association. The costs incurred in this arrangement during the year were £26,355.

**Disclosure 4: Table on Exit Packages**

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

Exit Package Cost Band (including Special Payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	17-18	16-17	17-18	16-17	17-18	16-17	17-18	16-17
	£	£	£	£	£	£	£	£
£0 - £20,000	13	12	24	20	37	32	324,861	302,137
£20,001 - £40,000	4	4	18	4	22	8	576,770	247,684
£40,001 - £60,000	6	2	4	4	10	6	478,481	305,452
£60,001 - £80,000	1	3	1	-	2	3	125,264	198,796
£80,001 - £100,000	-	1	-	-	-	1	-	93,884
£100,001 - £120,000	-	-	-	2	-	2	-	217,963
£220,001 - £240,000	1	-	-	-	1	-	233,281	-
£240,001 - £260,000	1	-	-	-	1	-	254,462	-
	<b>26</b>	<b>22</b>	<b>47</b>	<b>30</b>	<b>73</b>	<b>52</b>	<b>1,993,119</b>	<b>1,365,916</b>

## 16. Members' allowances

As a result of the December 2011 Report of the Independent Remuneration Panel for Wales, a new system of 'salary' payments for Members came into effect in full from 16 May 2012. The Council now has in place a 'Basic Salary' for all members, a 'Senior Salary', and a Civic Salary.

2016-17 £'000		2017-18 £'000
526	Basic Salary (all Members)	573
521	Senior Salary	465
42	Civic Salary	25
<b>1,089</b>	<b>Total</b>	<b>1,063</b>

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 2017-18 Bridgend County Borough Council incurred the following fees relating to external audit and inspection. Of the amount incurred, £5,083 (2016-17 - £15,030) was claimed against grants:

2016-17 £'000		2017-18 £'000
200	Financial Statement Audit	194
97	Performance Audit	97
<b>297</b>	<b>External Audit Services</b>	<b>291</b>
62	Grant Claims and Returns	78
<b>359</b>	<b>Total</b>	<b>369</b>

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

### Associates, Subsidiaries and Joint Ventures

The Council has no Subsidiary or Associate companies as defined by the CIPFA Code.

The main joint arrangements the Council has are set out below.

### Cardiff Capital Region City Deal (CCRCD)

The Council is a partner of the Joint Committee for CCRCD which consists of 10 Partner Authorities: Blaenau Gwent; Caerphilly; Cardiff; Merthyr Tydfil; Monmouthshire; Newport; Rhondda-Cynon-Taf; Torfaen and the Vale of Glamorgan. All partner Councils ratified the City Deal on 1 March 2017. The Joint Committee has been established to oversee delivery of a range of programmes designed to increase connectivity and to improve physical and digital infrastructure over the course of 20 years. The City Deal includes funding of £734 million for the South Wales Metro, of which over £500 million is provided by the Welsh Government and £125 million from the UK Government. In addition, the UK Government has provided a £375 million contribution and the ten Councils have agreed a commitment to borrow a combined total of £120 million as part of the Wider Investment Fund, of which the Council's commitment is £11 million – 9.4% based on its proportion of the regional population. Bridgend made a capital contribution to the Joint Committee of £2,285,187 during the year (2016-17: £Nil) and a revenue contribution of £73,364 (2016-17 - £16,899). During the year the total expenditure of the partnership was £1,584,120 (2016-17 - £179,177).

### Capita Glamorgan Consultancy Ltd

Capita Glamorgan Consultancy Ltd is a Joint Venture between Capita Symonds, the Council, Merthyr Tydfil and Rhondda Cynon Taf County Borough Councils. The Council owns 14.7% of the shares of the company, and holds voting rights to this value on the board. The Corporate Director – Communities is a member of the Board. During 2017-18 the Council was charged £1,038,722 (2016-17: £1,178,601) in respect of goods, services and capital works.

### Central South Consortium Joint Education Service

The Central South Consortium Joint Education Service (CSCJES) provides a range of school improvement services within the local authority areas of Bridgend, Cardiff, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan. Bridgend CBC contribution to the joint arrangement for the year was £621,381 (2016-17 - £654,157).

### Integrated Family Support Service (IFSS)

This is a joint arrangement between the Council (lead authority), Neath Port Talbot CBC and City and County of Swansea Council. During 2017-18 the contribution to the joint service by Bridgend CBC was £198,476 (2016-17 - £274,854).

### Joint Adoption Service

The Joint Adoption Service is between the Council, Neath Port Talbot CBC and City and County of Swansea. Bridgend's contribution to the service in 2017-18 was £949,000 (2016-17 - £824,789)

### Shared Regulatory Service

This is a joint arrangement with Cardiff City Council and the Vale of Glamorgan CBC for the provision of a joint regulatory service established in 2015-16. The Council's contribution to the joint service was £1,620,637 (2016-17 - £1,823,700)

### Shared Internal Audit Service

The Council and the Vale of Glamorgan CBC operate a joint Internal Audit Service. The Council's contribution to this joint service was £250,692 (2016-17 - £305,107)

### Western Bay Youth Justice and Early Intervention Service

This is a joint arrangement between the Council (lead authority), Neath Port Talbot CBC and City and County of Swansea Council for the provision of Youth Justice and early intervention services for children and young people. The contribution to the joint service by Bridgend CBC for the year was £274,668 (2016-17 - £286,942)

### Civil Parking Enforcement

The Council provides Civil Parking Enforcement for both Bridgend and Vale of Glamorgan CBC. The cost of providing the service on behalf of the Vale of Glamorgan CBC are fully recharged to them, the total cost being £213,209 (2016-17 - £197,966).

### Joint Committees

The Council participates in a number of Joint Committees, the amounts contributed and where to access further information is set out below.

Joint Committee	2016/17 contribution	2017/18 contribution	
Glamorgan Archives	£92,540	£91,560	<a href="http://www.cardiff.gov.uk">www.cardiff.gov.uk</a>
Coychurch Crematorium	£25,000	£Nil	<a href="http://www.bridgend.gov.uk">www.bridgend.gov.uk</a>
Margam Crematorium	£439	£441	<a href="http://www.npt.gov.uk">www.npt.gov.uk</a>

### Joint arrangements under Section 33 NHS (Wales) Act 2006

The Council is in joint arrangements under Section 33 NHS (Wales) Act 2006 arrangements involving pooled funds. Further details of these are provided in note 14 to the accounts.

## 19. Related Party Transactions

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

### Welsh Government

Welsh Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills). Grants received from government departments are set out in Notes 8 and 9 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 2017-18 is shown in Note 16. Grants were made to organisations whose senior management included Members including Bridgend County Borough Citizens Advice Bureau £224,515 (£247,046 in 2016-17) and Bridgend Association of Voluntary Organisations £104,500 in 2017-18 (£95,370 in 2016-17). 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. Other payments made to organisations where members declared interests totalled £426,230 (£179,345 in 2016-17).

### Chief Officers

During 2017-18 the Corporate Director – Communities sat on the Board of Capita Glamorgan Consultancy Ltd. The Council owns 14.7% of the shares of the company and holds voting rights to this value on the Board. During 2017-18 the Council was charged £1,038,722 (2016-17: £1,178,601) in respect of goods, services and capital works. In addition the Corporate Director sat on the Board of CSC Foundry Ltd, a special purpose vehicle which is a wholly owned subsidiary of the City Deal Joint Committee. Details of the payments made to the Cardiff Capital Region City Deal are included in note 18 to the accounts. The Corporate Director – Social Services and Wellbeing was an Associate Board Member of Abertawe Bro-Morgannwg University Health Board. The Council and the Health Board have a range of formal pooled funding arrangements as set out in note 14 – Section 33 NHS (Wales) Act 2006.

The Head of Regeneration, Development and Property Services is a Board Member for Bridgend College and also a Director of the newly formed Bridgend Business Improvement District (BID). During 2017-18 the value of payments to the College totalled £295,640 (2016-17: £217,514 (restated)). The Council acts as the collector of Business Rates on behalf of the Business Improvement District and transfers those monies to the company. The Council has no business transactions with the BID Company. No Directors received any remuneration for these roles.

### Other Joint Committees

Details of the amounts paid under Joint Committees is shown in Note 18.

#### **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.

**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](http://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](http://www.npt.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 14. It also pays a management fee to the Awen Trust for cultural related services which is a not for profit organisation. The amount paid in 2017-18 was £3,226,540 (2016-17: £3,334,802). The Board of Awen Trust has a Member and a Member's family member as Directors.



## Notes to the Movement in Reserves Statement

### 20. 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 Council 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 the Council 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 2016-17 for comparative purposes and the adjustments for 2017-18.

#### **Unusable Reserves**

This includes the Revaluation Reserve which contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment; the Pensions Reserve which 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 Capital Adjustment Account which absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing and acquisition, construction or enhancement of those assets under statutory provisions; the Financial Instruments Adjustment Account which absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions; and the Short-term Accumulated Compensated Absences Account which absorbs the differences that would otherwise arise on the Council Fund Balance from accruing holiday entitlements earned but not taken in the year.

2016-17	Usable Reserves			Unusable Reserves
	Council Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000
<b>Adjustment to the Revenue Resources</b>				
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>				
Pensions costs (transferred to (or from) the Pensions Reserve)	9,140			(9,140)
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(8)			8
Holiday Pay (transferred to the Accumulated Absences Reserve)	435			(435)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (those items are charged to the Capital Adjustment Account)	31,134			(31,134)
<b>Total Adjustments to Revenue Resources</b>	<b>40,701</b>	<b>-</b>	<b>-</b>	<b>(40,701)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(5,293)	5,293		
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(10,301)			10,301
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(2,105)			2,105
<b>Total adjustments between Revenue and Capital Resource</b>	<b>(17,699)</b>	<b>5,293</b>	<b>-</b>	<b>12,406</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure		(2,285)		2,285
Application of capital grants to finance capital expenditure	(6,486)			6,486
Cash payments in relation to deferred capital receipts				
Other Amounts (including mortgage payments)		4		(4)
<b>Total adjustments to Capital Reserves</b>	<b>(6,486)</b>	<b>(2,281)</b>	<b>-</b>	<b>8,767</b>
<b>Total Adjustments</b>	<b>16,516</b>	<b>3,012</b>	<b>-</b>	<b>(19,528)</b>

2017-18	Usable Reserves			Unusable Reserves £'000
	Council Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustment to the Revenue Resources</b>				
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>				
Pensions costs (transferred to (or from) the Pensions Reserve)	11,810			(11,810)
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(8)			8
Holiday Pay (transferred to the Accumulated Absences Reserve)	519			(519)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (those items are charged to the Capital Adjustment Account)	30,199			(30,199)
<b>Total Adjustments to Revenue Resources</b>	<b>42,520</b>	<b>-</b>	<b>-</b>	<b>(42,520)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(573)	573		
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(7,179)			7,179
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(9,922)			9,922
<b>Total adjustments between Revenue and Capital Resource</b>	<b>(17,674)</b>	<b>573</b>	<b>-</b>	<b>17,101</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure		(783)		783
Application of capital grants to finance capital expenditure	(13,024)			13,024
Cash payments in relation to deferred capital receipts			105	(105)
Other Amounts (including mortgage payments)		7		(7)
<b>Total adjustments to Capital Reserves</b>	<b>(13,024)</b>	<b>(776)</b>	<b>105</b>	<b>13,695</b>
<b>Total Adjustments</b>	<b>11,822</b>	<b>(203)</b>	<b>105</b>	<b>(11,724)</b>

## Notes to the Balance Sheet

### 21. Non-current Assets

#### a) Capital commitments

As at 31 March 2018 commitments of approximately £5.874 million existed on capital works contracts started before that date, details of which are shown in the table below.

Restated 2016-17 £'000		2017-18 £'000
8,363	Garw Valley South Primary Provision	3,890
5,834	Brynmenyn Primary School	-
-	Pencoed Primary School	4,248
<b>14,197</b>	<b>Total</b>	<b>8,138</b>

#### b) Notes on Non-current Assets

##### Voluntary-aided & Voluntary-controlled Schools

The Council recognises the 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) 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. All assets are valued on a rolling 3-year basis as at 31 December with a review to 31 March, which confirmed no significant changes in value during that period. 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 for non-investment assets, investment assets being valued independently by Cooke & Arkwright.

Summary of Property, Plant & Equipment (PPE)	Other Land and Buildings £'000	Vehicle, Plant and Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE Assets £'000	PFI Assets Included In PPE £'000
<b>Cost or Valuation</b>								
At 1 April 2017	393,381	8,572	209,507	5,052	8,250	4,068	<b>628,830</b>	24,142
<b>Additions</b>	3,148	1,705	4,934	-	3,520	16,496	<b>29,803</b>	-
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	(6,949)	-	-	-	(12)	-	<b>(6,961)</b>	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,153	-	-	2	946	-	<b>6,101</b>	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(454)	-	-	(42)	174	-	<b>(322)</b>	-
Derecognition - Disposals	(2,601)	(503)	-	-	-	-	<b>(3,104)</b>	-
Assets reclassified (to)/from Held for Sale	(2,101)	-	-	-	(2,380)	-	<b>(4,481)</b>	-
Assets reclassified (to)/from Investment Property	850	-	-	-	200	-	<b>1,050</b>	-
Other Movements in Cost or Valuation	8,718	(410)	(264)	(61)	4,432	(12,825)	<b>(410)</b>	-
<b>At 31 March 2018</b>	<b>399,145</b>	<b>9,364</b>	<b>214,177</b>	<b>4,951</b>	<b>15,130</b>	<b>7,739</b>	<b>650,506</b>	<b>24,142</b>
<b>Accumulated Depreciation and Impairments</b>								
At 1 April 2017	(14,367)	(3,967)	(139,460)	(37)	(13)	(1)	<b>(157,845)</b>	(931)
Depreciation Charge for the year	(10,900)	(1,075)	(10,788)	-	(1)	-	<b>(22,764)</b>	(927)
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	6,949	-	-	-	12	-	<b>6,961</b>	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(376)	(56)	(227)	-	-	-	<b>(659)</b>	-
Derecognition - other	-	-	-	-	-	-	-	-
Derecognition - disposals	581	384	-	-	-	-	<b>965</b>	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other Movements	-	82	-	-	-	1	<b>83</b>	-
<b>At 31 March 2018</b>	<b>(18,113)</b>	<b>(4,632)</b>	<b>(150,475)</b>	<b>(37)</b>	<b>(2)</b>	<b>-</b>	<b>(173,259)</b>	<b>(1,858)</b>
<b>NBV as at 1 April 2017</b>	<b>379,014</b>	<b>4,605</b>	<b>70,047</b>	<b>5,015</b>	<b>8,237</b>	<b>4,067</b>	<b>470,985</b>	<b>23,211</b>
<b>NBV as at 31 March 2018</b>	<b>381,032</b>	<b>4,732</b>	<b>63,702</b>	<b>4,914</b>	<b>15,128</b>	<b>7,739</b>	<b>477,247</b>	<b>22,284</b>

Summary of Property, Plant & Equipment (PPE)	Other Land and Buildings £'000	Vehicle, Plant and Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE Assets £'000	PFI Assets Included In PPE £'000
<b>Cost or Valuation</b>								
At 1 April 2016	386,768	7,744	205,946	4,845	8,256	6,300	<b>619,859</b>	24,142
Additions	3,661	832	3,561	-	-	5,827	<b>13,881</b>	-
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	(4,423)	-	-	-	-	-	<b>(4,423)</b>	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4,152	-	-	-	766	-	<b>4,918</b>	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	462	-	-	7	(14)	-	<b>455</b>	-
Derecognition - Disposals	(3,739)	(4)	-	-	(70)	-	<b>(3,813)</b>	-
Assets reclassified (to)/from Held for Sale	(430)	-	-	200	(1,863)	-	<b>(2,093)</b>	-
Assets reclassified (to)/from Investment Property	-	-	-	-	45	-	<b>45</b>	-
Other Movements in Cost or Valuation	6,930	-	-	-	1,130	(8,059)	<b>1</b>	-
<b>At 31 March 2017</b>	<b>393,381</b>	<b>8,572</b>	<b>209,507</b>	<b>5,052</b>	<b>8,250</b>	<b>4,068</b>	<b>628,830</b>	<b>24,142</b>
<b>Accumulated Depreciation and Impairments</b>								
At 1 April 2016	(8,953)	(2,546)	(128,685)	(37)	-	(1)	<b>(140,222)</b>	(4)
Depreciation Charge for the year	(10,362)	(1,303)	(10,654)	-	(1)	-	<b>(22,320)</b>	(927)
Accumulated Depreciation and Impairment written out to the surplus/ deficit on the provision of services	4,423	-	-	-	-	-	<b>4,423</b>	-
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	(154)	-	-	-	-	-	<b>(154)</b>	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(1,255)	(119)	(121)	-	-	-	<b>(1,495)</b>	-
Derecognition - other	-	-	-	-	-	-	-	-
Derecognition - disposals	1,922	1	-	-	-	-	<b>1,923</b>	-
Other Movements	12	-	-	-	(12)	-	-	-
<b>At 31 March 2017</b>	<b>(14,367)</b>	<b>(3,967)</b>	<b>(139,460)</b>	<b>(37)</b>	<b>(13)</b>	<b>(1)</b>	<b>(157,845)</b>	<b>(931)</b>
<b>NBV as at 1 April 2016</b>	<b>377,815</b>	<b>5,198</b>	<b>77,261</b>	<b>4,808</b>	<b>8,256</b>	<b>6,299</b>	<b>479,637</b>	<b>24,138</b>
<b>NBV as at 31 March 2017</b>	<b>379,014</b>	<b>4,605</b>	<b>70,047</b>	<b>5,015</b>	<b>8,237</b>	<b>4,067</b>	<b>470,985</b>	<b>23,211</b>

## d) Intangible Assets.

The Intangible asset refers to the Wales Community Care Information System, WCCIS. As at 31 March 2018 the remaining life of the asset was 5 years.

Intangible Assets	£'000
<b>Cost or Valuation</b>	
At 1 April 2017	5,480
Additions	113
Other Movements in Cost or Valuation	410
<b>At 31 March 2018</b>	<b>6,003</b>
<b>Accumulated Depreciation and Impairments</b>	
At 1 April 2017	(1,105)
Depreciation Charge for the year	(707)
Other Movements	(82)
<b>At 31 March 2018</b>	<b>(1,894)</b>
<b>NBV as at 1 April 2017</b>	<b>4,375</b>
<b>NBV as at 31 March 2018</b>	<b>4,109</b>

Intangible Assets	£'000
<b>Cost or Valuation</b>	
At 1 April 2016	5,480
<b>At 31 March 2017</b>	<b>5,480</b>
<b>Accumulated Depreciation and Impairments</b>	
At 1 April 2016	(480)
Depreciation Charge for the year	(625)
<b>At 31 March 2017</b>	<b>(1,105)</b>
<b>NBV as at 1 April 2016</b>	<b>5,000</b>
<b>NBV as at 31 March 2017</b>	<b>4,375</b>

e) Sources of finance for Capital Expenditure

2016-17 £'000		2017-18 £'000
(3,914)	Loans	(9,853)
(9,568)	Government grants	(14,212)
(2,285)	Capital receipts	(180)
(2,105)	Revenue contribution	(9,922)
(527)	Other contributions	(2,417)
<b>(18,399)</b>	<b>Total</b>	<b>(36,584)</b>



f) 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. 2017-18 also included a contribution of £2.358 million by the Council to the Cardiff Capital Regional City Deal.

2016-17 £'000		2017-18 £'000
4,518	Revenue Expenditure Funded from Capital under Statute	6,669
(3,736)	Grants and Contributions	(2,960)
<b>782</b>	<b>Total</b>	<b>3,709</b>

g) Capital financing requirement and the financing of capital expenditure

2016-17 £'000	Capital Financing Requirement	2017-18 £'000
174,706	Opening Capital Financing Requirement	168,060
(259)	Adjustment to Capital Financing Requirement Reversal	750
13	Adjustment to Capital Financing Requirement MRP Reversal	(25)
	Innovation Centre Prior Year Adjustment	(603)
<b>174,460</b>	<b>Amended Opening Capital Financing Requirement</b>	<b>168,182</b>
	<b>Capital Investment</b>	
13,881	Property, Plant and Equipment	29,916
4,518	Revenue Expenditure Funded from Capital under Statute	6,669
	<b>Sources of Finance</b>	
(10,095)	Grants & Contributions	(16,631)
(2,285)	Capital receipts applied	(180)
(2,105)	Revenue Contributions	(9,922)
(5,123)	Minimum Revenue Provision	(5,056)
(4,534)	Unsupported Borrowing MRP	(1,364)
(55)	Innovation Centre MRP	(60)
(50)	Crematorium MRP	(79)
(552)	PFI School MRP	(595)
<b>168,060</b>	<b>Closing Capital Financing Requirement</b>	<b>170,880</b>
	<b>Explanation for Movements in Year</b>	
(1,259)	Increase/(Decrease) in Underlying Need to Borrow (supported by government financial assistance)	(1,830)
(4,534)	Increase/(Decrease) in Underlying Need to Borrow (unsupported by government financial assistance)	5,305
(55)	Assets acquired under finance leases	(60)
(552)	Assets acquired under PFI Contract	(595)
<b>(6,400)</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>2,820</b>

## 22. Investment Properties

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

2016-17 £'000		2017-18 £'000
5,185	<b>Balance at 1 April</b>	5,060
(45)	Transferred to Property, Plant and Equipment	(1,050)
(80)	Disposals	-
-	Net gain / (loss) from fair value adjustments	350
<b>5,060</b>	<b>Balance as at 31 March</b>	<b>4,360</b>

## 23. Short Term Debtors

This represents the monies owed to the Council after making provision for debts that might not be recovered and are analysed as follows:

2016-17 £'000		2017-18 £'000
9,844	Central Government Bodies	8,943
4,717	Other Local Authorities	5,477
246	NHS Bodies	3,577
14,660	Other Entities and Individuals	13,061
<b>29,467</b>	<b>Balance as at 31 March</b>	<b>31,058</b>

The Council collects NNDR payments on behalf of Welsh Government. As at the 31 March 2018, the Council had paid over more cash than it collected, this excess was included in the Balance Sheet as a debtor of £0.154 million. The equivalent for 2016-17 was a debtor of £1.414 million which represented monies not yet paid over by Welsh Government.

## 24. Assets Held for Sale

2016-17 £'000		2017-18 £'000
4,035	Balance at 1 April	1,730
2,293	Assets newly classified as held for sale: Property, Plant & Equipment	4,661
(200)	Assets declassified as held for resale: Property, Plant & Equipment	(180)
	Revaluation Gain/(Loss)	
(4,398)	Assets Sold	(250)
<b>1,730</b>	<b>Balance as at 31 March</b>	<b>5,961</b>

## 25. Short Term Creditors

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

2016-17 £'000		2017-18 £'000
(4,199)	Central Government Bodies	(4,649)
(4,491)	Other Local Authorities	(2,055)
(121)	NHS Bodies	(793)
(18,499)	Other Entities and Individuals	(24,758)
<b>(27,310)</b>	<b>Balance as at 31 March</b>	<b>(32,255)</b>

## 26. Provisions

The Council has provisions as detailed below:

2016-17 £'000		Expenditure £'000	Increase/ (Decrease) £'000	2017-18 £'000	< 1 yr £'000	> 1 yr £'000
3,100	Insurance (BCBC)	(707)	495	2,888	666	2,222
268	Carbon Reduction Commitment	(268)	253	253	253	-
297	Other provisions	-	763	1,060	1,060	-
<b>3,665</b>	<b>Balance as at 31 March</b>	<b>(975)</b>	<b>1,511</b>	<b>4,201</b>	<b>1,979</b>	<b>2,222</b>

### 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 2017-18 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.

#### 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 2017-18. The payment will be made with the retrospective purchase of allowances in 2018.

#### Other Provisions

A new provision was created in the year to provide for the value of potential future compensation payments arising from on-going litigation.

## 27. PFI and Other Long Term Liabilities

2016-17 £'000		Additions in Year £'000	Reduction in year £'000	Moved to Short Term Creditors £'000	2017-18 £'000
17,640	Maesteg School PFI Lease Liability			(640)	17,000
604	Innovation Centre Financial Liability			(67)	537
350	Waste Contract			(50)	300
70	Escrow	10	(50)	-	30
2,400	Welsh Government Loan - Llynfi Valley			-	2,400
<b>21,064</b>	<b>Balance as at 31 March</b>	<b>10</b>	<b>(50)</b>	<b>(757)</b>	<b>20,267</b>

The PFI Finance Lease Liability matches the fair value of the fixed asset for the PFI School as at the date the asset came onto the Council's Balance Sheet being £21.898 million (July 2008). This will be written down over the life of the PFI contract by the value of the unitary payment deemed to be the finance lease element each year. For 2017-18, the amount written down was £595,000 and £640,000 has been transferred to Short Term Creditors leaving an outstanding long term liability of £17 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 2017-18 was £61,000 and £67,000 was transferred to Short Term Creditors resulting in a long term financial liability of £0.537 million at 31 March 2018.

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

The long term Escrow liability represents a fund that will be maintained and increased to allow for the future reinstatement to playing fields at Bridgend College – Pencoed.

## 28. 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.

2016-17 £'000		2017-18 £'000
18,352	Balance at 1st April	21,364
5,293	Capital Receipts Received	573
4	Mortgage Repayments (Council Fund)	7
(2,285)	Receipts Used to Finance Capital Expenditure Innovation Centre Prior Year Adjustment	(180) (603)
<b>21,364</b>	<b>Balance as at 31 March</b>	<b>21,161</b>

### b) Earmarked Reserves

The Earmarked Reserves in the Balance Sheet as at 31 March 2018 are detailed below:

Opening Balance 2017-18 £'000	Reserve	Movement during 2017-18		Closing Balance 2017-18 £'000
		Additions/ Re- classification £'000	Drawdown by Directors £'000	
<b>7,960</b>	<b>Council Fund</b>	<b>387</b>		<b>8,347</b>
	<b>Corporate Reserves:</b>			
1,262	Asset Management Plan	381	(281)	<b>1,362</b>
718	Building Maintenance Reserve	306	(1)	<b>1,023</b>
249	Capital feasibility fund	268	(163)	<b>354</b>
11,380	Capital Programme Contribution	6,016	(5,314)	<b>12,082</b>
1,588	Change Management	-	(405)	<b>1,183</b>
-	Corporate Pressures Contingency	1,000	-	<b>1,000</b>
182	DDA Emergency Works	1	(64)	<b>119</b>
1,936	Digital Transformation	(380)	(301)	<b>1,255</b>
1,268	ICT & Finance Systems	55	(118)	<b>1,205</b>
2,335	Insurance reserve	-	-	<b>2,335</b>
8,451	Major Claims Reserve	(429)	-	<b>8,022</b>
1,000	MTFS Budget Contingency	-	(200)	<b>800</b>
138	Property Disposal Strategy	13	(50)	<b>101</b>
146	Public Realm Reserve	0	(89)	<b>57</b>
8,103	Service Reconfiguration	1,130	(1,276)	<b>7,957</b>
4	Waste Management Contract	-	(4)	<b>-</b>
500	Welfare Reform Bill	(200)	-	<b>300</b>
<b>39,260</b>	<b>Total Corporate Reserves</b>	<b>8,161</b>	<b>(8,266)</b>	<b>39,155</b>
	<b>Directorate Reserves:</b>			
175	Car Parking Strategy	(175)	-	<b>-</b>
-	City Deal Reserve	1,088	-	<b>1,088</b>
31	Community Safety Reserve	66	-	<b>97</b>
651	Directorate Issues	1,438	(137)	<b>1,952</b>
50	Donations Reserves Account	3	-	<b>53</b>
25	Human Resources Reserve	(10)	(10)	<b>5</b>
20	Local Development Plan IT System	-	-	<b>20</b>
1,036	Looked After Children	(1)	(96)	<b>939</b>
66	Partnership Reserve	(66)	-	<b>-</b>
250	Porthcawl Regeneration	80	(18)	<b>312</b>
250	Property Reserve	-	(30)	<b>220</b>
171	Safe Routes to Schools	19	(112)	<b>78</b>
431	School Projects Reserve	(28)	(287)	<b>116</b>
250	Waste Awareness Reserve	-	(199)	<b>51</b>
6	Webcasting Reserve	-	(6)	<b>-</b>
880	Wellbeing Projects	-	(158)	<b>722</b>
<b>4,292</b>	<b>Total Directorate Reserves</b>	<b>2,414</b>	<b>(1,053)</b>	<b>5,653</b>
<b>866</b>	<b>Delegated Schools Balance</b>	<b>-</b>	<b>(506)</b>	<b>360</b>
<b>44,418</b>	<b>Total Reserves excluding Equalisation Reserves</b>	<b>10,575</b>	<b>(9,825)</b>	<b>45,168</b>
	<b>Equalisation and Grant Reserves</b>			
15	Building Control Reserve	7	-	<b>22</b>
174	Civil Parking Enforcement	12	-	<b>186</b>
201	Election costs	-	(173)	<b>28</b>
832	Highways Reserve	52	(125)	<b>759</b>
841	IFRS Grants	604	(470)	<b>975</b>
-	Legal Fees	119	(10)	<b>109</b>
196	Local Development Plan	17	-	<b>213</b>
3,949	Maesteg School PFI Equalisation	(3,949)	-	<b>-</b>
533	Special Regeneration Fund	182	(100)	<b>615</b>
<b>6,741</b>	<b>Total Equalisation and Grant Reserves</b>	<b>(2,956)</b>	<b>(878)</b>	<b>2,907</b>
<b>51,159</b>	<b>TOTAL EXCLUDING COUNCIL FUND</b>	<b>7,619</b>	<b>(10,703)</b>	<b>48,075</b>
<b>59,119</b>	<b>TOTAL INCLUDING COUNCIL FUND</b>	<b>8,006</b>	<b>(10,703)</b>	<b>56,422</b>

## Council Fund

The transfer to the Council Fund for 2017-18 was £0.387 million. This increased the balance on the Fund to £8.347 million at the 31 March 2018 (£7.960 million at 31 March 2017).

## Other Earmarked Reserves

The transfer to Earmarked Balances excluding the Council Fund Balance was a net reduction of £3.084 million in 2017-18 (transfer to Balances of £6.246 million in 2016-17). This was made up of additions to reserves of £7.619 million and £10.703 million transferred into the Comprehensive Income and Expenditure Statement to match expenditure within the year. An overview of each earmarked reserve is explained below:-

### Corporate Reserves

#### 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.

#### 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.

#### 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.

#### Corporate Pressures Contingency

The Corporate Pressures Contingency Reserve has been established to provide one off temporary relief in the event of unforeseen over-spends on corporate budgets, following significant reductions proposed in the 2018-19 budgets.

#### DDA Emergency/Prevention Works

This earmarked reserve is to cover the costs of emergency works within schools as well fund a temporary post for a 2 year period to ensure Fire Risk Assessments are updated and maintained within schools.

#### Digital Transformation & ICT Reserve

These two reserves will fund the Digital Transformation of the Council, supporting channel shift together with the costs of planned system developments over the Medium Term Financial Strategy period.

#### Insurance Reserve

This reserve is based on the assessment for potential future liabilities including any residual payments from claims relating to the Municipal Mutual Insurance Limited. The former authorities of Ogwr Borough Council and Mid Glamorgan County Council are creditors of MMI. It ceased to write new insurance business from 30 September 1992 and a Scheme of Arrangement was put in place in January 1994. The scheme was set up to ensure an orderly run off of claims in the event of MMI not being solvent. As

creditors of MMI, the Council is legally bound by the Scheme and in November 2012 the scheme was triggered. Future claim settlements by MMI will be made at a level of 75% with the funding of the remaining 25% being met from this reserve.

#### Major Claims Earmarked Reserve

This reserve has been created to mainly cover the deficit on the pension fund, major capital contractual claims and mitigate against potential other claims against the Council.

#### MTFS Budget Contingency

In accordance with the Medium Term Financial Strategy Principle 12, an earmarked reserve was established to provide additional capacity for discretionary use by the Chief Finance Officer to manage inescapable problems with delivery of Medium Term Financial Strategy savings.

#### Property Disposal Strategy

This reserve will cover legal, surveying and marketing costs associated with planned disposals to generate capital receipts for the Council.

#### Public Realm Reserve

This reserve will be used for works on highways and other public realm maintenance or renovations of playgrounds for example.

#### 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.

#### 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.

### **Directorate Reserves**

#### Community Safety Reserve

This reserve was created from funding received from partner organisations and will be used to cover expenditure on future Community Safety initiatives.

#### City Deal Reserve

This reserve is to provide the necessary funding for the Council's capital contribution to the Cardiff City Region City Deal programme.

#### Directorate Issues

This reserve relates to specific Directorate issues anticipated in 2018-19 together with some carried forward amounts from 2017-18. Examples include the ancillary costs associated with the transition of Autistic Spectrum Disorder provision, the carry forward of the Community Action Fund and support for various new apprentices within the Council.

#### Donations Reserves

This reserve has been established from various donations over a number of years and will be used on future expenditure in accordance with the original intentions.

#### Human Resources Reserve

This reserve is to cover the cost of the occupational health contract.



Local Development Plan IT System

This reserve is to purchase specialist software for use in compiling population statistics to inform housing provision and to allow improved public facing access in order to compile representations to the forthcoming Local Development Plan (LDP) review.

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 Education and Family Support Services.

Porthcawl Regeneration

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

Property Reserve

This will be used as matched funding for developments around Enterprise Hubs within the Borough.

Safe Routes to Schools Reserve

This reserve has been created to ensure that there are safe routes to schools following Learner Transport changes.

School Projects Reserve

This reserve covers both school's future projects expenditure and also the associated financing costs of any capital borrowing.

Waste Awareness Reserve

This reserve is to provide funding to promote the changes to the waste management contract and support for the customer contact centre.

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.

**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

2016-17 Closing Balance £'000	School Types	Nos in Category	2017-18 Budget £'000	2017-18 Spend £'000	2017-18 Closing Balance £'000
466	Primary Schools	50	44,469	44,208	261
(151)	Secondary Schools	9	41,475	41,912	(437)
550	Special Schools	2	8,466	7,930	536
<b>865</b>	<b>Total</b>	<b>61</b>	<b>94,410</b>	<b>94,050</b>	<b>360</b>

*The 2016-17 Closing Balance figure is included within the 2017-18 Budget. This accounting treatment of including the prior year's closing balance in the current year's budget applies solely to Schools and does not apply in any other area of the accounts.*

## **Equalisation and Grant Reserves**

### IFRS Grant Accounting Reserves

Under proper accounting practice, all grants and contributions should be analysed to see whether there are specific conditions attached to them. When the conditions are actually satisfied the grant is credited to the Comprehensive Income and Expenditure Statement regardless of whether the actual expenditure has been incurred. In these cases the Council can decide to transfer the grant monies to an earmarked reserve to fund future expenditure. In 2017-18 there were £604,000 (2016-17 - £841,000) of new International Financial Reporting Standards (IFRS) Grants that have been transferred to earmarked reserves, to ensure the funding is protected in accordance with the original terms and conditions of the grant or contribution. Similarly, monies from commuted sums have been placed into a Highways Reserve and income from Civil Parking Enforcement is now also a specific earmarked reserve.

### 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 Local Development Plan and the Building Control Earmarked Reserves.

### Maesteg PFI Equalisation Reserve

This reserve has now been unwound due to changes in the way funding is provided by Welsh Government and the mechanism that the Council has allocated that funding. The unwound reserve has been set aside for the potential matched funding needed for Band B Schools within the Capital Programme Reserve.

## **29. Unusable Reserves**

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

### **a) Revaluation Reserve (RR)**

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

The Revaluation Reserve contains only revaluation gains accumulated since 1 April 2007. The reserve was introduced in 2007-08. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2016-17			2017-18	
£'000	£'000		£'000	£'000
	127,291	<b>Balance at 1 April</b>		124,703
8,705		Upward Revaluation of Assets	10,830	
(3,942)		Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services	(4,580)	
	<b>4,763</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of services</b>		<b>6,250</b>
(3,341)		Difference between fair value depreciation and historical cost depreciation	(3,803)	
(4,010)		Accumulated gains on assets sold or scrapped	(772)	
	(7,351)	Amount written off to the Capital Adjustment Account		(4,575)
	<b>124,703</b>	<b>Balance as at 31 March</b>		<b>126,378</b>

### b) Pensions Reserve

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

2016-17 £'000		2017-18 £'000
(245,270)	<b>Balance at 1 April</b>	(252,450)
1,960	Actuarial gains or losses on pensions assets and liabilities	(4,360)
(26,140)	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	(28,360)
17,000	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	16,550
<b>(252,450)</b>	<b>Balance as at 31 March</b>	<b>(268,620)</b>

### c) Capital Adjustment Account (CAA)

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

The Account contains accumulated gains and losses on Investment Properties.

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.

2016-17			2017-18	
£'000	£'000		£'000	£'000
	192,078	<b>Balance at 1 April</b>		189,468
		<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :</b>		
(22,945)		Charges for depreciation and impairment of non-current assets	(23,470)	
(1,064)		Revaluation losses on Property, Plant and Equipment	(980)	
(782)		Revenue Expenditure funded from Capital Under Statute	(3,709)	
(4)		Other amounts including Mortgage Payments	(7)	
(2,333)		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,618)	
	(27,128)			(29,784)
	3,341	Adjusting amounts written out to the Revaluation Reserve		3,803
	<b>(23,787)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(25,981)</b>
		<b>Capital financing applied in the year:</b>		
2,285		Use of the Capital Receipts Reserve to finance capital expenditure	180	
		Innovation Centre Prior Year Adjustment	603	
6,486		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that has been applied to capital financing	12,919	
10,301		Statutory provision for the financing of capital investment charged against the Council Fund	7,179	
2,105		Capital expenditure charged against the Council Fund	9,922	
	<b>21,177</b>			<b>30,803</b>
		Movement in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement		350
	<b>189,468</b>	<b>Balance as at 31 March</b>		<b>194,640</b>

### 30. 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 Council 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 2017-18 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:-

Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total	Comprehensive Income & Expenditure Statement	Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total
£m	£m	£m	£m		£m	£m	£m	£m
2016-17	2016-17	2016-17	2016-17	Cost of Services :	2017-18	2017-18	2017-18	2017-18
17.59	0.00	0.00	<b>17.59</b>	<b>Service cost comprising:</b>	21.84	0.00	0.00	<b>21.84</b>
0.50	0.00	0.00	<b>0.50</b>	current service cost	0.17	0.00	0.00	<b>0.17</b>
0.00	0.00	0.00	<b>0.00</b>	past service costs	0.00	0.00	0.00	<b>0.00</b>
				(gain)/loss from settlements				
				<b>Financing &amp; Investment Income &amp; Expenditure :-</b>				
7.65	0.25	0.15	<b>8.05</b>	Net interest expense	6.04	0.20	0.11	<b>6.35</b>
				<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>28.05</b>	<b>0.20</b>	<b>0.11</b>	<b>28.36</b>
<b>25.74</b>	<b>0.25</b>	<b>0.15</b>	<b>26.14</b>	<b>Other Post Employment</b>				
				<i>Remeasurements of the net defined benefit liability comprising:</i>				
(62.39)	0.00	0.00	<b>(62.39)</b>	Return on plan assets (excluding the amount included in the net interest expense)	(13.42)	0.00	0.00	<b>(13.42)</b>
138.41	0.67	0.38	<b>139.46</b>	Actuarial (gains) / losses due to changes in financial assumptions	13.85	0.07	0.03	<b>13.95</b>
(28.69)	(0.20)	(0.12)	<b>(29.01)</b>	Actuarial (gains) / losses due to changes in demographic assumptions	0.00	0.00	0.00	<b>0.00</b>
(49.93)	(0.06)	(0.03)	<b>(50.02)</b>	Actuarial (gains) / losses due to liability experience	4.22	0.03	(0.42)	<b>3.83</b>
<b>(2.60)</b>	<b>0.41</b>	<b>0.23</b>	<b>(1.96)</b>	<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>4.65</b>	<b>0.10</b>	<b>(0.39)</b>	<b>4.36</b>
				<b>Movement in Reserves Statement:-</b>				
(25.74)	(0.25)	(0.15)	<b>(26.14)</b>	Reversal of net charges made for retirement benefits in accordance with IAS 19	(28.05)	(0.20)	(0.11)	<b>(28.36)</b>
				<b>Actual amount charged against the Council Fund Balance for pensions in the year</b>				
16.12	0.48	0.40	<b>17.00</b>	Employers' Contributions payable to the scheme	15.69	0.47	0.39	<b>16.55</b>
(22.03)	(0.48)	(0.40)	<b>(22.91)</b>	Retirement Benefits Paid Out	(22.44)	(0.47)	(0.39)	<b>(23.30)</b>

### 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 are as follows:-

Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total		Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total
£m	£m	£m	£m		£m	£m	£m	£m
2016-17	2016-17	2016-17	2016-17		2017-18	2017-18	2017-18	2017-18
772.59	7.81	4.54	<b>784.94</b>	Present value of defined benefit obligation	814.56	7.64	3.87	<b>826.07</b>
(532.49)	0.00	0.00	<b>(532.49)</b>	Fair Value of Plan Assets	(557.45)	0.00	0.00	<b>(557.45)</b>
<b>240.10</b>	<b>7.81</b>	<b>4.54</b>	<b>252.45</b>	<b>Net liability arising from defined benefit obligation</b>	<b>257.11</b>	<b>7.64</b>	<b>3.87</b>	<b>268.62</b>

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

£m		£m
2016-17		2017-18
456.08	<b>Opening fair value of scheme assets at 1 April</b>	532.49
15.49	Interest income on assets	13.82
	Remeasurement gain/(loss):	
	The return on plan assets, excluding the amount included in the net	
62.39	interest expense	13.42
16.12	Contributions by Employer	15.69
4.44	Contributions by Participants	4.47
(22.03)	Net Benefits Paid Out	(22.44)
<b>532.49</b>	<b>Balance as at 31 March</b>	<b>557.45</b>



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

Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total		Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total
£m	£m	£m	£m		£m	£m	£m	£m
2016-17	2016-17	2016-17	2016-17		2017-18	2017-18	2017-18	2017-18
689.16	7.63	4.56	701.35	<b>Opening balance at 1 April</b>	772.59	7.81	4.54	784.94
17.59	0.00	0.00	17.59	Current Service Cost	21.84	0.00	0.00	21.84
23.14	0.25	0.15	23.54	Interest Cost	19.86	0.20	0.11	20.17
4.44	0.00	0.00	4.44	Contributions from scheme participants	4.47	0.00	0.00	4.47
				Remeasurement (gains) and losses:				0.00
				Actuarial gains / losses arising from changes in financial assumptions	13.85	0.07	0.03	13.95
				Actuarial gains / losses arising from changes in demographic assumptions	0.00	0.00	0.00	0.00
				Actuarial gains / losses arising from changes in liability experience	4.22	0.03	(0.42)	3.83
0.50	0.00	0.00	0.50	Past Service Cost	0.17	0.00	0.00	0.17
(22.03)	(0.48)	(0.40)	(22.91)	Benefits Paid	(22.44)	(0.47)	(0.39)	(23.30)
0.00	0.00	0.00	0.00	Liabilities extinguished on settlements	0.00	0.00	0.00	0.00
<b>772.59</b>	<b>7.81</b>	<b>4.54</b>	<b>784.94</b>	<b>Balance as at 31 March</b>	<b>814.56</b>	<b>7.64</b>	<b>3.87</b>	<b>826.07</b>

## Local Government Pension Scheme assets comprised:

Fair Value of Scheme Assets 2016-17 £m	Asset Split 2016-17 %		Fair Value of Scheme Assets 2017-18 £m	Asset Split 2017-18 %
11.036	2.07	<b>Cash and cash equivalents</b>	15.137	2.72
		<b>Equity Instruments:</b> <i>by industry type (FTSE Sector)</i>		
9.928	1.86	Oil & Gas	11.347	2.04
13.559	2.55	Basic Materials	12.715	2.28
49.307	9.26	Industrials	54.757	9.82
50.380	9.46	Consumer Goods	49.085	8.81
31.902	5.99	Health Care	32.321	5.80
49.669	9.33	Consumer Services	46.941	8.42
1.615	0.30	Telecommunications	1.465	0.26
2.916	0.55	Utilities	2.325	0.42
64.845	12.18	Financials	74.813	13.42
50.835	9.55	Technology	56.950	10.22
0.608	0.11	Real Estate	0.627	0.11
64.564	12.12	Pooled Equity Investment Vehicles	68.536	12.28
<b>390.128</b>	<b>73.26</b>	<b>Sub-total equity</b>	<b>411.882</b>	<b>73.88</b>
		<b>Bonds:</b> <i>By Sector</i>		
53.845	10.11	Corporate	52.106	9.35
47.223	8.87	Government	49.121	8.81
<b>101.068</b>	<b>18.98</b>	<b>Sub-total bonds</b>	<b>101.227</b>	<b>18.16</b>
		<b>Property:</b> <i>By Type</i>		
7.686	1.44	Retail	6.670	1.20
4.085	0.77	Office	4.036	0.72
6.959	1.31	Industrial	8.446	1.52
11.528	2.17	Other Commercial	10.052	1.80
<b>30.258</b>	<b>5.69</b>	<b>Sub-total property</b>	<b>29.204</b>	<b>5.24</b>
<b>532.490</b>	<b>100.00</b>	<b>Total assets</b>	<b>557.450</b>	<b>100.00</b>

**Basis for Estimating Assets and Liabilities**

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

Both the Local Government Pension Scheme (LGPS) 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:

2016-17 % pa		2017-18 % pa
2.60	Discount rate	2.60
2.00	Rate of pension increases	2.10
3.25	Rate of salary increases	3.35
Years		Years
	<i>Mortality Assumptions:</i>	
	Longevity at 65 for current pensioners :-	
22.80		Men 22.90
24.90		Women 25.00
	Longevity at 65 for future pensioners :-	
25.00		Men 25.10
27.20		Women 27.30

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has 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 2016-17 £m	Decrease in Assumption 2016-17 £m		Increase in Assumption 2017-18 £m	Decrease in Assumption 2017-18 £m
(14.08)	14.34	Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(14.84)	15.12
2.81	(2.79)	Rate of increase in salaries (increase or decrease by 0.1%)	2.98	(2.95)
11.50	(11.31)	Rate of increase in pensions (increase or decrease by 0.1%)	12.12	(11.92)
22.98	(22.83)	Longevity (increase or decrease in 1 year)	24.53	(24.34)

### 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 2019. 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 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.

The expected employer's contributions to the Local Government Pension Scheme for the accounting period ending 31 March 2019 are:-

	2018-19 £m
Local Government Pension Scheme	29.69
LGPS Unfunded	0.20
Teachers Unfunded	0.10
<b>Total</b>	<b>29.99</b>

The weighted average duration of the defined benefit obligation for the scheme members is 18.4 years, which is the same as for 2016-17.

### Teachers

In 2017-18, the Council paid £8.15 million (£8.1 million for 2016-17) to the Teachers Pensions Agency in respect of teachers' pension costs. The increase was as a result of the continued impact of an increase in the employer's contribution rate in 2016-17. In addition, the Council is responsible for all pension payments relating to added years awarded, together with the related increases. In 2017-18, these amounted to £0.415 million (£0.451 million for 2016-17).

### 31. 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 Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments, or a contractual right to receive cash or other financial assets, or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council at 31 March 2018 are classed as loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market and include cash in hand, bank current and deposit accounts, fixed term deposits with building societies and loans to other local authorities. They are carried in the Balance Sheet at amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement 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 (included in Current Assets) in the Balance Sheet are detailed below:

31 March 2017 Balance Sheet £'000	Short Term Investments and Cash and Cash Equivalents	31 March 2018 Balance Sheet £'000
26,572	Short Term Investments (< 1 year)*	20,084
<b>26,572</b>	<b>Total Short Term Investments</b>	<b>20,084</b>
3,250	Cash & Cash Equivalents (Deposits)	1,401
(1,586)	Cash in Hand/Overdrawn	(1,313)
<b>1,664</b>	<b>Total Cash &amp; Cash Equivalents</b>	<b>88</b>
7,713	Short Term Trade Receivables (Debtors)	7,654
<b>35,949</b>	<b>Total Current Financial Assets</b>	<b>27,826</b>

\*The total short term investments include £28,827 representing accrued interest in long term investments in addition to short term interest of £55,112. The £7.654 million Short Term Trade

Receivables (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 £31.058 million in the Balance Sheet which also includes debtors that do not meet the definition of a financial liability, so not detailed here. Note 23 provides more detailed information of the total Short Term Debtors figure.

International Financial Reporting Standard (IFRS) 13 Fair Value defines the fair value of a financial asset 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 assets 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 are 3 levels in the fair value hierarchy for calculations, however due to the type of financial assets the Council hold the only level applicable at 31 March 2018 is level 2, where the fair value is calculated from inputs other than quoted prices that are observable for the asset – this is interest rates or yields for similar instruments.

There were two new long term investments with other Local Authorities in 2017-18 both for 2 years totalling £5 million. The Fair Value (Level 2) has been calculated by discounting at the market rate for a similar instrument with an equivalent remaining term to maturity on 31 March 2018. The table below includes accrued interest on these long term investments.

31 March 2017			Fair Value Level	31 March 2018	
Balance Sheet £'000	Fair Value £'000			Balance Sheet £'000	Fair Value £'000
4,003	4,037	Long Term Investments	2	9,010	8,993

The fair value of financial assets held at amortised cost is lower than their Balance Sheet carrying amount because the interest rate on similar investments is now higher than that obtained when the investment was originally made due to changes in the Bank Rate.

### 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 or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council. The Council's 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 borrowing that the Council has 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.

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:

31 March 2017 £'000	Short Term Borrowing & Other Short Term Liabilities	31 March 2018 £'000
(272)	Accrued Interest Long Term Loans	(1,953)
(680)	Escrows/Trust Funds	(670)
<b>(952)</b>	<b>Short Term Borrowing</b>	<b>(2,623)</b>
(5,245)	Short Term Trade Payables (Creditors)	(3,704)
(404)	Other Short Term Financial Liabilities (Creditors)	(521)
<b>(6,601)</b>	<b>Total Current Financial Liabilities</b>	<b>(6,848)</b>

The Short Term Trade Payables (Creditors) figure £3.704 million relates to trade payables for goods and services received and is all due within 6 months. The Other Short Term Financial Liabilities (Creditors) figure of £0.521 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 2017-18 is made up as follows:-

31 March 2017 £'000	Short Term Liability relating to Other Long Term Liabilities	31 March 2018 £'000
(595)	Maesteg School PFI Lease Liability	(640)
(60)	Innovation Centre Financial Liability	(66)
(50)	Waste Contract (MREC)	(50)
<b>(705)</b>	<b>Total</b>	<b>(756)</b>

The £3.704 million, £0.521 million and £0.756 million shown in the two tables above are all included in the Short Term Creditors Balance Sheet figure of £32.254 million which also includes creditors that do not meet the definition of a financial liability so is not detailed here. Note 25 provides more detailed information of the total short term creditors figure.

Under IFRS 13 the fair value of a financial liability is 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 the Council holds the only level applicable to the Council at 31 March 2018 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 2018, 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.
- 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 is made up as follows:

31 March 2017			Fair Value Level	31 March 2018	
Balance Sheet £'000	Fair Value £'000			Balance Sheet £'000	Fair Value £'000
		<b>Long Term Borrowing</b>			
(77,617)	(115,604)	PWLB (long term)	2	(77,617)	(111,012)
<b>(77,617)</b>	<b>(115,604)</b>	<b>Total PWLB debt</b>		<b>(77,617)</b>	<b>(111,012)</b>
(19,815)	(33,208)	LOBO's	2	(19,804)	(31,843)
<b>(19,815)</b>	<b>(33,208)</b>	<b>Total Market Loans</b>		<b>(19,804)</b>	<b>(31,843)</b>
<b>(97,432)</b>	<b>(148,812)</b>	<b>Total Long Term Borrowing</b>		<b>(97,421)</b>	<b>(142,855)</b>

PFI and Other Long Term Liabilities figure in the balance sheet of £20.267 million are detailed below:

31 March 2017		Other Long Term Liabilities	Fair Value Level	31 March 2018	
Balance Sheet £'000	Fair Value £'000			Balance Sheet £'000	Fair Value £'000
(17,640)	(26,854)	Maesteg PFI Lease Liability	2	(16,999)	(24,976)
(604)	(887)	Innovation Centre Financial Liability	2	(537)	(766)
(350)	(378)	Waste Contract (MREC)	2	(300)	(327)
(70)	(70)	Escrow	Cost	(31)	(31)
(2,400)	(2,400)	Llynfi	Cost	(2,400)	(2,400)
<b>(21,064)</b>	<b>(30,589)</b>	<b>Total Other Long Term Liabilities</b>		<b>(20,267)</b>	<b>(28,500)</b>

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.

### 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.

31 March 2017 Gross Assets (Liabilities) £000	Offsetting of Financial Assets and Liabilities	31 March 2018 Gross Assets (Liabilities) £000
1,920	Bank Accounts in Credit	1,871
<b>1,920</b>	<b>Total Financial Assets</b>	<b>1,871</b>
(2,012)	Bank Overdrafts	(1,980)
<b>(2,012)</b>	<b>Total Financial Liabilities</b>	<b>(1,980)</b>
<b>(92)</b>	<b>Net Position on Balance Sheet</b>	<b>(109)</b>



### Financial Instruments – Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

2016-17				2017-18		
Financial Liabilities	Financial Assets	Total		Financial Liabilities	Financial Assets	Total
Amortised Cost	Loans & Receivables			Amortised Cost	Loans & Receivables	
£'000	£'000	£'000		£'000	£'000	£'000
6,036	-	6,036	Interest Expense	5,979		5,979
<b>6,036</b>	-	<b>6,036</b>	<b>Interest Payable and similar charges</b>	<b>5,979</b>	-	<b>5,979</b>
-	(942)	(942)	Interest Income		(959)	(959)
-	(942)	(942)	<b>Interest and Investment Income</b>	-	<b>(959)</b>	<b>(959)</b>
<b>6,036</b>	<b>(942)</b>	<b>5,094</b>	<b>Net (gain)/loss for the year</b>	<b>5,979</b>	<b>(959)</b>	<b>5,020</b>

### 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 complied with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011) during 2017-18.

In line with 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 1 March 2017 accepted the Treasury Management Strategy and Prudential Indicators.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Welsh Government's Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Strategy and Treasury Management Practices seek the highest rate of return consistent with the proper levels of security and liquidity so as to achieve a suitable balance between risk and return or cost. 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 Council. Actual performance is also reported annually to Members in the form of the Annual Treasury Management Outturn Report which is reviewed by Audit Committee.

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

- **Credit risk** – the possibility that the counterparty to a financial asset might fail to pay amounts due to the Council;
- **Liquidity risk** – the possibility that the Council might not have cash available to meet its commitments to make payments;
- **Market risk** - the possibility that unplanned 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. 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.

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.

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 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.

The Council's primary objective for the management of its investments is to give priority to the security and liquidity of its funds before seeking the best rate of return. The counterparty limits were constantly reviewed and where market conditions dictated, the limit was dropped. No breaches of the Council's counterparty criteria occurred during 2017-18 and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council's investments at 31 March 2018 totalled £30.400 million as detailed below and shown in the Balance Sheet as Long Term Investments (£9.010 million), Short Term Investments (£20.084 million) and included within Cash and Cash Equivalents (£1.401 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 2018 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) and the remaining time to maturity:

As at 31 March the credit risk exposures were:

31 March 2018	Credit Rating	Instant	Notice	Deposits	Deposits	Deposits	Deposits	Deposits	Deposits	Total
Counterparty Category		Access Deposit Accounts £'000	Period Deposit Account £'000	Maturing Within 1 Month £'000	Maturing Within 2 to 3 Months £'000	Maturing Within 4 to 6 Months £'000	Maturing Within 7 Months to 1 Year £'000	Maturing After 1 Year to 2 Years £'000	Maturing After 2 Years to 3 Years £'000	£'000
Bank	AA-					2,000				2,000
Bank	A	1,400	1,000	2,000	1,000					5,400
Local Authorities	AA-							3,000		3,000
Local Authorities unrated				2,000	5,000	4,000	1,000	2,000	4,000	18,000
Building Societies	A				2,000					2,000
<b>Total</b>		<b>1,400</b>	<b>1,000</b>	<b>4,000</b>	<b>8,000</b>	<b>6,000</b>	<b>1,000</b>	<b>5,000</b>	<b>4,000</b>	<b>30,400</b>
31 March 2017	Credit Rating	Instant	Notice	Deposits	Deposits	Deposits	Deposits	Deposits	Deposits	Total
Counterparty Category		Access Deposit Accounts £'000	Period Deposit Account £'000	Maturing Within 1 Month £'000	Maturing Within 2 to 3 Months £'000	Maturing Within 4 to 6 Months £'000	Maturing Within 7 Months to 1 Year £'000	Maturing After 1 to 2 Years £'000	Maturing After 3 to 4 Years £'000	£'000
Bank	AA-	2,250								2,250
Bank	A	1,000	2,000		2,000	1,000				6,000
Local Authorities	AA				5,000		2,000			7,000
Local Authorities unrated					2,000	4,500	2,000		4,000	12,500
Building Societies	A			4,000						4,000
Building Societies unrated				1,000	1,000					2,000
<b>Total</b>		<b>3,250</b>	<b>2,000</b>	<b>5,000</b>	<b>10,000</b>	<b>5,500</b>	<b>4,000</b>	<b>-</b>	<b>4,000</b>	<b>33,750</b>

The Council does not generally allow credit for its customers (trade debtors) such that all the trade debtors are recognised as short term, however, £3.591 million of the £7.654 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:

31 March 2017 £'000	Trade Debtors Past Due but not impaired	31 March 2018 £'000
3,169	Less than 3 months	2,154
679	3 to 6 months	457
279	6 months to 1 year	406
756	More than 1 year	574
<b>4,883</b>	<b>Total</b>	<b>3,591</b>

### 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. In addition the Public Works Loan Board (PWL) 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.

The tables above in credit risk details the maturity analysis of financial assets, however a key parameter used to address liquidity risk is the Treasury Management Indicator which limits the maturity structure of fixed rate borrowing as shown in the table below. 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.

<b>Maturity structure of fixed rate borrowing</b>	<b>Upper Limit % 2017-18</b>	<b>Lower Limit 2017-18</b>	<b>Actual % 31 March 2018</b>	<b>Principal Outstanding £'000 31 March 2018</b>
Less than one year	50	-	-	
Between 1 and 2 years	25	-	-	
Between 2 and 5 years	25	-	-	
Between 5 and 10 years	50	-	13.91	13,474
Between 10 and 20 years	60	-	23.49	22,754
More than 20 years	100	40	42.73	41,389
Uncertain date *	-	-	19.87	19,250
<b>Total</b>			<b>100.00</b>	<b>96,867</b>

Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing all financial instruments therefore including longer term financial liabilities as they mature. The following table details the maturity of all the Council's financial liabilities based on the Balance Sheet value and includes all trade creditors and other creditors classed as financial liabilities which are due to be paid in less than a year.

<b>31 March 2017 £'000</b>	<b>Maturity Analysis Financial Liabilities</b>	<b>31 March 2018 £'000</b>
(7,310)	Less than 1 year	(7,605)
(756)	Between 1 and 2 years	(830)
(5,078)	Between 2 and 5 years	(5,277)
(17,575)	Between 5 and 10 years	(19,152)
(33,882)	Between 10 and 20 years	(31,236)
(41,389)	More than 20 years	(41,389)
(19,815)	Uncertain date*	(19,804)
<b>(125,805)</b>	<b>Total Financial Liabilities</b>	<b>(125,293)</b>

\* The £19.250 million (19.87%) and £19.804 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 23 July 2018) and therefore, the Council 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 2018-19 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 foreign exchange risk (loss arising from movements in exchange rates) as borrowing and investments are only carried out in sterling. Price risk (financial gains or losses arising from movement in the prices of financial instruments) is also not applicable to the Council as, whilst the Council's Annual Investment Strategy allows investments in instruments such as bank certificates of deposit and Government Bonds, the Council currently invests in instruments where the sum returned on maturity is the same as the initial amount invested. Therefore only interest rate risk is applicable which 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 as shown in the table below.

	Upper Limit TMS 2017-18 £m	Revised Projection 2017-18 2018-19 TMS £m	Actual Principal Outstanding 31 March 2018 £m
Total Projected Principal Outstanding on Borrowing	96.87	96.87	96.87
Total Projected Principal Outstanding on Investments (including cash/cash equivalents deposits)	24.00	30.00	30.40
<b>Net Principal Outstanding</b>	<b>72.87</b>	<b>66.87</b>	<b>66.47</b>
Fixed interest rates (net principal) exposure	130.00	68.62	68.62
Variable interest rates (net principal) exposure	50.00	1.25	(2.15)

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or transaction date if later. All other instruments are classed as variable. The majority of the Council's investments are less than 12 months and even though interest rates may be fixed for the investment duration, these would be classed as variable. LOBO loans are variable interest rate loans, therefore, as the investments were in excess of total variable rate loans, the net principal is shown as negative in the table above.

The Council's investments classed as 'loans and receivables' and loans borrowed are not carried at fair value on the balance sheet, so changes in their fair value will 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 Council 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 2018, 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	132	0
Interest receivable on variable rate investments	(174)	174
<b>Impact on Surplus or Deficit on Provision of Services</b>	<b>(42)</b>	<b>174</b>

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.

### 32. Post Balance Sheet Events

There are no Post Balance Sheet Events.

### 33. 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 Council.

The Health and Safety Executive (HSE) is prosecuting the Council under section 3 of the Health and Safety at Work Act following an incident in December 2014. No provision has been made in the accounts due to the uncertainty over the level of costs that may be incurred by the Council.

## Notes to the Cash Flow Statement

### 34. Adjustments for Non-Cash Movements

2016-17 £'000		2017-18 £'000
(24,009)	Depreciation & Impairment of Assets	(24,451)
8,234	Movement in Stock, Debtors & Creditors	(2,493)
(9,140)	Pension Fund Adjustments	(11,810)
(185)	Provisions	(536)
(6,342)	Disposal of Non Current Asset	(2,389)
-	Changes in Fair Value of Investment Property	350
<b>(31,442)</b>	<b>Adjustments to net deficit on the provision of services for non-cash movements</b>	<b>(41,329)</b>

### 35. Operating Activities

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

2016-17 £'000		2017-18 £'000
(14,859)	Cash Flow on Revenue Activities	(16,564)
4,578	Interest Paid	2,889
1,460	Interest element of finance lease and PFI rental payments	1,412
(929)	Interest Received	(949)
<b>(9,750)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(13,212)</b>

### 36. Investing Activities

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

2016-17 £'000		2017-18 £'000
13,881	Purchase of Property, Plant and Equipment and Investment Property	29,916
14,025	Purchase / (Proceeds) from Short Term Investments	(1,482)
(5,292)	Proceeds from sale of Property, Plant and Equipment and Investment Property	(573)
<b>22,614</b>	<b>Net Cash Flows from Investing Activities</b>	<b>27,861</b>

### 37. Financing Activities

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

2016-17 £'000		2017-18 £'000
(10,200)	Cash Receipts of short and long term borrowing	(5,660)
(7,356)	Other Receipts from financing activities	(11,413)
10,210	Repayments of short and long term borrowing	4,000
<b>(7,346)</b>	<b>Net Cash Flows from Financing Activities</b>	<b>(13,073)</b>



# The independent auditor's report of the Auditor General for Wales to the Members of Bridgend County Borough Council

## Report on the audit of the financial statements

I have audited the financial statements of Bridgend County Borough Council for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

Bridgend County Borough Council's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Bridgend County Borough Council as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of Bridgend County Borough Council in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Bridgend County Borough Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## Report on other requirements

### Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

### Matters on which I report by exception

In the light of the knowledge and understanding of Bridgend County Borough Council and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

## Certificate of completion of audit

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

## Responsibilities

### Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 11, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statements of accounts, the responsible financial officer is responsible for assessing Bridgend County Borough Council's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

**Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

**Anthony J Barrett**

**For and on behalf of the Auditor General for Wales**

**September 2018**

**24 Cathedral Road, Cardiff CF11 9LJ**

*The maintenance and integrity of Bridgend County Borough Council's website is the responsibility of the Accounting Officer/Client Officer; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.*





# Annual Governance Statement

## Annual Governance Statement 2017-18

### 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 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 The Council also has a duty under the Well-being of Future Generations (Wales) Act (WFGA) 2015 to carry out sustainable development, including setting and publishing well-being objectives that are designed to maximise its contribution to achieve each of the well-being goals and take all reasonable steps to meet those objectives.
- 1.4 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.
- 1.5 The Council reviewed its Code of Corporate Governance and adopted the Delivering Good Governance in Local Government Framework, developed by the Chartered Institute of Public Finance and Accountancy (CIPFA, 2016) and the Society of Local Authority Chief Executives (SOLACE). This statement explains how the Council has complied with the Governance Framework and meets the requirements of the Accounts and audit (Wales) Regulations 2014.

### 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 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 2018. The description of the arrangements in place is built around the core principles set out in the Council's Code of Corporate Governance.



## 2.4. The Governance Framework



## 3. Review of Effectiveness

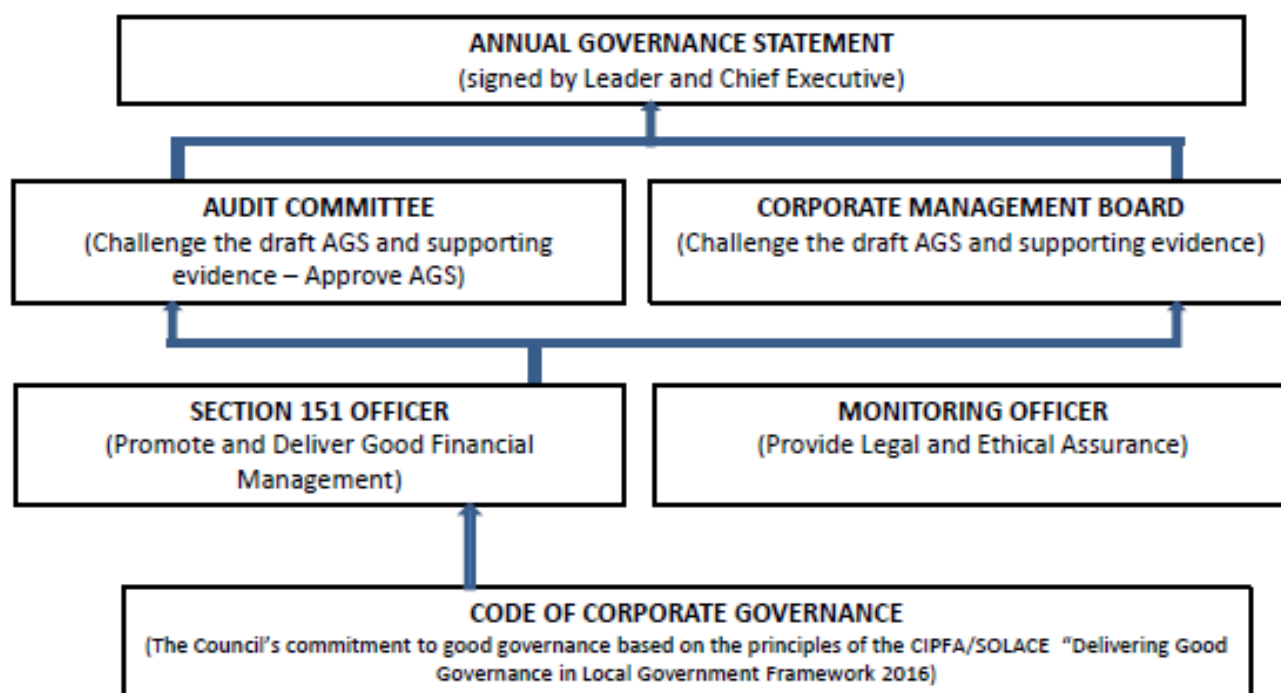
3.1 The control environment comprises the Council's policies, procedures and operational systems and processes in place to:

- Establish and monitor the achievement of the Council's objectives;
- Facilitate policy and decision making;
- Ensure the economical, effective and efficient use of resources;
- Ensure compliance with established policies, procedures, laws and regulations;
- Safeguard the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.

During 2017-18, core financial and administrative systems were reviewed by Internal Audit either through specific reviews (e.g. Debtors, Council Tax, Housing Benefit, Treasury Management etc.) or generally in the reviews undertaken in respect of Directorate systems. In addition, during the year the South West Audit Partnership on behalf of the Bridgend & Vale Internal Audit Shared Service, carried out an audit of the Council's governance framework as part of the Healthy Organisation Review. On the basis of the audit work undertaken during the year and taking into account all available evidence, the Head of Internal Audit has concluded that a reasonable assurance level can be applied to standards of internal control at Bridgend CBC for the period stated. The Annual Opinion Report of the Head of Internal Audit for the period April 2017 to March 2018 is available here:

<https://democratic.bridgend.gov.uk/ieListDocuments.aspx?CId=132&MId=2981&Ver=4>

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



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

- The Constitution, is kept under continual review and 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. 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.
- The Cabinet (as Executive) who are responsible for considering overall financial and performance management. The Cabinet is also responsible for key decisions based on the information provided to them through comprehensive officer reports.
- The Scrutiny function which holds the Cabinet to account. In total there are four Scrutiny Committees. The Corporate Overview and Scrutiny Committee is responsible for maintaining an overview of the Authority's financial performance including value for money. This Committee also co-ordinates the Scrutiny Forward Work Programme and prioritises the work of the three Subject Overview and Scrutiny Committees. The Subject Overview and Scrutiny Committees do not have any specific remits which enable each committee to deal with any topic that is allocated. Scrutiny Committees establish Research and Evaluation panels (including the review of budget proposals); they undertake reviews of specific areas of Council operations and make recommendations to Cabinet for improvement.
- The Audit Committee which provides the focus for reviewing the effectiveness of the system of internal control. Much of this work 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.
- Regulatory Committees (e.g. Licencing, Development Control) are in place to determine matters as defined within the Council's Constitution;



- 3.4 Requirements of the Local Government (Wales) Measure 2011 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 Council 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
- 4.0 Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**
- 4.1 The Council has a clear vision, that is, always to act as “One Council working together to improve lives” and is available here: <https://www.bridgend.gov.uk/media/2267/1-corporate-plan-2016-2020-reviewed-for-2017-2018.pdf>
- 4.2 The Council is committed to the sustainable development principle and the five ways of working provided by the Well-being of Future Generations (Wales) Act 2015. The Council has appointed a Cabinet Member for Well-being and Future Generations. The Council has integrated well-being planning into its corporate and business planning process, as well as incorporated it into the Performance Management Framework.
- 4.3 Elected members are provided with training in accordance with the Elected Member Learning and Development Strategy which is approved by Council. Topics include code of conduct, declarations of interest and other subjects which clarify the behaviours of elected members. Some training particularly relating to regulatory functions has been identified as “essential” to ensure that Elected Members have a full understanding of their role before they make key decisions.
- 4.4 During 2017/18 an Ethics Review was undertaken as part of the 2017/18 Internal Audit Risk Based Plan. The work undertaken provided reasonable assurance on the control environment as the Council have key aspects in place to enable them to operate in an ethical manner. However there are areas which could be improved further.
- 4.5 Conduct of Members is governed by the Members Code of Conduct. The Public Services Ombudsman for Wales monitors complaints and the standards reflect Welsh Government Public Service Values. The Council’s Standards Committee can consider alleged breaches of the Code of Conduct. There has not been a referral to the Standards Committee in Bridgend for a number of years. The Monitoring Officer utilises the local resolution protocol approved by the Public Services Ombudsman for Wales.
- 4.6 All Committees have clear terms of reference that set out their roles and responsibilities and work programmes. 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.
- 4.7 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.
- 4.8 The Council takes fraud, corruption and maladministration very seriously and has the following procedures and policies in place, 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
- Social Services Representations & Complaints Procedure
- Financial Procedure Rules
- Contract Procedure Rules

7.9 The Code of Conduct and Secondary Employment Policy for Officers requires employees to disclose any personal interest which may conflict with their duties and seek approval for secondary employment.

## 5. Principle B – Ensuring openness and comprehensive stakeholder engagement

5.1 The Council makes a large amount of information available to its citizens in an open way. Information can be obtained through the Council website and many other publications. The Freedom of Information Act requires the provision of a Publication Scheme. The Scheme has been approved by the Information Commissioner's Office who is responsible for ensuring compliance with the legislation. The Scheme provides a guide to the information routinely made available to the public. Not all the information the Council publishes is detailed in the Publication Scheme. Information that is not published can be requested by making a FOI request. The Council considers all requests under the provisions of the legislation.

5.2 All Council meetings are open to the public except where exempt items are discussed. The criteria for exempt information is set out in legislation. All public agendas, reports and minutes are available on the Council's website. Work Programmes with agreed timescales for report, submission, approval by Legal and Finance, publication and distribution aid decision making at a strategic level. This ensures a corporate check on the impact of decisions and also probity both in legal and financial authorisations. The Council implemented a webcasting facility in 2016 which provides live streaming and an archive facility. The number of webcast viewers is monitored and the results are reported to the Democratic Services Committee. Meetings are identified which are considered to be of key public interest and suitable for webcasting. Members of the public and "expert" witnesses can participate by speaking at Overview and Scrutiny Committees similar to arrangements already in place for Development Control Committee.

5.3 The Council is committed to understanding and learning from the views of the public and using their feedback to help shape services and policies. There is a consultation and engagement toolkit in place to help managers to ensure consultation activities are robust as well as following legal guidance (Gunning's principles) and Participation Cymru's National Principles for Public Engagement in Wales that have been adopted by the Council. The planning and decision-making processes are designed to include consultation with stakeholders.

5.4 The Council has a protocol for the use of Social Media and is available here <https://www.bridgend.gov.uk/my-council/customer-services/our-social-media-policy> The aim of this is to be clear about how the Council will engage with users and manage expectations.

5.5 The Authority has made significant steps in its use of the Welsh Language and has implemented the majority of the standards. The Council is negotiating with the Welsh Language Commissioner in relation to implementing the few remaining standards.

5.6 The Council has a Citizens' Panel made up of over 1,700 residents aged 16 or over from across the county borough. The panel members agree to take part in several surveys a year on a range of issues relating to Council services and policies. The Citizens' Panel has helped the Council to understand residents' opinions about the services it provides so as to help improve things in the future. The panel is currently representative of residents aged 25 and over. The consultation team has key performance indicators in place to increase representation of 16-24 year olds,

- Welsh speakers and disabled residents, as well as indicators to increase representation across each ward to a minimum 1 per cent.
- 5.7 Social media is used to promote services and engage with the public. Targeted paid advertising and Q&A sessions/debates are undertaken to raise awareness of and drive responses to consultation exercises, and to capture citizens' feedback. The use of social media has been successfully used as part of the "Shaping Bridgend's Future" consultation. In line with its commitment to the Welsh Language Standards, the Council introduced bilingual social media accounts in December 2017.
- 5.8 Increasingly, surveys are being made available on desktop, tablet and mobile formats to increase the likelihood of residents responding. The Council has a database of over 1,650 residents who are interested in receiving HTML emails regarding key consultations within the Borough.
- 5.9 Citizens' Panel members and residents who opt to receive key consultation updates are sent engagement details on projects that may be of interest to them. Bridgend Business Forum members, the Youth Council and the Bridgend Equality Forum are all invited to share their views (when relevant) to improve representation.
- 5.10 There is regular communication with staff through managerial arrangements which is supplemented by Bridgend's, Bridgend's emails and staff newsletter as well as updates by the Chief Executive.
- 5.11 HR officers have a monthly timetable of meetings on organisational restructures as well as ad hoc issues to which local and regional trade union officers are invited. Cabinet members are invited on a bi-monthly basis. The model is successful in maintaining good relationships with both trade unions and employees respectively.
- 5.12 The Council operates both a Corporate Complaints Procedure and a Social Services Representations & Complaints Procedure which helps to identify areas where service quality is not satisfactory, and to take action to improve where relevant. Complaints can be made electronically, in writing and, for Social Services, can also be made verbally. The Council has set target times for responding to all complaints received to ensure that the complaint is dealt with in a timely manner and to ensure accountability. Both the operation of the Corporate Complaints Policy and report on Social Services Representations are reported annually to Cabinet.
- 5.13 The Public Services Ombudsman for Wales reports on each Council in Wales on the number of complaints received and investigated. In July 2017 the Council received its Annual Letter for 2016-17. The letter noted an increase in the number of complaints received, 44 in 2016-17 compared to 38 in 2015-16. The comparative figure for the local authority average was 39 for 2016-17 (41 for 2015-16). Two investigations were commenced by the Ombudsman in 2016-17. The Annual Letter noted that Children's Social Services was the biggest single area of complaints, followed by Housing. One S16 report was issued upholding the complaint, 4 complaints were settled by early resolution, 10 were closed after initial consideration, 18 were premature and 9 out of jurisdiction.
- 5.14 The Council is one of four statutory members of Bridgend Public Services Board (PSB), whose role is to sustain and improve the economic, social, environmental and cultural well-being of Bridgend County by engaging and working collaboratively and strengthening joint working across the county's public services. The Board also includes "Invited Participants". The work of the PSB can be found at Public Services Board - Bridgend County Borough Council: <https://www.bridgend.gov.uk/my-council/council-priorities-and-performance/bridgend-public-services-board/>
- 5.15 In 2017 to 2018 the PSB used the Wellbeing Assessment published in April 2017 to develop four wellbeing objectives which are included in the Wellbeing Plan for Bridgend County. The Plan will be published in May 2018. During the year the PSB has developed a partnership structure

comprising of 5 sub boards. The boards are responsible for ensuring wellbeing objectives are met. Each board will report progress to PSB at least twice a year.

## **6 Principle C – Defining outcomes in terms of sustainable economic, social, and environmental benefits**

- 6.1 The Council's Corporate Plan sets out three corporate priorities - the long term outcomes that the Council wants to achieve. These priorities, reviewed each year, are the Council's improvement objectives under the Local government (Wales) Measure 2009 and wellbeing objectives under the Well-being of Future Generations (Wales) Act 2015. The Plan has also embedded the Council's wellbeing statement, required by the Act, into the document, and sets out how our priorities link to the seven national wellbeing goals.
- 6.2 The vision, principles and improvement priorities set out in the Corporate Plan give the direction for the development of Directorate Business Plans. The Corporate Plan identifies a number of indicators, which are aimed at measuring the success of our outcomes and evidence our joined up working with citizens and partners, as well as providing a measure of performance. These are reported to the Corporate Performance Assessment (CPA) panel on a regular basis and subject to scrutiny on a bi-annual basis. An annual report on the Council's performance is also produced for the general public.
- 6.3 Alongside the Corporate Plan, the Council approved a Medium Term Financial Strategy (MTFS) for the period 2017-18 to 2020-21 available here: <https://www.bridgend.gov.uk/media/2233/budget-book-2017-to-18-and-medium-term-financial-strategy.pdf>. The MTFS provides an integrated planning and financial framework for the next four years, including the detailed budget strategy for the next financial year. This enables the Council to align its financial resources with its new priorities. Quarterly budget monitoring reports are submitted to Cabinet and to the Corporate Overview Scrutiny Committee.
- 6.4 The Council works collaboratively with a number of partners providing joint services to maximise efficiencies and improve outcomes for our citizens. Key collaborations include: Shared Regulatory Service, Central South Consortium, HALO, Awen, Coychurch Crematorium and Western Bay. Connections are now being made with colleagues in the Cwm Taff region in light of the consultation on the potential health board boundary change which could result in Bridgend County moving to Cwm Taf University Health Board. These partnerships are initially monitored by those elected members appointed by Cabinet / Council to represent the Council's interests on the outside body.
- 6.5 The Corporate Overview and Scrutiny Committee also receive reports from Council partners which enable Elected Members to monitor the governance arrangements and the outcomes being delivered. The Council is leading on the joint scrutiny of the Cardiff Capital Region City Deal, with terms of reference for the Committee yet to be agreed. The Council is also working with the Centre for Public Scrutiny (CfPS) to develop the effectiveness of its scrutiny of the Public Services Board.
- 6.6 During 2017-18 the Council consulted on a range of issues engaging with the public on the goal of delivering sustainable services which included Shaping Bridgend's Future, Public Service Board and Remodelling Childrens Services. The Shaping Bridgend's Future consultation included a presence at community events and an online survey among other activities which captured the views of the public on how the Council aims to change particular areas of service delivery and the financial consequences of doing so.

## 7.0 Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes

- 7.1 In the Medium Term Financial Strategy 2017-18 to 2020-21, 7% of budget reductions identified over the 4 year period were identified as coming from collaboration and service transformation. Council 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. In the recently published consultation Green Paper "Strengthening Local Government, Delivery for People", the Welsh Government sets out its ambitions for local government. It presents options which could lead to larger and more sustainable local authorities in Wales which could deliver effective and sustainable public services going forward. Whilst the authority is already operating collaboratively in a number of these service areas, the Council continues to explore areas where joint working can be progressed and awaits the outcome of the consultation, which could lead to mergers between authorities and lead to the creation of fewer local authorities which are larger, stronger and more powerful.
- 7.2 The budget approved for 2017-18 included savings proposals of £5.852 million (2.71% of net service budgets). However, at year end, £1.840 million of these proposals were still not realised, but the expenditure associated with them had in some instances been offset by vacancy management and other savings elsewhere within the budget. The impact of this is that there is still a recurrent pressure on 2018-19 budgets which will need to be addressed by implementing the proposals or identifying and delivering alternatives. Future monitoring reports will review achievement against these targets in addition to current year budget reductions.
- 7.3 The Council operates a category management approach to procurement. This strategic approach enables the authority to focus and organise procurement resources on specific areas of spend. Category specialists are able to focus their time and conduct in depth market analysis to fully leverage procurement decisions on behalf of the Council. The results can be significantly greater than traditional transactional-based purchasing methods. The corporate procurement unit also utilises and promotes collaborative frameworks.
- 7.4 The Committee Administrative system is used to automate many of the administrative duties in respect of elected members and the formal decision making process. The system aids decision making, enables the tracking of actions and monitoring of decisions and provides a web-based decision register.
- 7.5 The asset management plan and capital strategy plan ensures investment is linked to strategic objectives and outcomes. The capital strategy demonstrates that the Council takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. It also sets out the long term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes. Strong links exist between the capital planning process, regeneration and asset management planning. The capital planning process is an integral part of the MTFS and links with the revenue budget planning process to ensure that options for the most cost effective service provision are properly considered. The Council will revise its capital strategy during 2018-19 to reflect the requirements of CIPFA's recently revised Prudential Code for Capital Finance in Local Authorities.
- 7.6 The Council has a range of projects and programmes in progress to support the delivery of the improvement priorities to support changes throughout the Council. The Corporate Programme Management Board (PMB) oversees the implementation of those programmes and projects, including the School modernisation programme, remodelling of Adult and Children's services, Digital Transformation and strategic collaboration projects such as the City Deal to deliver change.



Projects and programmes have their own governance arrangements and these are documented in a project initiation document or terms of reference.

- 7.7 The Remodelling Social Care Programme Boards remain. Work has been completed in both Children's and Adult Social Care to make sure that there is one point of contact for people who require our help in line with the new way of working laid down by the Social Services and Wellbeing (Wales) Act to provide information, advice and assistance.
- 7.8 In Adult Social Care the assessment framework, has been changed in line with the Act, in order to improve the outcomes for people who need care and support, whilst also reducing the numbers of people who require long term support.
- 7.9 The new Multi-Agency Safeguarding Hub (MASH) will see staff from adult and children's social care, South Wales Police, education, housing, substance misuse, probation, health, early help services and the Wales Community Rehabilitation Company working together in partnership to provide effective safeguarding services for children, young people and adults. Coinciding with the implementation of the Social Services and Well Being (Wales) Act 2014, the Bridgend MASH will enable earlier, higher-quality information sharing, analysis and decision-making to take place.
- 7.10 Outcome / performance measures are set and used to assess intended outcomes as per the Corporate Plan and in line with available resources. These are monitored throughout the year via CPA and Scrutiny. Quarterly financial monitoring is reported to Cabinet and Scrutiny.

## **8.0 Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it**

- 8.1 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 which:
- The Council sets the overall budget and appoints the Leader of the Council. The Leader appoints members of the Cabinet and announces the Deputy Leader and the portfolio of Cabinet Members, details of which are published on the website;
  - In the case of executive functions which are not exercised by Cabinet as a whole, functions may be discharged by: -
    - a committee of the Cabinet;
    - an individual member of the Cabinet;
    - an officer;
    - an area committee;
    - joint arrangements; or
    - another local authority

Clear arrangements are in place to record decisions made by Cabinet Members and officers under delegated powers.

- 8.2 There is a Standards Committee to promote and maintain high standards of conduct by Town and Community Councillors and County Borough Councillors, lay members, co-opted members and Church and Parent Governor Representatives.
- 8.3 The Council aims to ensure that members and officers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities as outlined in their job/role descriptions. New members and staff are provided with an induction to familiarise them with protocols, procedures, values and aims of the Council.
- 8.4 The Council's Chief Executive (as Head of Paid Service) leads the Council's officers and chairs the Corporate Management Board (CMB). The Corporate Director, Operational and Partnership

Services is also the Monitoring Officer appointed under Section 5 of the Local Government and Housing Act 1989. This Director's post has been deleted under the Senior Management restructuring and the Deputy Monitoring Officer is now the Monitoring Officer and Senior solicitors to the Council. The Head of Finance post, currently occupied by an interim, has been nominated as the Council's Section 151 Officer, as required by the 1972 Local Government Act, and carries overall responsibility for ensuring that the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The Corporate 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 Council has proper safeguards to protect vulnerable children and adults. The Corporate Director – Social Services and Wellbeing holds line management responsibility for the social care functions for children and adults which enables the new ways of working laid down by the Social Services and Wellbeing (Wales) Act 2014 to continue to be embedded within the service. The Corporate Director – Education and Family Support 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.

- 8.5 Organisational structures in respect of Member responsibility and Directorate portfolios are contained within the constitution and are available on the BCBC website. 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, which enables members to better understand their role and identify any further support or training that they may require to carry out their duties effectively. This will increase the ability of Audit Committee members to analyse, monitor and challenge the effective performance of the Council.
- 8.6 There is an Elected Member Learning & Development Strategy 2017-22, which provides a framework for supporting elected members in the roles that they are required to undertake. The Strategy helps members to develop and strengthen their ability to be confident and effective political and community leaders and can be found here: <https://democratic.bridgend.gov.uk/documents/s13931/171129%203%20Elected%20Member%20Learning%20Development%20Strategy%20Appendix%201.pdf?LLL=0>: Council has agreed to work towards achieving the WLGA Charter for Member Support in September 2018.
- 8.7 The Member Development Programme is regularly reviewed to ensure that any training activities are appropriate, relevant and timely. In 2017-18, training was provided for Elected Members on the WFG Act 2015, enabling Members to consider the WFG Act in the scrutiny and making of decisions. Elected Members also received training on performance management to help them take a whole systems approach in accordance with the Council's performance management framework when discharging their scrutiny duties. In addition, the Council encouraged attendance at the WAO event "The role of scrutiny in relation to the WFG Act". 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 in relation to school performance data has been recognised by Estyn, which noted that training provided to elected members increased their understanding. Members have a key role to play in safeguarding children and adults at risk. Members have been able to access training to further their understanding of their responsibilities in relation to safeguarding children and adults. The training considered safeguarding within the context of the Social Services & Wellbeing (Wales) Act 2014.
- 8.8 The Council takes a pragmatic approach to delegation of powers for decision making, enabling lower level decisions to be subject to "calling to account" but not "call in" by scrutiny. The scheme



is reviewed in detail regularly, updated to reflect any changes in legislation and to the corporate structure and is published to the intranet. The Authority is informed of any changes that have been made using Bridgenders messages. Delegated powers and limits are clearly set out as are the use of sub delegations enabling effective and timely decision making. The Councils Scheme of Delegation has now been published on the BCBC website to provide greater transparency of the Council's decision making processes.

- 8.9 The Corporate Plan and the Medium Term Financial Strategy (MTFS) set out a significant change agenda that will have an impact on how the Council's priorities are taken forward, and the way in which services will be delivered in the future. The Workforce Plan recognises that the Council's ability to meet these challenges will depend on strong leadership, management of change and effective planning and deployment of employees' skills and expertise against the backdrop of a reducing workforce.
- 8.10 The following workforce priority areas have been identified within the Plan and actions are set and monitored on an ongoing basis to progress these:
- Implementing new organisational structures and change to affect new ways of working
  - Maximising skills and performance of the existing workforce to allow greater flexibility
  - Developing responses to recruitment and retention issues
  - Supporting the Council in reducing levels of sickness absence and supporting the health and wellbeing of employees
- 8.11 Officer performance is reviewed through the Council's Employee Appraisal process, which provides a framework for employees and managers to discuss work performance and behavior, as well as learning and development needs
- 8.12 The corporate learning and development provision comprises targeted face to face training and a range of learning resources available on the Corporate Learning and Development Website. Training for managers to assist them fulfil their line management responsibilities has been prioritised. This commitment is further evidenced through the provision of externally funded accredited training (at level 4 and 5) which has been made available to all managers.
- 8.13 The Corporate Health and Safety policy, protocols and guidance are developed in consultation with stakeholders and regularly reviewed to ensure they remain in line with statutory duty, current best practice and reflect the needs of the organisation. The Health and Safety policy is approved by Cabinet.

## **9.0 Principle F – Managing risks and performance through robust internal control and strong public financial management**

- 9.1 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.
- 9.2 The decision-making process is monitored by four 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 forming 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.

- 9.3 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.
- 9.4 Policies and procedures that assist the governance of Council's operations include those set out under the Governance Framework. All managers have responsibility to ensure compliance with these policies.
- 9.5 The Council has developed a robust approach to the management of risk. The Corporate 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.
- 9.6 Risks are viewed from both a Service and Council-wide perspective which allow the key risks to be distilled in the Corporate Risk Register. Key corporate risks are monitored at the highest level within the Council, including Cabinet, Senior Management Team, Programme Management Board, CPA Overview and Scrutiny Committees and Audit Committee. The Council's approach ensures that key risks are considered when determining Council priorities, targets and objectives and are incorporated in Directorates' Business Plans. The main risks facing the Council that were identified during 2017-18 are set out in the Council's Corporate Risk Register which can be accessed here:  
<https://democratic.bridgend.gov.uk/documents/s14781/Schedule%20B%20-%20Corporate%20Risk%20Assessment.pdf>
- 9.7 In 2017, the Council reviewed and simplified its Performance Management Framework to reflect the Council's current practice, in particular, the "one council" approach, and make it more meaningful for the users. The reviewed Performance Management Framework is accessible here: <https://www.bridgend.gov.uk/media/2281/bcbc-performance-management-framework-2017-version.pdf>.
- 9.8 The Corporate Performance Assessment (CPA) is undertaken on a quarterly basis and is attended by Cabinet Members, CMB, and Heads of Service. The purpose of the CPA is to oversee the Council's performance as defined by the Corporate Plan, challenging areas of poor performance and risks to delivery, whilst also identifying service improvement opportunities and associated resource implications. When necessary, the CPA may monitor progress against relevant national and collaborative initiatives.
- 9.9 The Council has a Corporate Health and Safety Steering group comprising elected members, directorate health and safety champions and trade unions. Health and safety objectives are incorporated into all corporate and directorate business plans and linked to the Corporate objectives. Directorates are required to maintain risk registers of current significant risks within their services.
- 9.10 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 March 2018. 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.

**10.0 Principle G – Implementing good practices in transparency, reporting, and audit, to deliver effective accountability**

- 10.1 Annual council meet in May of each year to establish Committees, their size and allocation of seats based on political balance. Terms of reference and each committees decision making powers are set out in the Councils Constitution.
- 10.2 The Corporate Plan and Annual Report is published annually on the Council's website, is approved by Members through the normal democratic process, is communicated to staff and is available in key public buildings for citizens to read. Performance data is also published on the Web, to support the Council's achievements in delivering its improvements for the year. Notifications for the Corporate Plan and the Annual Report are published on the website and the local gazette annually.
- 10.3 The financial management of the Council is conducted in accordance with all relevant legislation and the Constitution. In particular, the Financial Procedure Rules, 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. This work informs the production of the statutory annual Statement of Accounts.
- 10.4 The Council's Performance Management Framework continues to guide the Council's integrated Corporate, business and financial planning and performance management processes and practice. The Framework is structured around the "Plan, Do, Review, Revise" model. In 2017-18, Cabinet and CMB led the development of the Council's new Corporate Plan 2018-2022, the MTFS for the next four years, and directorate business plans to implement the Corporate Plan and the MTFS. Members and officers were part of that process. While holding Cabinet and CMB to account, the Council's Scrutiny Committees provided challenge, scrutiny and recommendations.
- 10.5 The Council continues to improve and strengthen its performance management arrangements to make them fit for purpose, including further development of the Corporate Performance Assessment (CPA), which has been recognised by the WAO Corporate Assessment as "positive practice Service specific challenges (sort of "mini CPA"), championed by the Chief Executive, were introduced during the year. Those "mini CPAs", focusing on service specific performance and issues, have proved to be effective in driving service improvement. Chairpersons of the Council's Scrutiny Committees joined the CPA panel, adding a new dimension to the self-assessment process.
- 10.6 Social Services is a regulated service area and there is an annual programme of inspection carried out by the Care Inspectorate Wales (CIW). In addition, regular performance review meetings are held with CIW which ensure regulatory requirements are met and that significant service developments, challenges, workforce, performance and consultation activity is discussed.
- 10.7 There was an inspection of children's social care during January/February 2017, which focused on how children and families are empowered to access help and care and support services and on the quality of outcomes achieved. The inspection also evaluated the quality of leadership, management and governance arrangements in place to develop and support service delivery. A

report to Cabinet in July 2017 included the findings and an action plan to progress the recommendations and is available here:

<https://democratic.bridgend.gov.uk/documents/s12385/1a%20CSSIW%20Inspection%20of%20Childrens%20Services%203%203.pdf>

- 10.8 The Statutory Director of Social Services annual report 2016-17 was submitted to CIW, who confirmed that the annual report was people friendly, balanced and thorough and that BCBC was reaping the benefits of transformation and remodelling social care. CIW recognised the challenges of the MTFs and the potential boundary change.
- 10.9 Internal Audit completed a programme of reviews in accordance with the Annual Audit Plan for 2017-18. As part of the normal audit reporting process, recommendations to address any issues that could impact upon the system of internal control were made and agreed with the relevant chief officers. 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. Any significant weaknesses in the control environment identified are reported to senior management, the Audit Committee and Cabinet as appropriate.
- 10.10 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 2017-18, 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. In accordance with the Public Sector Internal Standards the Internal Audit Shared Service underwent an external assessment, which was agreed by the Council's Audit Committee. Following a procurement exercise, CIPFA were commissioned to undertake the assessment which commenced at the end of January 2017 and concluded in February 2017. The outcome of the assessment was reported to the Council's Audit Committee on 27 April. It indicated that the assessment had identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. A number of recommendations were made and all have now been actioned.
- 10.11 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 seven years. In 2017-18, 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).
- 10.12 For 2016-17, the Auditor General undertook improvement assessment work at all councils under three themes: governance, use of resources, and improvement planning and reporting. For some Councils, local risk-based audits were also carried out. (The Auditor General's audit work for 2017-18 is yet to be completed.)
- 10.13 The Wales Audit Office undertook the following individual projects under the above mentioned themes for Bridgend County Borough Council during 2016-17:
- Good governance when determining service changes
  - Annual audit letter 2015-16, under the Public Audit (Wales) Act 2014
  - Savings planning
  - Corporate assessment follow up
  - Annual improvement plan audit

- Annual assessment of performance audit

- 10.14 The Auditor General's overall conclusion is that the Council is meeting its statutory requirements in relation to continuous improvement, and that based on the work carried out by the WAO and relevant regulators the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2017-18.
- 10.15 The Auditor General's **Annual audit letter**, which formed part of his Annual Improvement Report 2016-17 about the Council confirmed that "the Council complied with its responsibilities relating to financial reporting and use of resources".
- 10.16 Headline findings of the Auditor General's Annual Improvement Report about the Council is accessible here: <http://www1.bridgend.gov.uk/media/484852/bridgend-annual-improvement-report-2016-eng.pdf>. The Action Plan for any identified improvement issues is set out in Appendix A. In addition the 2018 Audit Plan considered by Audit Committee in April 2018 is available here: <https://democratic.bridgend.gov.uk/documents/s15237/457A2018-19%20CBC%202018%20Audit%20Plan%20Final.pdf> and sets out a number of identified areas of risk which have been considered by WAO as significant and therefore require special audit consideration.

## 12. Significant Future Challenges

- 12.1 Across the whole of the United Kingdom, local councils are facing unprecedented challenges following reduced Government funding and increased demands on essential services. Between 2017-18 and 2020-21, the Council is expecting to have to make budget reductions of £32.8 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. It is necessary to ensure that the control environment, including governance and risk management, remains robust, proportionate and as efficient and effective as possible.
- 12.2 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. One of the key savings relates to its non-recycled waste disposal, where Bridgend are paying significantly higher costs than the Welsh average. The Council, through its 'host' Authority, Neath Port Talbot Borough Council, are trying to secure better arrangements and reduced costs. One of the challenges during the year was presented in an audit report regarding Housing Benefit payments. Whilst relatively small in value, there were nonetheless a number of errors relating to some payments. The Council has taken swift and decisive action to correct any errors and to eliminate future issues arising.
- 12.3 During the year, either specific reviews (e.g. Debtors, Council Tax, Housing Benefit, Treasury Management etc.) or general reviews were undertaken in respect of Directorate systems. Due to resourcing issues within Internal Audit, the number of audit days delivered fell short of those proposed. In order to partly address this, audit work was commissioned from the South West Audit Partnership who undertook an Ethics Review and a Healthy Organisation Review focusing on five of the eight corporate themes (Governance, Risk Management, Commissioning & Procurement, Programme & Project Management and Information Management). This review indicates an overall High Assurance opinion, although SWAP were unable to form a conclusion

on Information Management as they were not provided with the evidence needed to complete their work at the time of the Audit. Based on the internal audit work carried out for the year 2017-18, 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. Whilst it is recognised that the number of days planned for were not all delivered, it did not prevent the Head of Internal Audit from providing an overall opinion.

### 13. Certification of Annual Governance Statement

Steps to address and mitigate the matters referred to the Action Plan below will be taken to further enhance our governance arrangements.

**Signed:**

**Chief Executive Officer** \_\_\_\_\_

**September 2018**

**Leader of the Council** \_\_\_\_\_

**September 2018**



**Action Plan for any Identified improvement issues identified from 2016-17**

Identified from	Issue and Description	Progress
2016-17 – Corporate Performance	The Performance Management Framework was to be reviewed to incorporate the requirements of the WFG(Wales) Act 2015	The revised Performance Management Framework which incorporated the requirements of the WFG (Wales) Act 2015 was approved and adopted by Cabinet in October 2017
2016-17 – Corporate Performance	It was identified there was a need to promote the new Code of Corporate Governance and WFG (Wales) Act 2015 to ensure they underpin everything the Council does	The new Code was approved and adopted by Cabinet. Training on the Act to Members was provided. Training to Officers has been planned and an e-learning module is being developed.
2016-17 – Democratic Services	To improve transparency and access to Council information, an exercise was to be undertaken to update and publish the Cabinet Forward Work Programme on the website. The scheme of delegation was also to be published	The Council has published its Forward Work Programme for Cabinet, Council and Scrutiny on its website for the period 1 Jan 2018 – 30 April 2018. The programmes are scheduled for review on a quarterly basis to cover those topics being considered by Cabinet and Council during the subsequent 4 month period. Further work is being undertaken to harmonise procedures for the Scrutiny work programmes.
2016-17 – CIPFA Delivering Good Governance in Local Government Framework 2016	The working group producing the Annual Governance Statement would work together to review the Council's Code of Corporate Governance to reflect the CIPFA new principles 2016	A review of the Code of Corporate Governance and its Governance Framework was undertaken and approved and adopted by Cabinet in June 2017.
2016-17 – WAO Financial Resilience Report	Council recognised that it needed to put measures in place to respond to the recommendations within the Financial Resilience Report and ensure that financial planning arrangements were strengthened with more robust savings, delivery plans and implementation timescales.	Budget Reduction Proposals are reviewed by Directors and the S151 Officer prior to the start of the financial year to ensure they are still deliverable within the timescales agreed. Directors provide information on any issues or risks preventing achievement, and any action that can be taken to mitigate potential non-achievement. These proposals are then monitored as part of the formal budget monitoring process and reported accordingly, with action taken where necessary to prevent overspend.



Audit Committee – April 2018	The 2016-17 Housing Benefit subsidy audit identified a number of processing issues which affected the accuracy of the subsidy claim. The main issues were in relation to the recording of rent (increases/services charges) and the treatment of earned income and occupational pensions.	Identified errors were immediately corrected with overpayments recovered where permitted by the Housing Benefit regulations, and underpayments paid accordingly. Further actions are planned for 2018-19, in order to improve accuracy.

### Action Plan for any recommended or identified areas for improvement for 2017-18

Identified from	Issue and description	Progress within the year
May 2017 – WAO Good Governance when determining Significant Service Changes Report	The Council should resolve how it will embed the sustainable development principle into decision-making	Elected Members have been offered training for the WFG (Wales) Act 2015 to ensure that sustainable development is included in all aspects of decision making. An e-learning package is being finalised, which will enable officers to undertake a sustainable development assessment to support the decision making process.
May 2017 – WAO as above	The Council should clearly set out how the impact of service changes will be monitored at the point of decision, with a clear set of criteria and a detailed options appraisal process considered when producing Council's decision reports	The Well-being of Future Generations Assessment Form ensures that the five ways of working and the seven Wellbeing Goals are considered as part of the decision making process. Use of the revised template will enable any potential impacts of service changes to be identified and proposals to maximise any positive impacts or minimise any negative impacts to be provided as necessary.
May 2017 – WAO as above	That the Scrutiny Forward Work Programme is not easily accessible on the website and that the website search function for officer and member decisions was not working properly There were no links to items pre 2014. This limits transparency and access arrangements.	A scrutiny mini-site has been created which includes its Forward Work Programme and can be accessed here: <a href="https://www.bridgend.gov.uk/my-council/democracy-and-elections/overview-and-scrutiny-committees/forward-work-programme/">https://www.bridgend.gov.uk/my-council/democracy-and-elections/overview-and-scrutiny-committees/forward-work-programme/</a> The Corporate website is being redesigned and will be relaunched. As part of this process improvements will be made to the search facilities which will increase transparency and access.

Audit Committee April 2017 (Committee resolution)	Committee considered the Internal Audit Outturn Report, including the Head of Audit's annual opinion and in doing so, expressed its concern at the vacancy rate of 50% and that it wished to consider the review of resources in internal audit at a future meeting as part of setting the Internal Audit Plan.	This action was completed in November 2017 with a report presented to the Audit Committee.
Audit Committee April 2017 (Committee resolution)	Committee considered it needed to exercise caution in approving the Audit Plan and expressed concern at the lack of staff resources in Internal Audit could have on achieving the set targets. The seriousness of the situation had been recognised by the Service and an amended draft Internal Audit Strategy and draft Annual Risk Based Audit Plan for 2017/18 was to be brought to the next meeting of the Committee taking account of the concerns raised.	With the exception of the IASS Charter which is scheduled for the Audit Committee meeting to be held in April 2018 the actions have been completed.
WAO Corporate Assessment	The Corporate website has received a 1 star rating, with work needed to upgrade and redesign and website.	The Corporate website is being redesigned The new website is planned to be launched to the public in the late spring of 2018.
2017-18 Chief Executive	Identified the need to ensure that key policies and procedures are subject to a regular review process and / or in line with statutory timescales	

## 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.

**Expenditure and Funding Statement**

This statement brings together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the Council Fund.

**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 a Council in return for past or future compliance with certain conditions relating to the activities of the Council.

**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 Council.

**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 Council (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.





