



# *Bridgend County Borough Council*

## *Statement of Accounts 2015-16*



Civic Offices, Angel Street, BRIDGEND  
(01656) 643643



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## Narrative Report

### 1. The Statement Of Accounts

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

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

The accounts consist of the following financial statements:

**a) Statement of Responsibilities for the Statement of Accounts**

This sets out the respective responsibilities of the Council and its officers for the preparation and approval of the Statement of Accounts.

**b) Annual Governance Statement**

This statement provides a continuous review of the effectiveness of the Council's governance framework including the system of internal control and risk management systems, so as to give assurance on their effectiveness and/or address identified weaknesses.

**c) Statement of Accounting Policies**

The purpose of this Statement is to explain the basis of the figures in the Accounts. It outlines the accounting policies that have been adopted.

**d) The 'core' financial statements**

1. Movement in Reserves Statement (MIRS)

This statement shows the movement in the year on different reserves held by the Council. These are analysed into 'usable reserves' i.e. those that can be applied to fund expenditure or reduce local taxation and other 'unusable' reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, details of which can be found in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance when the Council sets the annual revenue budget. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory Council Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. This shows that the total Council fund balance has increased by £0.154 million.

2. The Comprehensive Income & Expenditure Statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded in cash terms when the budget is set. Therefore, some caution is required in interpreting this statement as the cost of services shown includes

items such as depreciation on property, plant and equipment owned by the Council and the estimated cost of the shortfall on the pension scheme, which are not directly funded by the Council Tax payer in cash terms.

For 2015-16, the Council showed a deficit on the Comprehensive Income and Expenditure Statement of £2.956 million. This contrasts with the budget outturn underspend of £154,000.

### 3. Balance Sheet

The statement summarises the Council's assets and liabilities and the balances and reserves at the Council's disposal, used in the Council's operations. This shows the Council's net worth was £142.053 million, which is an increase in net worth of £47.353 million from 2014-15 (which was £94.7 million). This increase is in part the result of the Actuarial review of the Council's Pension Fund Net Liabilities as at 31 March 2016, which was assessed to have decreased since 31 March 2015 by £27.740 million, and the recognition on the Comprehensive Income and Expenditure statement of historic grant balances.

### 4. Cash Flow Statement

This shows the changes in cash and cash equivalents of the Council during the financial year. It illustrates how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services. Investing activities represent the extent to which cash outflows have been made from resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of borrowing to the Council. The cash and cash equivalent position of the Council has increased by £0.609 million.

### e) **The Notes to the Accounts**

These are disclosures relating to the financial statements and include pensions and financial instruments disclosures.

## 2. **Funding Council Services**

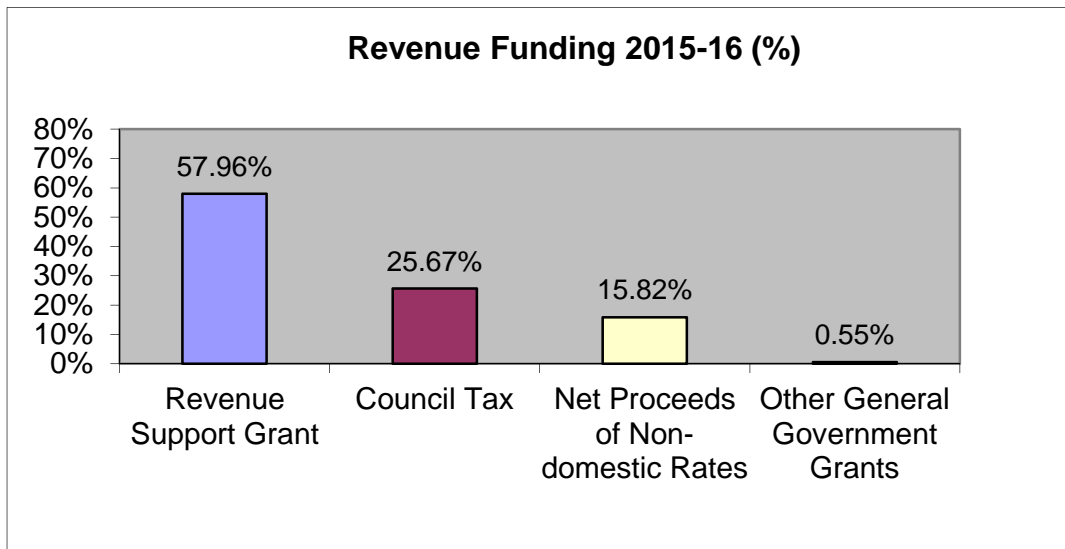
The Council incurs two types of expenditure – revenue expenditure and capital expenditure.

**Revenue expenditure** covers spending on the day to day costs of services such as staff salaries, maintenance of buildings and general supplies commissioning and equipment. This expenditure is paid for by the income received from council tax payers, business ratepayers, the fees and charges made for certain services and by grants received from government.

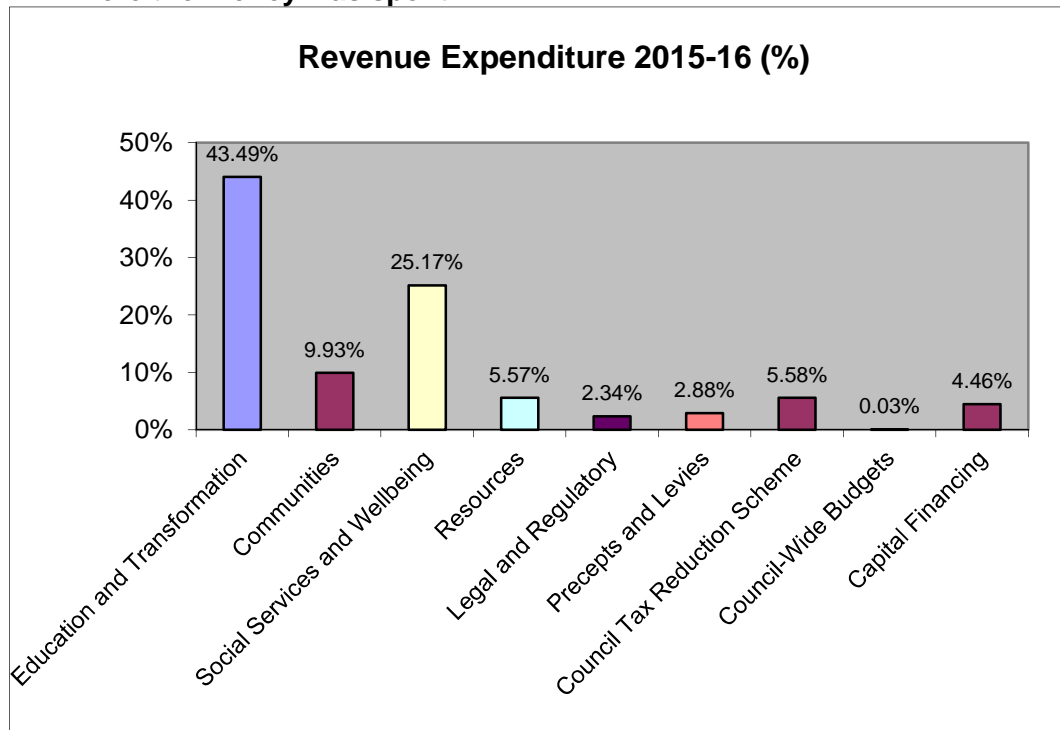
**Capital expenditure** covers spending on assets such as roads, new schools, redevelopment and the major renovation of buildings. These assets will provide benefits to the community for several years and the expenditure is mainly financed by borrowing and capital grants.

**a) Revenue spending on council services**

Where the money came from.....



Where the money was spent.....



In 2015-16, the net spend on revenue services was £208.285 million. This compares to £213.162 million anticipated when the budget was revised, resulting in a £4.877 million under-spend on Directorate Budgets. It is important to note that due to moves of services between Directorates year-on-year comparisons can not be made. The

## Statement of Accounts

2015-16

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

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

### Comparison of actual spend with budget 2015-16

|  | Original Budget 15-16<br>£'000 | Budget Transfers In Year<br>£'000 | Revised Budget 15-16<br>£'000 | Actual 15-16<br>£'000 | Variance 15-16<br>£'000 |
|--|--------------------------------|-----------------------------------|-------------------------------|-----------------------|-------------------------|
| <b>Directorates</b>                      |                                |                                   |                               |                       |                         |
| Education and Transformation             | 105,775                        | 220                               | 105,995                       | 105,382               | (613)                   |
| Communities                              | 24,913                         | 315                               | 25,228                        | 23,752                | (1,476)                 |
| Social Services and Wellbeing            | 62,056                         | (771)                             | 61,285                        | 60,223                | (1,062)                 |
| Resources                                | 14,672                         | (100)                             | 14,572                        | 13,336                | (1,236)                 |
| Legal & Regulatory Services              | 6,053                          | 29                                | 6,082                         | 5,592                 | (490)                   |
| <b>Total Directorate Budgets</b>         | <b>213,469</b>                 | <b>(307)</b>                      | <b>213,162</b>                | <b>208,285</b>        | <b>(4,877)</b>          |
| Precepts & Levies                        | 6,928                          | (16)                              | 6,912                         | 6,902                 | (10)                    |
| General Contingencies                    | 5,732                          | (863)                             | 4,869                         | 3,224                 | (1,645)                 |
| Council Tax Reduction Scheme             | 14,254                         | (385)                             | 13,869                        | 13,348                | (521)                   |
| Insurance Premiums                       | 1,637                          | (3)                               | 1,634                         | 1,602                 | (32)                    |
| Capital Financing                        | 10,315                         | 57                                | 10,372                        | 10,660                | 288                     |
| General Government Grants                | (1,400)                        | -                                 | (1,400)                       | (1,400)               | -                       |
| NNDR Discretionary Rate Relief           | 111                            | 27                                | 138                           | 134                   | (4)                     |
| <b>Net Expenditure</b>                   | <b>251,046</b>                 | <b>(1,490)</b>                    | <b>249,556</b>                | <b>242,755</b>        | <b>(6,801)</b>          |
| Appropriation (from) Reserves            | -                              | -                                 | -                             | (3,786)               | (3,786)                 |
| Appropriation to PFI Reserve             | 299                            | -                                 | 299                           | 299                   | -                       |
| Appropriation to Reserves                | 857                            | 1,490                             | 2,347                         | 14,532                | 12,185                  |
| <b>Net Budget</b>                        | <b>252,202</b>                 |                                   | <b>252,202</b>                | <b>253,800</b>        | <b>1,598</b>            |
| Revenue Support Grant                    | (148,002)                      | -                                 | (148,002)                     | (148,002)             | -                       |
| Non Domestic Rates                       | (40,408)                       | -                                 | (40,408)                      | (40,408)              | -                       |
| Council Tax                              | (63,792)                       |                                   | (63,792)                      | (65,544)              | (1,752)                 |
| <b>Net (Under)/Overspend on Services</b> | <b>-</b>                       | <b>-</b>                          | <b>-</b>                      | <b>(154)</b>          | <b>(154)</b>            |

Revised budgets differ from those set at the beginning of the year as they reflect any budget transfers from central funds and reserves to cover unplanned expenditure, along with transfers between Directorates resulting from realignment of responsibilities. The transfer of budget to reserves was as a result of budget monitoring throughout the year. At the half year position, an under spend on corporate budgets of £775,000 was identified and transferred to earmarked reserves to support the Council's Capital Programme and a further amount of £750,000 was transferred at quarter 3 offset by other smaller budget virements on reserves.

**Reasons for differences between budget and spend**

The financial position as at 31 March 2016 showed an under-spend on service expenditure within the year of £4.877 million and overall a balanced budget. A summary of the most significant variances is outlined below:-

**Education and Transformation Directorate**

The net budget for the Directorate for 2015-16 was £105.995 million and the actual outturn was £105.382 million, resulting in an under spend of £613,000. There was £333,000 drawn down from earmarked reserves during the year for specific pressures, including £256,000 draw down of school balances, £45,000 for demolitions and £285,000 of historic grant balances drawn down during the year.

The most significant variances are detailed below:

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

**Inclusion**

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

**Youth Service**

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

**School Improvement**

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



**Home to School / College Transport**

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

**Dismissal / Retirement Costs**

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

**Schools' Delegated Budgets**

- School balances reduced from £2.410 million at the end of March 2015 to £2.154 million at the end of March 2016 (a reduction of £256,000), representing 2.36% of the funding available. Total deficit budgets equate to £621,000 and total surplus budgets equate to £2.775 million.
- There are 6 schools (3 primary, 3 secondary) with deficit budgets and 14 schools (11 primary, 2 secondary, 1 special) with balances in excess of the statutory limits (£50,000 primary, £100,000 secondary and special schools) in line with the School Funding (Wales) Regulations 2010. These balances will be analysed by the Corporate Director, in line with the agreed 'Guidance and procedures on managing surplus school balances'.

**Social Services and Wellbeing Directorate**

The Directorate's net budget for 2015-16 was £61.285 million and the actual outturn was £60.223 million resulting in an under spend of £1,476,000. This is made up of an under spend of £649,000 on Adult Social Care, an over spend of £29,000 on Sport, Play and Active Wellbeing services and an over spend of £434,000 on Safeguarding and Family Support. There was £244,000 drawn down from earmarked reserves throughout the year for specific pressures, including £117,000 for the Adult Social Care Change Team, £26,000 towards the Looked After Children strategy, £34,000 for residual Job Evaluation costs and historic grant balances draw down of £876,000.

The most significant variances are detailed below:

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

#### Older People Residential Care

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

#### Older People Home Care

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

#### Learning Disabilities Residential Care

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

#### Learning Disabilities Day Opportunities

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

#### Administrative and Central Services

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

#### Looked After Children (LAC)

- The number of LAC at 31st March 2016 was 382 compared to 390 at the end of March 2015. However there still remains a budget pressure within this area. There is a £115,000 over spend on out of county residential care based on 12 active placements. In addition, there was a £110,000 over spend on independent fostering placements. There was also a £185,000 over spend against in-house residential and respite provision, related to MTFS efficiencies. The Directorate is working closely with Early Help and Intervention in developing a joint plan.

Family Support Services

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

Commissioning & Social Work

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

Communities Directorate

The net budget for the Directorate for 2015-16 was £25.228 million and the actual outturn is £23.752 million resulting in an under spend of £1,476,000. There was £727,000 drawn down from earmarked reserves for specific pressures, including £135,000 for the establishment of the Awen Trust, £120,000 for waste management procurement, £124,000 for highways works and £86,000 in respect of lost car parking income following the closure of the Rhiw Car Park, and £1,262,000 drawn down of historic grant balances.

The most significant variances are detailed below:

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

Development

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

in Development Planning, both offsetting an under-recovery of fee income in Development Technical Support (£12,000).

#### Housing and Community Regeneration

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

#### Regeneration

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

#### Streetworks

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

#### Highways and Fleet

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

#### Transport and Engineering

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

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

**Parks and Open Spaces**

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

**Culture**

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

**Resources Directorate**

The net budget for the Directorate for 2015-16 was £14.572 million and the actual outturn was £13.336 million resulting in an under spend of £1,236,000. There was £338,000 million drawn down from earmarked reserves during the year for specific pressures, including £143,000 for demolition costs, £135,000 feasibility funding for capital schemes and £44,000 for schemes funded from the Change Fund and £723,000 draw down of historic grant balances.

The most significant variances are detailed below:

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

**Property Services**

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

**Human Resources**

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

**ICT**

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

**Finance**

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

**Housing Benefit**

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

**Audit Fees**

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

**Legal and Regulatory Services Directorate**

The net budget for the Directorate for 2015-16 was £6.082 million and the actual outturn was £5.592 million resulting in an under spend of £490,000. There was £359,000 drawn down from earmarked reserves during the year for specific pressures, including £295,000 for redundancy costs on establishment of the

Shared Regulatory Service and smaller schemes funded from the Change Fund and draw down of historic grant balances of £93,000.

The most significant variances are detailed below:

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

Legal Services

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

Democratic Services

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

Procurement

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

Partnerships

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

**Council Wide Budgets**

This section of the accounts includes budgets, provisions and services which are council wide, and not managed by an individual Directorate. This includes capital financing and insurance premiums. The revised net budget for council wide services and budgets was £36.394 million and the actual outturn was £34.470 million, resulting in an under spend of £1.924 million.

The most significant variances are detailed below:

| <b>CORPORATE BUDGETS</b>     | <b>Net Budget</b> | <b>Actual Outturn</b> | <b>Variance Over/(under) budget</b> | <b>% Variance</b> |
|------------------------------|-------------------|-----------------------|-------------------------------------|-------------------|
|                              | <b>£'000</b>      | <b>£'000</b>          | <b>£'000</b>                        |                   |
| Capital Financing            | 10,372            | 10,660                | 288                                 | 2.8%              |
| Council Tax Reduction Scheme | 13,869            | 13,348                | (521)                               | -3.8%             |
| Insurance Premiums           | 1,634             | 1,602                 | (32)                                | -2.0%             |
| Other Corporate Budgets      | 10,519            | 8,860                 | (1,659)                             | -15.8%            |

Capital Financing

- The net over spend of £288,000 is mainly as a result of the repayment of additional premiums to reduce future financing costs, which were partly met from the draw down of earmarked reserves and partly offset by reduced capital financing costs generally.

Council Tax Reduction Scheme

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

Other Corporate Budgets

- A net under spend of £1.659 million on other corporate budgets has arisen as a result of:
  - Less demand from Directorates to meet in year pay and price inflationary pressures such as energy and software costs;
  - Lower inflation rates generally;
  - Lower demand on price pressures than anticipated;

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

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

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

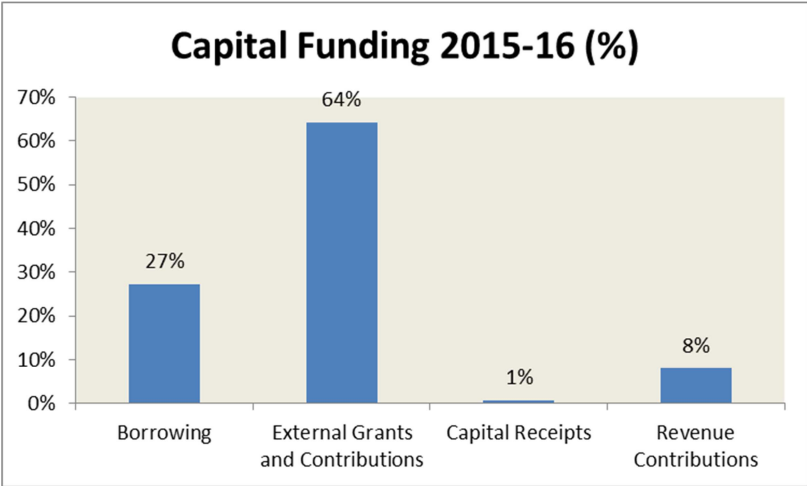


**b) Capital spending in 2015-16**

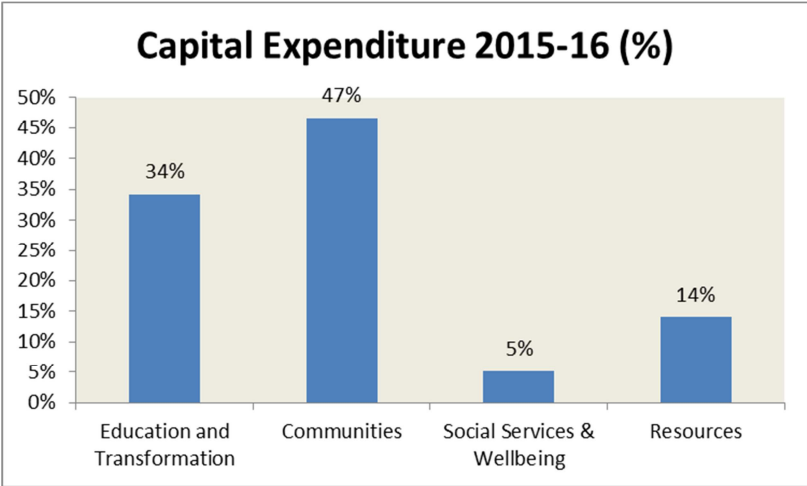
In addition to spending money on providing services on a day to day basis, the Council also spends money on providing new facilities, improving assets and the infrastructure, enhancing assets or providing capital grants to others. The total capital spending in 2015-16 was £26.047 million. Assets created,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

- Vibrant and Viable developments – replacement of car park and new residential and retail accommodation at The Rhiw
- All Wales Community Care Information System
- Coety Primary School
- Developments at the former Ogmere Comprehensive School
- Celtic Court Refurbishment
- Disabled Facility Grants
- Carriage reconstruction and street lighting

**Where the money came from:**



**What the money has been spent on:**



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

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

The Council's Treasury Management Practices allow the Council to raise funds from a variety of sources. The Section 151 Officer is authorised to take the most appropriate form of borrowing from approved sources within the overall borrowing limits set by Council.

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

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

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

As can be seen from the Balance Sheet as at 31 March 2016 long term borrowing totalled £97.434 million (£97.444 million 2014-15) and long term liabilities totalled £21.759 million (£20.847 million 2014-15) so the Council has operated within the limits set.

**3. The Council's Reserves**

The financial reserves held by the Council as at 31 March 2016 can be summarised as follows:-

| Opening Balance<br>2014-15<br>£'000 | Movement<br>2014-15<br>£'000 | Closing Balance<br>2014-15<br>£'000 | Reserve                                | Drawdown<br>2015-16 | Additions<br>2015-16 | Closing Balance<br>2015-16<br>£'000 |
|-------------------------------------|------------------------------|-------------------------------------|--|---------------------|----------------------|-------------------------------------|
| 7,395                               | 55                           | 7,450                               | <b>Council Fund Balance</b>            |                     | 154                  | <b>7,604</b>                        |
| 2,467                               | (57)                         | 2,410                               | <b>Delegated Schools Balance</b>       | (256)               |                      | <b>2,154</b>                        |
| 3,051                               | 356                          | 3,407                               | <b>Maesteg School PFI Equalisation</b> |                     | 299                  | <b>3,706</b>                        |
| 32,381                              | 3,256                        | 35,637                              | <b>Earmarked Reserves</b>              | (11,316)            | 14,732               | <b>39,053</b>                       |
| 45,294                              | 3,610                        | 48,904                              |  | <b>(11,572)</b>     | <b>15,185</b>        | <b>52,517</b>                       |

The Delegated Schools Balances represent amounts held by schools that are committed to be spent on schools and are not available to the Council for general use. Whilst the majority of schools have surplus balances, some are carrying deficits into 2016-17. In line with the the School Funding (Wales) Regulations 2010, and as part of the requirements of the Financial Scheme for Schools, schools have been asked to provide reasons for their balances. Reasons can include issues such as falling rolls, negative retrospective adjustments and planned initiatives.

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

Further information about earmarked reserves can be found in the note 31b to the main financial statements.

#### 4. Pension Fund Liability

Disclosure information about retirement benefits in the Statement of Accounts is based on International Accounting Standard (IAS) 19. The pension fund liability that is disclosed in the Balance Sheet is the net position taking into account this Council's notional value of the fund assets, and the amount of money that needs to be set aside to meet the pension earned up to 31 March 2016. This deficit will change on an annual basis dependent on the performance of investments, the actuarial assumptions that are made in terms of current pensioners, deferred pensions and current employees, and the contributions made to the fund. The Pension Liability for 2015-16 is £245.270 million (£273.010 million in 2014-15), a reduction of £27.74m. It is matched on the Balance Sheet with a pension reserve.

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

combined with triennial actuarial assessments of employer's liabilities, will ensure that funding will have been set aside by the time the benefits come to be paid.

**5. The Main Changes to the Accounts for 2015-16 compared to 2014-15**

The Council's accounts for the financial year 2015-16 have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 ('the Code'). This specifies the principles and practices of accounting required to prepare a Statement of Accounts which presents fairly the financial position and transactions of a Local Authority. As identified at the beginning of the Narrative Report, the main change is the introduction of IFRS13 and this has been reflected in the production of the Statement of Accounts for 2015-16

**6. The Impact of the Current Economic Climate on the Council**

The Council's Medium Term Financial Strategy indicates that a number of budget reductions will be challenging and a number of proposals are dependent on re-engineering and remodelling services. It is important that proposals are progressed as quickly as possible and timescales adhered to. The level of balances held is sufficient to enable the Council to respond to unforeseen eventualities and be maintained at a minimum level of £7 million, with a planned rise in line with the Council's Medium Term Financial Strategy of 2.7% of Gross Revenue Expenditure by 2019-20. Service spending must be controlled within budgets to ensure that the financial position of the Council is not compromised. Whilst projections of future funding have been made available these are only indicative estimates and the position could change for future years.

## The Statement of Responsibilities for The Statement of Accounts

### The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Head of Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

#### Chair of Audit Committee Certificate

Signed :

Date:

### Section 151 Officer's Responsibilities

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Section 151 Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Local Authority Code.

The Section 151 Officer has also:

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

#### Section 151 Officer's Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of Bridgend County Borough Council at 31 March 2016 and of its income and expenditure for the year ended 31 March 2016.

**Signed :**

**Section 151 Officer :**

**Date :**

**Annual Governance Statement 2015-16****1. Scope of Responsibility**

- 1.1 Bridgend County Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.
- 1.2 The Council also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the exercise of its functions in terms of strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.
- 1.3 In discharging its overall responsibilities, the Council is responsible for ensuring that it has proper arrangements for the governance of its affairs and a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.
- 1.4 The Council has approved and adopted a Code of Corporate Governance which is consistent with the framework developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

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

- 2.1 The governance framework comprises the systems, processes and values by which the Council is directed and controlled and the means by which it accounts to, engages with and leads the local community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to make appropriate use and prevent loss of public funds. It also assists with managing the risk of failure to achieve policies, aims and objectives. It does not eliminate all risk; the system of internal control is designed to identify and prioritise risks, evaluate the likelihood of those risks materialising and to manage their impact.
- 2.3 The following paragraphs summarise the governance framework and the system of internal control, which has been in place within the Council for the year ended 31 March 2016. The description of the arrangements in place is built around the core principles set out in the Council's Code of Corporate Governance. During 2015-16 the Bridgend and Vale Internal Audit Shared Service carried out an audit work of the Council's governance framework. On the basis of the audit work and taking into account all available evidence, the Head of Internal Audit has concluded that "a satisfactory 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 2015 to March 2016 is available via this link: <https://democratic.bridgend.gov.uk/ieListDocuments.aspx?CId=132&MId=2316&Ver=4&LLL=0>

### 3. The Governance Framework

3.1 The six principles of corporate governance that underpin the effective governance of all local authority bodies as defined by CIPFA and SOLACE, incorporating the WG governance principles (shown in italics) are as follows:

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

3.2 The Council has followed these principles and has identified the following points whilst gathering evidence to gain assurance that governance within the Council is robust.

### 4. Principle 1 - Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area (*Putting the Citizen First; Achieving Value for Money*).

4.1 The Council reviewed and published its Corporate Plan 2013-2017, including the Improvement Priorities, for 2015-16. The priorities were aligned with the key outcomes of the Local Service Board's 'Bridgend County Together' Single Integrated Partnership Plan. This ensured that the Council delivered on the commitments made with partner organisations. The Plan also took into account a number of factors including service demands, legislative requirements, citizens' needs, resource availability, the priorities of partner organisations, together with the expectations of the Welsh Government and regulatory bodies.

4.2 The Plan included the following six improvement priorities:

- Working together to develop the local economy
- Working together to raise ambitions and drive up educational achievement
- Working with children and families to tackle problems early
- Working together to help vulnerable people to stay independent
- Working together to tackle health issues and encourage healthy lifestyles
- Working together to make the best use of our resources

4.3 These improvement priorities gave direction for Directorate Business Plans. Arrangements were in place for progress against the improvement priorities to be reviewed on a quarterly basis. The Corporate Plan identified a number of outcome-focused success indicators, some of which were benchmarking measures. All of the indicators included in the Plan were aimed at measuring the success of our joined up working with citizens and partners.

- 4.4 During the year, the Council developed a revised set of corporate priorities and a new corporate plan for 2016-2020, taking account of the significant challenges ahead of our communities – not least the increasing demands made on many of our services against the background of a shrinking budget. The new plan sets out how the Council is to change and what its focus will be over the next four years. The three corporate priorities are as follows:
- Supporting a successful economy
  - Helping people to become more self-reliant
  - Smarter use of resources
- 4.5 Alongside the corporate plan, the Council approved a Medium Term Financial Strategy (MTFS) for the period 2016-17 to 2019-20. This provides an integrated planning and financial framework for the next four years, including the detailed budget strategy for the next financial year. The annual revenue budget and forward financial planning together with the capital programme enables the Council to align its financial resources with its new priorities. Quarterly budget monitoring reports are submitted to Cabinet and to Scrutiny Committee, with the Corporate Resources and Improvement Scrutiny Committee nominated as the lead Scrutiny Committee.
- 4.6 The Council has a range of projects and programmes in progress to ensure that the improvement priorities are achieved. The corporate Programme Management Board (PMB) is overseeing a number of major initiatives under its Transformation Management Programme including:
- School modernisation programme;
  - Remodelling Adult Social Care;
  - Remodelling Childrens Social Services;
  - Successful Economy Programme;
  - Strategic Review of the School Curriculum and Estate;
  - Third Sector Programme;
  - Digital Transformation programme;
  - Rationalising the Estate programme;
  - Corporate Procurement Review; and
  - Strategic collaboration projects e.g. City Deal.
- 4.7 The Auditor General's latest Annual Improvement Report on the Council was received in September 2015. The overall conclusion was that the Council continued to make progress in delivering improvements in its priority areas and recognised the need to support improvement of children's services, and that its forward planning arrangements and track record suggested it was well placed to secure improvement in 2015-16. The Auditor General did not make any statutory recommendations, but made 13 specific proposals for improvement. Those proposals, which is accessible via this link: <http://www1.bridgend.gov.uk/media/294873/wales-audit-annual-improvement-report-2015.pdf>, have been considered and actions have been or are being taken to tackle those areas where improvement should be made.
- 4.8 The Auditor General carried out an audit of the Council's Improvement Plan for 2015-16 and certified in May 2015 that "the Council has discharged its duties under section 15(6) to (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties".



4.9 The Auditor General also audited the Council's assessment of its performance in 2014-15 in accordance with the Measure and his Code of Audit Practice and certified in November 2015 that the Council has discharged its duties under sections 15(2), (3), (8) and (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

4.10 The Auditor General undertook a Corporate Assessment of the Council in 2015-16. The purpose of the assessment was to provide a position statement on the Council's capacity and capability to deliver continuous improvement. The focus of the assessment was on the extent to which arrangements are helping to improve service performance and outcomes for citizens.

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

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

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

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

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

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

5. **Principle 2 - Members and Officers working together to achieve a common purpose with clearly defined functions and roles (*Knowing Who does What and Why*).**

5.1 The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. It operates a Leader and Cabinet system within which:

- The Council sets the overall budget and appoints the Leader of Council;

- The Leader appoints members of the Cabinet and announces the Deputy Leader and the portfolio of Cabinet Members;
  - Audit Committee has a clearly defined function providing an independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment, and to oversee the financial reporting process;
  - Scrutiny Committees advise on policy formulation and hold the Cabinet to account in relation to specific matters. They may also review areas of activity which are not the responsibility of the Cabinet or matters of wider local concern;
  - Regulatory Committees (e.g. Licencing, Development Control) are in place to determine matters as defined within the Council's Constitution;
  - The Cabinet makes decisions within this framework but some decisions are delegated to individuals in the Cabinet, committees of the Cabinet or officers; and
  - Clear arrangements are in place to record decisions made by Cabinet Members and officers under delegated powers.
- 5.2 There is a Standards Committee to promote and maintain high standards of conduct by Town and Community Councillors and County Borough Councillors, co-opted members and Church and Parent Governor Representatives.
- 5.3 The Constitution is at the heart of the Council's business and assigns responsibility within the Council. It also provides a framework that regulates the behaviour of individuals and groups through codes of conduct, protocols and standing orders.
- 5.4 The Constitution is a comprehensive document that is kept under continual review by the Monitoring Officer. It provides a point of reference for individuals and organisations both inside and outside the Council. Its Rules of Procedure govern the overall framework within which the Council operates. Procedural rules and codes of conduct outline how the Constitution will be put into effect. Whilst the Constitution is required by statute its content is not fully prescribed. The Council is satisfied that it is consistent with statute, regulations and guidance. To ensure continued compliance, the Assistant Chief Executive is the Monitoring Officer appointed under Section 5 of the Local Government and Housing Act 1989.
- 5.5 All Committees have clear terms of reference that set out their roles and responsibilities and work programmes. These are reviewed by the committee during the year and updated as required. The Audit Committee, through its work programme, provides assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.
- 5.6 The Council's Chief Executive (as Head of Paid Service) leads the Council's officers and chairs the Corporate Management Board. Due to the resignation of the Corporate Director – Resources, changes to the management structure were proposed by the Chief Executive and were agreed by Council in April 2016.

- 5.7 All staff, including senior management, have clear terms and conditions of employment and job descriptions which set out their roles and responsibilities. Terms and conditions of employment are monitored by the Human Resources Department.
- 5.8 The Corporate Director - Resources was the Section 151 Officer appointed under the 1972 Local Government Act and carried overall responsibility for ensuring that the Council's financial management arrangements conformed with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The corporate finance function provides a range of support to departments and determines the budget preparation and financial monitoring process. In April 2016, the post of Corporate Director - Resources was deleted from the management structure following the departure of the post holder. Functions and responsibilities of the role have been accommodated amongst the remaining members of the Corporate Management Board. The newly designated Head of Finance has assumed the Section 151 responsibilities previously undertaken by the Corporate Director – Resources, as agreed by Council in April 2016. The newly appointed Section 151 Officer is a member of the Corporate Management Board on the same basis as other members of CMB.
- 5.9 The Corporate Director – Social Services and Wellbeing is statutory Director for Social Services, as defined by the Local Authority Social Services Act 1970, which outlines the six core responsibilities across all the Social Services functions, including ensuring that the Council has proper safeguards to protect vulnerable children and adults.
- 5.10 The role of the Assistant Chief Executive was changed at Council in April 2016 to that of Corporate Director of Operational and Partnerships Services, acknowledging the scale and complexity of an increased portfolio of services. The post holder also continues to carry out the role of Monitoring Officer which holds overall responsibility for ensuring compliance with the law and his staff work closely with departments to advise on legal matters.
- 5.11 The Corporate Director – Education and Family Support (formerly Corporate Director – Education and Transformation, until April 2016) is the Chief Education Officer, as prescribed by the Education Act 1996 and statutory Director for Children and Young People, as defined by the Children Act 2004.
- 5.12 Following changes made in December 2014, the Corporate Director – Social Services and Wellbeing held line management responsibility for the social care functions for children and adults. This has enabled the new ways of working laid down by the Social Services and Wellbeing (Wales) Act 2014 to be embedded within the service. The CSSIW report of 2014-15, published in October 2015, recognises that these changes have created additional leadership capacity to meet the challenges ahead within social services.
- 5.13 The Council's Performance Management Framework, revised and adopted by Cabinet in June 2014, continues to guide the Council's integrated Corporate, business and financial planning and performance management processes and practice. The document clearly defines the Council's processes and procedures and the roles and responsibilities of managers within the process. It includes expectations around the style and behaviour of managers to support the further evolution of a strong culture of self-assessment. During 2014-15, the Council introduced CMB challenge on Performance Management, which complements the Corporate Performance Assessment (CPA). This structured challenge focuses on a wide range of issues as well as Performance Indicators. The introduction of a bespoke Performance

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

5.14 In his Corporate Assessment report, published in January 2016, the Auditor General for Wales noted that the Council has clarified roles and responsibilities and established effective arrangements for holding people to account. He also found that Cabinet members and the Corporate Management Board were working closely together to develop the options for the future role of the Council and to identify new opportunities for engaging with local communities.

**6. Principle 3 - Promoting Values for the Council and Demonstrating the Values of Good Governance through upholding High Standards of Conduct and Behaviour (Living Public Service Values).**

6.1 The Council's core values encapsulated in the acronym FACE demonstrate the Council's commitment to the Public Service values. It stands for:

**F**air (taking into account everyone's needs and situation);

**A**mbitious (always trying to improve what we do and aiming for excellence);

**C**itizen focused (remembering that we are here to serve our local communities); and

**E**fficient (delivering services that are value for money).

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

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

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

6.4 The behaviour of elected members and officers is governed by codes of conduct, which include a requirement for declarations of interest to be made. There is also a gifts and hospitality register.

6.5 The Council takes fraud, corruption and maladministration very seriously and has the following policies, which aim to prevent or deal with such occurrences;

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

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

6.6 Conduct of Members is monitored by the Public Services Ombudsman for Wales. The Council's Standards Committee also considers any reports submitted by the Ombudsman and the Monitoring Officer and any representations received relating to alleged breaches of the Code of Conduct.

6.7 A corporate complaints policy is in place for the Council to receive and investigate complaints made against it and this is overseen by the Monitoring Officer.

6.8 The Audit Committee helps raise the profile of internal control and risk management within the Council. This enhances public trust and confidence in the financial governance of the Council.

6.9 The Council has a "Bridgend County Borough Council, social media and you" protocol which is available on the website. The aim of this is to be clear about how the Council will engage with users and manage expectations.

**7. Principle 4 - Taking Informed and Transparent Decisions which are subject to effective scrutiny and Managing Risk (*Fostering Innovative Delivery*).**

7.1 The Council's Constitution sets out how the Council operates and the process for policy and decision-making. Within this framework, key decisions are made by the Cabinet. All Cabinet meetings are open to the public (except on the limited occasions where items are exempt or confidential).

7.2 All decisions made by the Cabinet are taken on the basis of written reports, including assessments of the legal, financial, and equalities implications. Consultation (including with ward members when appropriate) is a routine part of the process.

7.3 The decision-making process is monitored by five Overview and Scrutiny Committees, which support the work of the Council as a whole. The Council's Constitution provides for the Chairs of these committees to be appointed based on the political balance of the elected members that form the Council. The members of a Scrutiny Committee can "call in" a decision that has been made by the Cabinet but not yet implemented. They may recommend that the Cabinet reconsider the decision. They may also be consulted by the Cabinet or the Council on forthcoming decisions and on the development of policy.

7.4 Other decisions are made by Cabinet Members individually or by officers under delegated powers. The authority to make day-to-day operational decisions is detailed within the Schemes of Delegation.

- 7.5 Policies and procedures that assist the governance of Council's operations include Financial Procedure Rules (FPRs); Contract Procedure Rules (CPRs); and the Risk Management Policy. All managers have responsibility to ensure compliance with these policies.
- 7.6 The Council's Performance Management Framework describes the 'Golden Thread' for planning which links the Council's vision of "Working together to improve lives" through services delivered at the frontline of the Council and how external factors influence the vision. The external factors include national priorities from both Welsh and UK Government and local priorities from Citizens, Partners, and the Local Service Board via the Single Integrated Partnership Plan (SIPP) entitled "Bridgend County Together". The vision and priorities that are set out in the Corporate Plan have a direct relationship with directorate business plans, service delivery plans, group delivery plans and the individuals' objectives within staff appraisals.
- 7.7 The Corporate Performance Assessment (CPA) is undertaken on a quarterly basis and is attended by Cabinet Members, Corporate Management Board, and Heads of Service and is supported by the Corporate Improvement and Finance teams. The purpose of the CPA is as follows:
- Obtain a holistic view of the Council's performance;
  - Identify and explore cross-cutting issues;
  - Critically challenge areas of poor performance; and
  - Identify service improvement opportunities, risks to delivery and resource implications.
- 7.8 Specifically, the CPA monitors:
- The overall financial position;
  - The Council's improvement priorities as defined by the Corporate Plan;
  - Agreed key indicators/measures and service actions that are linked to directorate priorities as defined by the Corporate Plan;
  - The budget allocated to delivering improvement priorities; and
  - Corporate risks.
- When necessary, the CPA may also, by way of exception, monitor progress against relevant national and collaborative initiatives.
- 7.9 The Council has developed a robust approach to the management of risk. The risk management policy is aligned with Directorate Business Plans and the Council's performance management framework. All risks identified are assessed against the corporate criteria.
- 7.10 Risks are viewed from both a Service and Council-wide perspective which allows the key risks to be distilled in the Corporate Risk Register. Most major risks are managed within one of the key strategic programmes. Following a change made in 2014-15 the task of reviewing the risk register was carried out by the Senior Management Team (SMT). SMT regularly reviews the risk register and actions being taken to mitigate the risks. The Corporate Risk Register is also presented to Audit Committee for review.

The main risks facing the Council that were identified during 2015-16 included:

| <b>Risk Description</b>   | <b>Potential Impact</b>  |
|---|--|
| Welfare Reform Bill   | Changes being made by the UK Government to benefit entitlements mean that demands on some services are likely to increase as the Council's resource base reduces.  |
| Using resources effectively                                     | The Council has to consider its resources very carefully and make difficult spending decisions. This will carry on over the next few years as the public finance outlook continues to be bleak. If there is a shortfall in savings the Council might fail to achieve its MTFS. This could necessitate the unplanned use of reserves to bridge the funding gap or unplanned cuts to services which put vulnerable people at risk. |
| Local Government Reorganisation                                 | Delivering the transformative change required to make MTFS savings, at a time when demand for some services is up, is already challenging. Without specific funding Local Government Reorganisation will add to these cost pressures and mean that larger savings will be required to balance the budget. This will make it harder to provide good quality public services.  |
| Supporting vulnerable people,                                   | Failure to remodel services will restrict the council's ability to safeguard people and respond to assessed needs as set out in the Social Services Act. It will also result in longer stays in hospital, greater need for expensive treatment and vulnerable people leading less fulfilled lives.   |
| School Modernisation  | Insufficient progress may have a negative impact on pupils' learning and wellbeing.  |
| The economic climate and austerity                              | There could be further job losses and business failures within the local economy. Town centres will continue to suffer without regeneration because they will be less attractive places to visit and unable to compete with neighbouring centres.  |
| Supporting vulnerable children, young people and their families | The wellbeing and safety of children may be compromised. They may be unable to thrive and make the best use of their talents.  |
| Disposing of Waste  | Failure to achieve recycling/composting targets could result in inefficient use of   |

|                                |   |
|--------------------------------|---|
|                                | resources with waste going to landfill sites and penalties against the Council.   |
| Healthy lifestyles             | Unhealthy lifestyles have many affects including shortened life expectancy, worse emotional health and a loss of independence. High rates of obesity results in significant costs to the economy, health and social services. |
| Maintaining the infrastructure | A poor highways network leads to increased third party liability claims, a loss of reputation, a possible adverse impact on the economy and reduced quality of life for citizens.   |
| Equal pay claims               | The result of the Abdulla case means that there is a risk of further equal pay claims against the Council.  |
| The impact of homelessness     | Homelessness can lead to increased stress, depression and isolation. The use of bed and breakfast accommodation results in high costs both in terms of finance for the Council and the wellbeing of individuals.              |
| Collaboration with partners    | If the Council fails to collaborate successfully with partners some of the most vulnerable people in the community will not have their needs met.   |
| Educational attainment         | There are risks to the emotional wellbeing of young people, their future employment prospects, the local economy and a range of Council services if young people leave education ill-equipped for employment.                 |

- 7.11 In April 2015 SMT received a report on Health and Safety gap analysis. It was decided that the risk should be escalated to the corporate risk register. The risk describes the Council's duties and identifies that there are areas where there can be improvement in some health and safety arrangements.
- 7.12 The Council's approach to risk management ensures that key risks are considered when determining Council priorities, targets and objectives. These are incorporated in Directorates' Business Plans.
- 7.13 The financial management of the Council is conducted in accordance with all relevant legislation and the Constitution. In particular, the Financial Procedure Rules and Contract Procedure Rules and the scheme of delegation provide the framework for financial control. The Section 151 Officer has responsibility for establishing a clear framework for the management of the Council's financial affairs and for ensuring that arrangements are made for their proper administration. As part of its performance management framework, the Council links the strategic planning process with the budget process and ensures alignment between them, facilitating the allocation of resources to corporate priorities. Chief Officers are responsible for financial management within their respective services. Monthly financial monitoring is undertaken by CMB and quarterly reports are produced for Cabinet and Scrutiny



Committee. This work informs the production of the statutory annual Statement of Accounts.

7.14 The Council is committed to demonstrating due regard to the Equality Act 2010 and the Public Sector Equality Duty. It published its Strategic Equality Plan 2016-2020 on 1 April 2016. The plan outlines the Council's approach to ensuring equality of opportunity for customers, citizens, residents and visitors and seeks to ensure that Bridgend County Borough is a fair and welcoming place to be. The plan has been written based on what we know about our services and on the views and needs of Bridgend County Borough citizens and the people who use them. The council has a duty to publish Strategic Equality Plan annual reports with the most recent going to Cabinet Equalities Committee in January 2016. The annual reports review and reflect on previous work and outline progress made by the Council on each of its equality objectives and themes. Heads of Service and Senior Service Managers are responsible for ensuring the actions in the Strategic Equality Action Plan are achieved. Updates are provided to the Cabinet Equalities Committee and to the Bridgend Equality Forum. Committee and Council reports requiring a policy decision are supported by equality impact assessments.

**8. Principle 5 - Developing the Capacity and Capability of Members and Officers to be Effective (*Being a Learning Organisation*).**

8.1 The Council aims to ensure that members and officers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities. New members and staff are provided with an induction to familiarise them with protocols, procedures, values and aims of the Council.

8.2 There is an Elected Member Learning & Development Strategy 2012-17, which provides a framework for supporting elected members in the roles that they are required to undertake both within, and outside, the Council. The Strategy assists members to develop and strengthen their ability to be confident and effective political and community leaders.

8.3 While undertaking his Corporate Assessment of Bridgend County Borough Council, the Auditor General for Wales found that Elected Members of the Council benefitted from a range of opportunities that equipped them with the skills they needed to discharge their roles effectively.

8.4 The Council's appraisal process enables individuals to understand how they contribute to achieving the aims of the Council. Appraisals give individuals and their manager an opportunity to review performance, agree personal objectives and learning and development requirements, which will help to achieve personal objectives and learning and development requirements, which will help to achieve those objectives. Appraisals take place between January and June each year and targets are linked to service priorities reflected in annual business plans. There is also a Six Month Appraisal Review which identifies progress on targets or any additional objectives that need to be included.

8.5 The appraisal process also incorporates management competencies that reflect the types of behaviours the Council wishes to promote and develop. These help to foster an understanding of expectations and support the identification of learning and development needs and performance management arrangements. The Appraisal system is an important part of the Council's Performance Management Framework.

- 8.6 The Member Development Programme is regularly reviewed by the Democratic Services Committee to ensure that any training activities are appropriate, relevant and timely.
- 8.7 In 2015-16 a cross party group of 3 Elected Members participated in the Leadership academy co-ordinated by the Welsh Local Government Agency (WLGA) consisting of 3 modules including Leading through relationships, Leading Innovation and Change and Community Leadership. The Academy also supported the personal development of these Members and promoted collaborative working across Wales.

**9. Principle 6 - Engaging with local people and other stakeholders to ensure robust public accountability (*Engaging with Others*);**

- 9.1 The Council is committed to understanding and learning from the views of the public and using their feedback to help shape our services and policies. The Council has a consultation and engagement toolkit in place to help managers to ensure consultation activities are robust as well as following Participation Cymru's National Principles for Public Engagement in Wales that have been adopted by the council. The Council's planning and decision-making processes are designed to include consultation with stakeholders. The Council's Communications, Marketing and Engagement Strategy provides a framework for engagement activities, which are undertaken by the Council.
- 9.2 The Council has a Citizens' Panel made up of people aged 16 or over from across the county borough. Its panel members agree to take part in three or four surveys a year about a range of issues relating to council services and policies. Previously, members of the Citizens' Panel have given their views on a range of topics including street cleanliness, customer service and the local housing strategy. This has helped the Council to understand residents' opinions about the services the Council provides and to help improve things in the future.
- 9.3 During 2015-16, the Council consulted on a wide range of issues including the following (this list is not exhaustive):
- Shaping Bridgend's Future (Corporate Priorities and MTFS review);
  - Blue badge parking;
  - Active travel 2015;
  - Household waste and recycling review;
  - Various schools proposals.

The Shaping Bridgend's Future consultation included 15 community engagement events throughout the county borough, an on-line survey and access to a budget simulator which captured the views of the public on how to achieve the budget savings necessary over the whole MTFS period.

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

- 9.4 The Council operates a corporate complaints procedure and uses this to identify areas where service quality is not satisfactory, and to take action to improve. Complaints can

be made electronically or in writing and the Council has set target times for responding to all complaints received to ensure accountability.

9.5 All Council meetings are open to the public except where personal or confidential matters are discussed. All public agendas, reports and minutes are available on the Council's website. The Council also implemented a webcasting facility in early 2016, which provides live streaming and an archive facility for those meetings which are considered to be of key public interest.

9.6 The Local Service Board (now the Public Service Board) brings together representatives from organisations across a range of service areas in Bridgend to work together to improve the quality of life for people living and working in Bridgend. The members of the LSB during the year were:

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

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

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

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

The four statutory members of Bridgend Public Services Board are:

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

9.8 In the first year the main focus of the PSB will be the statutory requirement to publish the Assessment of Local Wellbeing by April 2017. The PSB will also be responsible for

implementing Bridgend County Together, the Single Integrated Partnership Plan for Bridgend, until it publishes its Wellbeing Plan in April 2018.

- 9.9 In the Medium Term Financial Strategy 2016-17 to 2019-20, over 10% of budget reductions identified over the 4 year period were identified as coming from collaboration and service transformation. Council had recently agreed that collaboration should focus on projects which have the potential to generate the greatest benefit, make a clear contribution to the Council's corporate priorities and result in a clear service benefit.

## **10. Review of Effectiveness**

- 10.1 The Council has responsibility for annually reviewing the effectiveness of its governance framework, including the system of internal control and the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). This is informed by the work of Internal Audit and chief officers within the Council who have responsibility for the development and maintenance of the internal control environment. The Council also draws assurance on its governance arrangements from independent sources and in particular Internal Audit, External Audit and other external regulators.

- 10.2 The following elements are key to the Council in monitoring and reviewing its governance:

- The Constitution, which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. It also includes the Codes of Conduct for both members and employees.
- The Cabinet (as Executive) who are responsible for considering overall financial and performance management and receive comprehensive reports on a regular basis. The Cabinet is also responsible for key decisions and for initiating corrective action in relation to risk and internal control issues.
- The Scrutiny function which holds the Cabinet to account. The Corporate Resources and Improvement Overview and Scrutiny Committee is responsible for maintaining an overview of financial performance including value for money. The Partnerships and Governance Overview and Scrutiny Committee maintain an overview of cross-cutting matters. In the Committee's Terms of Reference it has a responsibility "to consider the Council's policies and strategies in relation to collaborative and partnership working arrangements". The Committee Chairpersons liaise with each other to ensure the effective scrutiny of collaborative collaboration topics to ensure that work programmes are co-ordinated to prevent duplication.
- The Audit Committee which provides the focus for reviewing the effectiveness of the system of internal control. This is primarily based upon reviewing the work of Internal Audit and receiving reports from the Council's external auditors. The Committee met regularly throughout the year and provided independent assurance to the Council in relation to the effectiveness of the risk management framework, internal control environment and governance matters.

- 10.3 Additional requirements of the Local Government (Wales) Measure 2011 have included:
- the election of the Chairperson of the Audit Committee by the Audit Committee itself rather than by an appointment by Council;
  - the requirement that Audit Committee must have at least one lay-member, a professional representative with no connections to the 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.
- 10.4 Training has been provided to ensure that all members (including the Lay-Member) have the opportunity to gain a comprehensive understanding of their role. In February 2016, all Elected Members were offered training on Treasury Management to assist them in scrutinising the Annual Treasury Management Strategy of the Council. The effectiveness of member training was recognised by the most recent Estyn Inspection which noted that training provided to elected members to increase their understanding and ability to interrogate data to enable them to challenge the performance of the Children's Directorate and schools was well received.
- 10.5 The Council has adopted the WLGA model of role descriptions for all committee Member and Chairpersons including the Audit Committee. These have been adapted to reflect the specific roles undertaken in the Council. The role descriptions form part of Personal Development Review Process which enables members to better understand their role, reflect on how they have undertaken their duties in the previous year and identify any further support or training that they require to effectively carry out their duties. This will increase the ability of Audit Committee members to analyse, monitor and challenge the effective performance of the Council.
- 10.6 The Cabinet and Scrutiny Committee functions provide a further mechanism for review and challenge of any issues that may impact upon the system of internal control. Scrutiny Committees establish Research and Evaluation panels (including to the review of budget proposals); they undertake reviews of specific areas of Council operations and make recommendations to Cabinet for improvement.
- 10.7 Internal Audit also provides independent and objective assurance. It undertakes a continuous audit of Council services that are assessed and prioritised according to relative risk. This risk assessment draws upon the corporate and service risks identified as part of the Service planning process. During 2015-16, in carrying out its duties, Internal Audit worked to the Public Sector Internal Audit Standards (PSIAS). The PSIAS is applicable to all areas of the United Kingdom public sector and is based on the Chartered Institute of Internal Auditor's (CIIA's) International Professional Practices Framework. The Head of Audit undertook a self-assessment to demonstrate the extent to which the Internal Audit Shared Service complied with the PSIAS and to identify areas where further work was required to demonstrate compliance. The Council's External Auditors have recently undertaken a desk top assessment of compliance and have verbally reported that the Internal Audit Shared Service is compliant. It is planned that, in accordance with the Standards and during 2016-17 the Shared Service will undergo an external assessment, which has been agreed by the Council's Audit Committee.

- 10.8 Internal Audit completed a programme of reviews in accordance with the Annual Audit Plan for 2015-16. As part of the normal audit reporting process, recommendations were made and agreed with the relevant chief officers to address any issues that could impact upon the system of internal control. The internal audit arrangement enables the Chief Internal Auditor to provide an opinion on the internal control, risk management and governance arrangements. In addition, Internal Audit undertakes fraud investigation and is proactive in fraud detection work. This includes reviewing the control environment in areas where fraud or irregularity has occurred. Significant weaknesses in the control environment identified by Internal Audit are reported to senior management, the Audit Committee and Cabinet as appropriate.
- 10.9 Based on the internal audit work carried out for the year, the Head of Internal Audit concluded that the Council's framework of governance, risk management and control is considered to be reasonable and that "there are no significant cross cutting internal control weaknesses identified which would have an impact on the Council's Annual Governance Statement". She did, however, specify some weaknesses and made a total of 58 recommendations, of which management has given written assurance that all of these will be implemented.
- 10.10 The Head of Internal Audit has found that Bridgend County Borough Council is committed to the principles of good governance and as a result has adopted a formal Code of Corporate Governance (COCG) for the last six years. In 2015-16, the Council's financial management arrangements were found to be conforming to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 10.11 The Council is subject to an annual programme of independent external audits and statutory inspections which report on the Council's governance, performance and accounting arrangements. During 2015-16 the Council was subject to two significant pieces of assessment work both of which were undertaken on behalf of the Auditor General for Wales, the Financial Resilience Assessment and the Corporate Assessment.
- 10.12 The Financial Resilience Assessment was undertaken during May to October 2015 and focused on delivery of the 2014-15 savings plans and the 2015-16 financial planning period. The assessment considered whether the Council has appropriate arrangements in place to secure and maintain its financial resilience in the medium term (typically three to five years ahead). While there may be more certainty for the Council over an annual cycle, financial pressures impact beyond the current settlement period. When reaching their view, the auditors considered evidence of the Council's approach to managing its finances in the recent past and over the medium term. The work focused on answering the following question: Is Bridgend CBC managing budget reductions effectively to ensure financial resilience? Whilst also considering whether:
- financial planning arrangements effectively support financial resilience;
  - financial control effectively supports financial resilience; and
  - financial governance effectively supports financial resilience.

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

- 10.13 The purpose of the Corporate Assessment was to provide a position statement of an improvement authority's capacity and capability to deliver continuous improvement. It also considered the authority's track record of performance and outcomes as well as

examining the key arrangements that were necessary to underpin improvements in services and functions. The fieldwork focused on the extent to which arrangements were contributing to delivering improved service performance and outcomes for citizens. The corporate assessment sought to answer the following question, "Is the Council capable of delivering its priorities and improved outcomes for citizens?"

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

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

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

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

CSSIW report recognised that within adult social care the Council's remodelling and transformation programme continued to be the central foundation for strengthening the prevention and wellbeing agenda across Bridgend, and regionally across the Western Bay Health and Social Care Collaboration (Western Bay). A number of specific areas for follow up and improvement were identified in

the body of this report. In relation to adult social services this included the ongoing implementation of the service changes in readiness for the Social Services and Wellbeing (Wales) Act and the progress made towards the implementation of the extra care model, as well as bringing the district nursing service into the integrated referral management centre.

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

- 10.16 In October 2012, Estyn Inspection carried out a major inspection of the quality of education services for children and young people in Bridgend. The Report identified that the Council had more strengths than areas for improvement, but concluded that the Council fell into the category of follow-up activity. There were follow up visits in March and December 2014. Estyn concluded in its letter to the Council in January 2015 that the Council "is judged to have made sufficient progress in relation to the recommendations following the inspection of October 2012. As a result, Her Majesty's Chief Inspector of Education and Training in Wales considers that the Council is no longer in need of Estyn monitoring and is removing it from further follow-up activity".
- 10.17 The budget approved for 2015-16 included savings proposals of £11.225 million (5.27% of net service budgets). However £1.909 million of these proposals were not realised, but the expenditure associated with them has 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 2016-17 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.

## **11. Significant Governance Issues**

- 11.1 Across the whole of the United Kingdom, local councils are facing unprecedented challenges following reduced Government funding and increased demands on essential services. Between 2016-17 and 2019-20, the Council is expecting to have to make budget reductions of £35.5 million. Budget cuts of this scale present a significant challenge that will require the Council to make many difficult decisions about which services can be maintained and which cannot. It will mean that "business as usual", however well managed, will not be enough. The challenge will be to consider alternative delivery models for services across the Council and this will be essential to mitigate the impact of cuts and assist in continuing to provide priority services. As the Council continues to experience reduced resources, increased demands on services and new and innovative forms of delivery, it is necessary to ensure that the control environment, including governance and risk management, remains robust, proportionate and as efficient and effective as possible.
- 11.2 The Council remains unwavering in its commitment towards improving and finding ways of delivering local services, providing better outcomes for residents and achieving savings that will ensure they can deliver a succession of balanced budgets.



11.3 Based on the internal and external audit work completed for the year 2015-16 there are no significant cross cutting control issues that would impact on the Council’s Annual Governance Statement. The weaknesses that have been identified are service specific and the recommendations made to improve the overall control environment have been accepted and are being / will be implemented.

**12. Certification of Annual Governance Statement**

Steps to address and mitigate the matters referred to in section 11 above will be taken to further enhance our governance arrangements.

**Signed:**

**Section 151 Officer.....Date.....**

**Chief Executive Officer.....Date.....**

**Leader of the Council.....Date.....**

## Statement of Accounting Policies

### 1. General principles

The Statement of Accounts summarises the Council's transactions for the 2015-16 financial year and its position at the year end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 in accordance with proper accounting practices. These practices comprise the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) 2015-16 and the *Service Reporting Code of Practice 2015-16* supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### 2. Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the 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.

**3. Provisions, Contingent Liabilities and Contingent Assets**Provisions

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

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

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

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

**4. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the Council Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the Council Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, employee and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

**5. Government grants and contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grant / contribution will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## 6. Employee benefits

### Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and bonuses for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlement earned by employees but not taken before the financial year-end which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in the Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the 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 Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the 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 Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.
- The *Local Government Pension Scheme - Other Employees* are members of the Rhondda Cynon Taf County Borough Council Pension Fund. The Local Government Scheme is accounted for as a defined benefit scheme:-

- The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate.
- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:-
  - i. Quoted securities – current bid price
  - ii. Unquoted securities – professional estimate
  - iii. Property – market value
- The change in the net pensions liability is analysed into the following components:-
  - iv. Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - v. Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - vi. Net interest on the net defined benefit liability (asset), i.e. net interest expense for the 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.
  - vii. Remeasurements comprising:-
- The return on plan assets – excluding amounts included in the net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve and Other Comprehensive Income and Expenditure
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions reserve as Other Comprehensive Income and expenditure
  - viii. Contributions to the pension fund – cash paid as employer's contribution to the pension fund in settlement of liabilities; not accounted for as an expense.
- In relation to retirement benefits, statutory provisions require the Council Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners any amounts payable to the fund but unpaid at the year end. The negative balance that arises on the

Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

- The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## **7. VAT**

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to Her Majesty's Revenue and Customs and all VAT paid is recoverable from them.

## **8. Overheads and support services**

The costs of overheads and support services are charged to services that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2015-16 (SeRCOP)*. For 2015-16, most support service costs have been apportioned by a variety of methods. The most important being:

- actual use of support service
- estimated staff deployment, in some cases backed by formal time recording systems
- apportionments based on related financial or physical quantities (e.g. employee numbers, number of deliveries etc)

Support services defined as Corporate and Democratic Core and Non-Distributed Costs are not chargeable to direct services in accordance with the *SeRCOP*.

- Corporate and Democratic Core are costs relating to the Council's status as a multi-functional, democratic organisation.
- Non distributed costs are the costs of discretionary benefits awarded to employees retiring early and any impairment losses chargeable on Assets Held for Sale.

These two categories are defined in *SeRCOP* and accounted for as separate headings in the Comprehensive Income and Expenditure Statement as part of the Net Expenditure on Continuing Services.

## **9. Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. Assets that are part-way through creation at year end and are not yet in a usable condition are classified as Assets Under Construction.

**Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the 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.

**Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

- infrastructure and community assets – depreciated historical cost
- surplus assets – fair value, which is at 'highest and best' use in line with IFRS13
- assets held for sale – lower of fair value and market value less costs of sale
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.



The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- buildings – Depreciated on a straight-line basis according to estimated asset lives (ranging from 1 to 79 years) based on the value at the start of the year except for land, which is not depreciated.
- vehicles, plant, furniture and equipment – Depreciated on a straight-line basis according to estimated asset lives (ranging from 3 to 10 years).
- infrastructure – Depreciated on a straight-line basis over 30 years on Bridges and 15 years on Roads.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately according to the residual life.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

**Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification in line with IFRS13 at Fair Value, deemed to be the value at which the asset could be sold in an orderly market transaction. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale) and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Council Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

**10. Heritage Assets**

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. The Council recognises its civic regalia as a Heritage Asset,

and these items are reported in the Balance Sheet at insurance valuation which is based on market values.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. If the Council disposes of a heritage asset, the proceeds are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

#### **11. Charges to revenue for non-current assets**

Services, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Council is not required to raise council tax to fund depreciation, revaluation or impairment losses or amortisation. However, it is required to make an annual prudent provision from revenue to contribute towards the reduction in its overall borrowing requirement. This is detailed in the Council's Annual Minimum Revenue Provision Statement, and differentiates between supported capital expenditure, unsupported capital expenditure, and Finance Leases / PFI. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by this *Minimum Revenue Provision* (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### **12. Revenue Expenditure Funded from Capital Resources under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Examples of such expenditure include home improvement grants, town improvement grants, demolitions and land feasibility studies. Where the Council has determined to meet the cost of these from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the Council Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax.

#### **13. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### **The Council as a Lessee**

#### Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure section in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the Council Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a rent-free period at the commencement of the lease).

### **The Council as a Lessor**

#### Operating Leases

Where the 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 Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

**14. Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure Section of the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable together with any accrued interest and interest charged to the Comprehensive Income and Expenditure Statement for the year according to the loan agreement.

The Council has three Lender's Option Borrower's Option loans (LOBOs) with stepped interest rates. An effective interest rate has been used for these so that these are remeasured amounts for the LOBOs on the Balance Sheet.

Where premiums and discounts on early repayment have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the Council Fund to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

**15. Financial Assets**

Loans and Receivables are assets that have fixed or determinable payments but are not quoted in an active market. They are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

**16. Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

**17. Private Finance Initiatives (PFI)**

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the 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.

**PFI Credits**

Government grants received for PFI schemes, in excess of current levels of expenditure, are carried forward as an earmarked reserve to fund future expenditure.

**18. Joint Arrangements**

The Council has administrative responsibilities for County Borough Supplies and Coychurch Crematorium. Independent financial statements continue to be prepared and reviewed for each of these joint committees. The activities of these joint arrangements are excluded from the Council's single entity financial statements on the basis of materiality of both assets and population.

**19. Council Tax Income**

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

**20. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the 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.

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

#### **21. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty of notice of not more than 24 hours. Cash equivalents are investments that mature in no more than a month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

#### **22. Events After the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

#### **23. Foreign Currency Translation**

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at

the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### **24. Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

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

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Council Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance. The gains and losses are therefore reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

#### **25. Carbon Reduction Commitments Allowances**

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the services and is apportioned to services on the basis of energy consumption.



**26. Local Authority Schools**

The Code of Practice on Local Authority Accounting confirms that the balance of control for local 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.



# **Core Financial Statements 2015-16**



# Statement of Accounts

2015-16

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

|   | Council Fund Balance | Earmarked Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Total Unusable Reserves | Total Authority Reserves |
|---|----------------------|--------------------|--------------------------|--------------------------|-----------------------|-------------------------|--------------------------|
|   | £'000                | £'000              | £'000                    | £'000                    | £'000                 | £'000                   | £'000                    |
| Balance at 31 March 2014 carried forward  | 7,395                | 37,899             | 10,245                   | 509                      | 56,048                | 103,396                 | 159,444                  |
| <b>Movement in Reserves during 2014-15</b>  |                      |                    |                          |                          |                       |                         |                          |
| Surplus or (deficit) on provision of services<br>Other Comprehensive (Expenditure) and Income | (70,036)             |                    |                          |                          | (70,036)              | 5,292                   | (70,036)                 |
| <b>Total Comprehensive (Expenditure) and Income</b>   | <b>(70,036)</b>      | <b>-</b>           | <b>-</b>                 | <b>-</b>                 | <b>(70,036)</b>       | <b>5,292</b>            | <b>(64,744)</b>          |
| Adjustments between accounting basis & funding basis under regulations (Note 4)               | 73,646               |                    | 4,289                    | (356)                    | 77,579                | (77,579)                | -                        |
| <b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>                         | <b>3,610</b>         | <b>-</b>           | <b>4,289</b>             | <b>(356)</b>             | <b>7,543</b>          | <b>(72,287)</b>         | <b>(64,744)</b>          |
| Transfers to Earmarked Reserves (Note 31)   | (3,555)              | 3,555              | -                        | -                        | -                     | -                       | -                        |
| <b>Increase/(Decrease) in 2014-15</b>   | <b>55</b>            | <b>3,555</b>       | <b>4,289</b>             | <b>(356)</b>             | <b>7,543</b>          | <b>(72,287)</b>         | <b>(64,744)</b>          |
| <b>Balance at 31 March 2015 carried forward</b>   | <b>7,450</b>         | <b>41,454</b>      | <b>14,534</b>            | <b>153</b>               | <b>63,591</b>         | <b>31,109</b>           | <b>94,700</b>            |
| <b>Balance at 31 March 2015 carried forward</b>   | <b>7,450</b>         | <b>41,454</b>      | <b>14,534</b>            | <b>153</b>               | <b>63,591</b>         | <b>31,109</b>           | <b>94,700</b>            |
| <b>Movement in Reserves during 2015-16</b>  |                      |                    |                          |                          |                       |                         |                          |
| Surplus or (deficit) on provision of services<br>Other Comprehensive (Expenditure) and Income | (2,956)              |                    |                          |                          | (2,956)               | 50,309                  | (2,956)                  |
| <b>Total Comprehensive (Expenditure) and Income</b>   | <b>(2,956)</b>       | <b>-</b>           | <b>-</b>                 | <b>-</b>                 | <b>(2,956)</b>        | <b>50,309</b>           | <b>47,353</b>            |
| Adjustments between accounting basis & funding basis under regulations (Note 4)               | 6,569                |                    | 3,818                    | 30                       | 10,417                | (10,417)                | -                        |
| <b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>                         | <b>3,613</b>         | <b>-</b>           | <b>3,818</b>             | <b>30</b>                | <b>7,461</b>          | <b>39,892</b>           | <b>47,353</b>            |
| Transfers to Earmarked Reserves (Note 31)   | (3,459)              | 3,459              | -                        | -                        | -                     | -                       | -                        |
| <b>Increase/(Decrease) in 2015-16</b>   | <b>154</b>           | <b>3,459</b>       | <b>3,818</b>             | <b>30</b>                | <b>7,461</b>          | <b>39,892</b>           | <b>47,353</b>            |
| <b>Balance at 31 March 2016 carried forward</b>   | <b>7,604</b>         | <b>44,913</b>      | <b>18,352</b>            | <b>183</b>               | <b>71,052</b>         | <b>71,001</b>           | <b>142,053</b>           |

## Comprehensive Income and Expenditure Statement 2015-16

| 2014-15 restated  |                  |                  |   | 2015-16           |                  |                  | Notes |
|-------------------|------------------|------------------|---|-------------------|------------------|------------------|-------|
| Gross Expenditure | Gross Income     | Net Expenditure  |   | Gross Expenditure | Gross Income     | Net Expenditure  |       |
| £'000             | £'000            | £'000            |   | £'000             | £'000            | £'000            |       |
| 217,863           | (29,573)         | 188,290          | Children's and Education Services   | 164,237           | (29,578)         | 134,659          |       |
| 61,067            | (15,951)         | 45,116           | Adult Social Care   | 58,490            | (17,260)         | 41,230           |       |
| 25,620            | (7,067)          | 18,553           | Highways, Roads and Transport Services  | 23,934            | (7,098)          | 16,836           |       |
| 58,704            | (55,802)         | 2,902            | Housing Services  | 61,999            | (59,701)         | 2,298            |       |
| 32,633            | (5,950)          | 26,683           | Central Services to the Public  | 31,108            | (5,115)          | 25,993           |       |
| 17,215            | (2,568)          | 14,647           | Cultural and Related Services   | 11,486            | (1,831)          | 9,655            |       |
| 16,099            | (4,132)          | 11,967           | Environmental and Regulatory Services   | 16,073            | (4,259)          | 11,814           |       |
| 14,749            | (9,433)          | 5,316            | Planning Services   | 12,336            | (9,166)          | 3,170            |       |
| 4,928             | (404)            | 4,524            | Corporate and Democratic Core   | 4,479             | (445)            | 4,034            |       |
| 560               | -                | 560              | Non-Distributed Costs   | 590               | -                | 590              |       |
| <b>449,438</b>    | <b>(130,880)</b> | <b>318,558</b>   | <b>Cost Of Services</b>   | <b>384,732</b>    | <b>(134,453)</b> | <b>250,279</b>   |       |
|                   |                  |                  | <b>Other Operating Expenditure</b>  |                   |                  |                  |       |
| 11,199            | -                | 11,199           | Payments of precepts  | 11,944            | -                | 11,944           | 5     |
| 6,894             | -                | 6,894            | Levies payable  | 6,823             | -                | 6,823            | 5     |
| 718               | -                | 718              | (Gain) / loss on disposal of non current (fixed) assets   | 2,181             | -                | 2,181            |       |
| <b>18,811</b>     | <b>-</b>         | <b>18,811</b>    | <b>Other Operating Expenditure</b>  | <b>20,948</b>     | <b>-</b>         | <b>20,948</b>    |       |
|                   |                  |                  | <b>Financing and Investment Income and Expenditure</b>  |                   |                  |                  |       |
| 4,577             | -                | 4,577            | Interest payable on debt  | 4,546             | -                | 4,546            |       |
| 167               | -                | 167              | Interest element of finance leases (lessee)   | 69                | -                | 69               |       |
| 1,471             | -                | 1,471            | Interest payable on PFI unitary payments  | 1,434             | -                | 1,434            | 12    |
| 10,090            | -                | 10,090           | Net Interest on Net Defined Benefit Liability   | 8,450             | -                | 8,450            | 36    |
| -                 | (853)            | (853)            | Investment Interest & Other Interest Receivable   | -                 | (903)            | (903)            |       |
| -                 | (647)            | (647)            | Changes in fair value of investment properties<br>(Gain) / loss on trading accounts (not applicable to a service) | -                 | (1,082)          | (1,082)          | 6     |
| <b>16,305</b>     | <b>(1,500)</b>   | <b>14,805</b>    | <b>Financing and Investment Income and Expenditure</b>  | <b>14,499</b>     | <b>(1,985)</b>   | <b>12,514</b>    |       |
|                   |                  |                  | <b>Taxation and Non-Specific Grant Income</b>   |                   |                  |                  |       |
|                   | (150,943)        | (150,943)        | RSG   |                   | (148,002)        | (148,002)        | 7     |
|                   | (43,794)         | (43,794)         | NNDR  |                   | (40,274)         | (40,274)         | 10    |
|                   | (73,164)         | (73,164)         | Council Tax   |                   | (77,487)         | (77,487)         | 9     |
|                   | (12,825)         | (12,825)         | Recognised capital grants and contributions   |                   | (13,622)         | (13,622)         | 8     |
|                   | (1,412)          | (1,412)          | Non service related government grants   |                   | (1,400)          | (1,400)          | 8     |
| <b>-</b>          | <b>(282,138)</b> | <b>(282,138)</b> | <b>Taxation and Non-Specific Grant Income</b>   | <b>-</b>          | <b>(280,785)</b> | <b>(280,785)</b> |       |
| <b>484,554</b>    | <b>(414,518)</b> | <b>70,036</b>    | <b>(Surplus) or Deficit on Provision of Services</b>  | <b>420,179</b>    | <b>(417,223)</b> | <b>2,956</b>     |       |
|                   | (74,036)         | (74,036)         | (Surplus) or deficit on revaluation of Property, Plant and Equipment  |                   | (19,595)         | (19,595)         |       |
| 48,654            |                  | 48,654           | Impairment losses on non-current assets charged to the Revaluation reserve  | 3,614             |                  | 3,614            |       |
| 20,090            |                  | 20,090           | Actuarial (gains) / losses on pension liabilities   | (34,330)          |                  | (34,330)         | 36    |
|                   |                  | <b>(5,292)</b>   | <b>Other Comprehensive (Income) and Expenditure</b>   |                   |                  | <b>(50,311)</b>  |       |
|                   |                  | <b>64,744</b>    | <b>Total Comprehensive (Income) and Expenditure</b>   |                   |                  | <b>(47,355)</b>  |       |

## Balance Sheet for Years Ended 31 March 2015 and 2016

| 31 March 2015    |  | 31 March 2016    | Notes      |
|------------------|--|------------------|------------|
| £'000            |  | £'000            |            |
|                  | <b>Property, Plant &amp; Equipment</b>                 |                  | <b>22</b>  |
| 354,330          | - other land and buildings                             | 377,815          |            |
| 7,927            | - vehicles, plant, furniture and equipment             | 10,198           |            |
| 83,373           | - infrastructure                                       | 77,261           |            |
| 4,808            | - community assets                                     | 4,808            |            |
| 15,848           | - assets under construction                            | 6,299            |            |
| 9,767            | - surplus assets not held for sale                     | 8,256            |            |
| 73               | <b>Heritage Assets</b>                                 | 73               | <b>24</b>  |
|                  | <b>Investment Property</b>                             |                  |            |
| 4,103            | - Investment property                                  | 5,185            | <b>23</b>  |
|                  | <b>Long Term Investments</b>                           |                  |            |
| -                | - Long Term Investments                                | 2,007            |            |
|                  | <b>Long Term Debtors</b>                               |                  |            |
| 17               | Housing Advances                                       | 12               | <b>25</b>  |
| 261              | Finance Leases   | 133              | <b>25</b>  |
| <b>480,507</b>   | <b>Long Term Assets</b>                                | <b>492,047</b>   |            |
|                  | <b>Short Term Investments</b>                          | 14,543           | <b>37</b>  |
| 11,027           | <b>Assets held for sale</b>                            | 4,035            | <b>27</b>  |
| 7,478            | <b>Inventories</b>                                     | 419              |            |
| 463              | <b>Short Term Debtors</b>                              | 27,346           | <b>26</b>  |
| 29,272           | <b>Cash and Cash Equivalents</b>                       | 7,182            |            |
| 6,573            |  |                  |            |
| <b>54,813</b>    | <b>Current Assets</b>                                  | <b>53,525</b>    |            |
|                  | <b>Short Term Borrowing</b>                            | (960)            | <b>37</b>  |
| (879)            | <b>Short Term Creditors</b>                            | (32,772)         | <b>28</b>  |
| (43,458)         | - Provisions due in 1 year                             | (1,118)          |            |
|                  |  |                  |            |
| <b>(44,337)</b>  | <b>Current Liabilities</b>                             | <b>(34,850)</b>  |            |
|                  | <b>Provisions</b>                                      | (2,362)          | <b>29</b>  |
| (2,424)          | <b>Long Term Borrowing</b>                             | (97,434)         | <b>37</b>  |
| (97,444)         |  |                  |            |
|                  | <b>Other Long Term Liabilities</b>                     |                  |            |
| (20,847)         | PFI & Other Long Term Liabilities                      | (21,759)         | <b>30</b>  |
| (273,010)        | Net pensions liability                                 | (245,270)        | <b>32b</b> |
|                  | <b>Capital Grants Receipts in Advance</b>              | (1,844)          |            |
| (2,558)          |  |                  |            |
| <b>(396,283)</b> | <b>Long Term Liabilities</b>                           | <b>(368,669)</b> |            |
|                  |  |                  |            |
| <b>94,700</b>    | <b>Net Assets</b>                                      | <b>142,053</b>   |            |
|                  | <b>Usable reserves</b>                                 |                  | <b>31</b>  |
| 7,450            | - Council Fund   | 7,604            |            |
| 41,454           | - Earmarked reserves                                   | 44,913           | <b>31b</b> |
| 14,534           | - Capital Receipts Reserve                             | 18,352           | <b>31a</b> |
| 153              | - Capital Grants Unapplied                             | 183              |            |
|                  | <b>Unusable Reserves</b>                               |                  | <b>32</b>  |
| 115,916          | - Revaluation Reserve                                  | 127,291          | <b>32a</b> |
| (273,010)        | - Pensions Reserve                                     | (245,270)        | <b>32b</b> |
| 196,059          | - Capital Adjustment Account                           | 192,078          | <b>32c</b> |
| (3,632)          | - Financial Instruments Adjustment Account             | (739)            | <b>32d</b> |
| (4,224)          | - Short-term Accumulating Compensated Absences Account | (2,359)          | <b>32e</b> |
|                  |  |                  |            |
| <b>94,700</b>    | <b>Total Reserves</b>                                  | <b>142,053</b>   |            |

## Cash Flow Statement as at 31 March 2015 and 2016

| 2014-15<br>£'000<br>restated |  | 2015-16<br>£'000 | Notes |
|------------------------------|--|------------------|-------|
| 70,036                       | Net (surplus) / deficit on the Provision of Services   | 2,956            |       |
| (103,147)                    | Adjustments to net deficit on the provision of services for non-cash movements   | (28,969)         | 40    |
| 19,121                       | Adjustments for Items included in the net deficit on the provision of services that are investing and financing activities | 17,582           |       |
| <b>(13,990)</b>              | <b>Net Cash Flows from Operating Activities</b>  | <b>(8,431)</b>   | 41    |
| 24,075                       | Investing Activities   | 23,081           | 42    |
| (12,189)                     | Financing Activities   | (15,259)         | 43    |
| <b>(2,104)</b>               | <b>Net increase in Cash &amp; Cash Equivalents</b>   | <b>(609)</b>     |       |
| (4,469)                      | Cash & Cash Equivalent at the beginning of the Reporting Period  | (6,573)          |       |
| <b>(6,573)</b>               | <b>Cash &amp; Cash Equivalents at the end of the Reporting Period</b>  | <b>(7,182)</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. Due to a review of the methodology for preparing the 2015-16 statement, the previous year's Statement has had to be restated. The adjustments were to remove some non-cash items and a reclassification of some items. These adjustments however had no impact on the bottom line.



# Notes to the Core Financial Statements 2015-16



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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 (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 2015-16 Code:

- IAS 19 – Employee Benefits
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2012-2014 Cycle
- Amendment to IAS 1 Presentation of Financial Statements
- Changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- Changes to the format of the Pension Fund Account and the Net Assets Statement

The Council does not believe that any of the above would have a material impact on the information provided within these Statements. The CIPFA Code of Practice on Transport Infrastructure Assets takes effect from 1 April 2016 but does not require any retrospective adjustment to the 2015-16 accounts. Under this provision a new asset category of Highways Network Asset will be created and will be measured at depreciated replacement cost.

**2. Critical Judgements in Applying Accounting Policies**

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

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

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

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

**3. Assumptions made about the future and other major sources of estimated uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

**Plant, Property and Equipment**

The Council's portfolio of School Land and Buildings was revalued at 31 December 2015. All other assets had desk top valuations on a DRC basis on the 31 March 2015 following a full revaluation at 1 April 2014. The value of those assets is based upon calculations and estimation techniques following the Royal Institute of Chartered Surveyors (RICS) guidance, and in accordance with IFRS.

**Depreciation of Property, Plant and Equipment**

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate may result in spending on repairs and maintenance having to be reduced thus, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets will fall.

**Investment Properties, Surplus Assets and Assets Held for Sale**

Fair Value estimations

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

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

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

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

**Pensions Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

**Notes to the Movement in Reserves Statement****4. Adjustments between Accounting Basis and Funding Basis Under Regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the 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 an 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 2014-15 for comparative purposes and the adjustments for 2015-16:-

# Statement of Accounts

2015-16

| 2015-16   | Council Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Usable Reserves | Revaluation Reserve | Pensions Reserve | Capital Adjustment Account | Financial Instruments Adjustment Account | Short term Compensated Absences | Movement in Unusable Reserves |
|---|----------------------|--------------------------|--------------------------|-----------------------------|---------------------|------------------|----------------------------|--|---------------------------------|-------------------------------|
|   | £'000                | £'000                    | £'000                    | £'000                       | £'000               | £'000            | £'000                      | £'000                                    | £'000                           | £'000                         |
| <b>Adjustments between accounting basis &amp; funding basis under regulations</b>   |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| <b>Adjustments Primarily Involving the Capital Adjustment Account</b>   |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| <b>Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement</b>  |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| Charges for Depreciation & Impairment of Non-Current Assets   | 23,082               |                          |                          | 23,082                      |                     |                  | (23,082)                   |  |                                 | (23,082)                      |
| Revaluation losses on Property, Plant & Equipment   | 3,258                |                          |                          | 3,258                       |                     |                  | (3,258)                    |  |                                 | (3,258)                       |
| Movement in market value of investment property   | (1,082)              |                          |                          | (1,082)                     |                     |                  | 1,082                      |  |                                 | 1,082                         |
| Capital grant and contributions applied   | (13,606)             |                          |                          | (13,606)                    |                     |                  | 13,606                     |  |                                 | 13,606                        |
| Revenue Expenditure Funded from Capital under Statute   | 696                  |                          | 14                       | 710                         |                     |                  | (710)                      |  |                                 | (710)                         |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account  | 6,140                |                          |                          | 6,140                       | (2,142)             |                  | (3,998)                    |  |                                 | (6,140)                       |
| Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.   |                      |                          |                          |                             | (2,464)             |                  | 2,464                      |  |                                 | -                             |
| <b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>   |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| Statutory Provision for the financing of capital investment   | (8,513)              |                          |                          | (8,513)                     |                     |                  | 8,513                      |  |                                 | 8,513                         |
| Capital expenditure charged against the Council Fund balance  | (1,262)              |                          |                          | (1,262)                     |                     |                  | 1,262                      |  |                                 | 1,262                         |
| <b>Adjustments primarily involving the Capital Grants Unapplied Account :</b>   |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement   | (16)                 |                          | 16                       | -                           |                     |                  |                            |  |                                 | -                             |
| Application of grants to capital financing transferred to the Capital Adjustment Account  |                      |                          |                          | -                           |                     |                  |                            |  |                                 | -                             |
| <b>Adjustments primarily involving the Capital Receipts Reserve</b>   |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement  | (3,959)              | 3,959                    |                          | -                           |                     |                  |                            |  |                                 | -                             |
| Use of Capital Receipts Reserve to finance new capital expenditure  |                      | (146)                    |                          | (146)                       |                     |                  | 146                        |  |                                 | 146                           |
| Other Amounts (including Mortgage Repayments)   |                      | 5                        |                          | 5                           |                     |                  | (5)                        |  |                                 | (5)                           |
| <b>Adjustments primarily involving the Financial Instrument Adjustment Account</b>  |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements                           | (2,893)              |                          |                          | (2,893)                     |                     |                  |                            | 2,893                                    |                                 | 2,893                         |
| <b>Adjustments primarily involving the Pensions Reserve</b>   |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement   | 26,600               |                          |                          | 26,600                      |                     | (26,600)         |                            |  |                                 | (26,600)                      |
| Employer's contributions to pension schemes   | (20,010)             |                          |                          | (20,010)                    |                     | 20,010           |                            |  |                                 | 20,010                        |
| <b>Adjustments primarily involving the Accumulated Absences Account</b>   |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (1,865)              |                          |                          | (1,865)                     |                     |                  |                            |  | 1,865                           | 1,865                         |
| <b>Total Adjustments 2015-16</b>  | <b>6,570</b>         | <b>3,818</b>             | <b>30</b>                | <b>10,418</b>               | <b>(4,606)</b>      | <b>(6,590)</b>   | <b>(3,980)</b>             | <b>2,893</b>                             | <b>1,865</b>                    | <b>(10,418)</b>               |

# Statement of Accounts

2015-16

|   | Council Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Usable Reserves | Revaluation Reserve | Pensions Reserve | Capital Adjustment Account | Financial Instruments Adjustment Account | Short term Compensated Absences | Movement in Unusable Reserves |
|---|----------------------|--------------------------|--------------------------|-----------------------------|---------------------|------------------|----------------------------|--|---------------------------------|-------------------------------|
| 2014-15   | £'000                | £'000                    | £'000                    | £'000                       | £'000               | £'000            | £'000                      | £'000                                    | £'000                           | £'000                         |
| <b>Adjustments between accounting basis &amp; funding basis under regulations</b>   |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| <b>Adjustments Primarily Involving the Capital Adjustment Account</b>   |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| <b>Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement</b>  |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| Charges for Depreciation & Impairment of Non-Current Assets   | 28,008               |                          |                          | 28,008                      |                     |                  | (28,008)                   |  |                                 | (28,008)                      |
| Revaluation losses on Property, Plant & Equipment   | 59,716               |                          |                          | 59,716                      |                     |                  | (59,716)                   |  |                                 | (59,716)                      |
| Movement in market value of investment property   | (646)                |                          |                          | (646)                       |                     |                  | 646                        |  |                                 | 646                           |
| Capital grant and contributions applied   | (12,817)             |                          |                          | (12,817)                    |                     |                  | 12,817                     |  |                                 | 12,817                        |
| Revenue Expenditure Funded from Capital under Statute   | 774                  |                          | (340)                    | 434                         |                     |                  | (434)                      |  |                                 | (434)                         |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account  | 7,014                |                          |                          | 7,014                       | (5,574)             |                  | (1,440)                    |  |                                 | (7,014)                       |
| Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.   |                      |                          |                          |                             | (2,695)             |                  | 2,695                      |  |                                 |                               |
| <b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>   |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| Statutory Provision for the financing of capital investment   | (8,020)              |                          |                          | (8,020)                     |                     |                  | 8,020                      |  |                                 | 8,020                         |
| Capital expenditure charged against the Council Fund balance  | (1,803)              |                          |                          | (1,803)                     |                     |                  | 1,803                      |  |                                 | 1,803                         |
| <b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>  |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement   | (8)                  |                          | 8                        | -                           |                     |                  |                            |  |                                 | -                             |
| Application of grants to capital financing transferred to the Capital Adjustment Account  |                      |                          | (24)                     | (24)                        |                     |                  | 24                         |  |                                 | 24                            |
| <b>Adjustments primarily involving the Capital Receipts Reserve</b>   |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement  | (6,296)              | 6,296                    |                          | -                           |                     |                  |                            |  |                                 | -                             |
| Use of Capital Receipts Reserve to finance new capital expenditure  |                      | (2,019)                  |                          | (2,019)                     |                     |                  | 2,019                      |  |                                 | 2,019                         |
|   |                      | 12                       |                          | 12                          |                     |                  | (12)                       |  |                                 | (12)                          |
| <b>Adjustments primarily involving the Financial Instrument Adjustment Account</b>  |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements                           | (1,688)              |                          |                          | (1,688)                     |                     |                  |                            | 1,688                                    |                                 | 1,688                         |
| <b>Adjustments primarily involving the Pensions Reserve</b>   |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement   | 26,800               |                          |                          | 26,800                      |                     | (26,800)         |                            |  |                                 | (26,800)                      |
| Employer's contributions to pension schemes   | (17,780)             |                          |                          | (17,780)                    |                     | 17,780           |                            |  |                                 | 17,780                        |
| <b>Adjustments primarily involving the Accumulated Absences Account</b>   |                      |                          |                          |                             |                     |                  |                            |  |                                 |                               |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 392                  |                          |                          | 392                         |                     |                  |                            |  | (392)                           | (392)                         |
| <b>Total Adjustments 2014-15</b>  | <b>73,646</b>        | <b>4,289</b>             | <b>(356)</b>             | <b>77,579</b>               | <b>(8,269)</b>      | <b>(9,020)</b>   | <b>(61,586)</b>            | <b>1,688</b>                             | <b>(392)</b>                    | <b>(77,579)</b>               |

## Notes to the Comprehensive Income and Expenditure Statement

## 5. Precepts and levies

Precepts are the amounts paid to non-billing authorities (e.g. community councils) so that they can cover their expenses. Levies are the amounts payable when services are operated over areas covering more than one 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:

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

## 6. Trading activities

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

## 7. Revenue Support Grant

This is the principal source of finance towards revenue expenditure from Welsh Government with the amount receivable fixed at the start of each financial year. The amount received in 2015-16 was £148.0 million (£150.9 million for 2014-15).

## 8. Government grants

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

| 2014-15<br>restated<br>£'000 | Specific Grants credited to Services                  | 2015-16<br>£'000 |
|------------------------------|---|------------------|
| 49,512                       | Housing Benefit Subsidy                               | 49,536           |
| 6,307                        | DCELLS Post 16 Grant                                  | 6,502            |
| 4,146                        | Foundation Phase Grant/Education<br>Improvement Grant | 5,213            |
| 7,384                        | Other Children  | 5,672            |
| 825                          | Other Wellbeing                                       | 1,687            |
| 3,171                        | Others  | 4,845            |
| 6,152                        | Supporting People                                     | 5,816            |
| 388                          | Sport Play & Active Wellbeing                         | 401              |
| 2,806                        | Concessionary Fares Grant                             | 2,973            |
| 3,025                        | Flying Start  | 3,178            |
| 2,854                        | Sustainable Waste Grant                               | 2,796            |
| 807                          | Housing/Council Tax Benefit Administratic             | 708              |
| 390                          | Local Transport Services                              | -                |
| 1,511                        | Communities First                                     | 1,478            |
| 1,840                        | Families First  | 1,898            |
| <b>91,118</b>                | <b>Total</b>  | <b>92,703</b>    |

| 2014-15<br>£'000 | Other Government Grants credited to<br>Taxation and Non-specific Grant<br>Income | 2015-16<br>£'000 |
|------------------|--|------------------|
| 1,412            | Improvement Agreement Grant  | 1,400            |
| 12,825           | Capital Grants and Contributions   | 13,622           |
| <b>14,237</b>    | <b>Total</b>   | <b>15,022</b>    |
| <b>105,355</b>   | <b>Total</b>   | <b>107,725</b>   |

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

## 9. Council Tax

Council Tax Income derives from charges raised according to the value of residential properties, which have been classified into ten valuation bands estimating 1 April 2005 values for this specific purpose. Charges are calculated by taking the amount of income required for Bridgend County Borough Council, each Community Council and the South Wales Police Authority and dividing this by the Council Tax base. The Council Tax base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts – 51,071.48 dwellings for 2015-16 (50,566.20 in 2014-15). The average amount for a Band D property is £1,482.94 in 2015-16 (£1,413.33 in 2014-15 on average) and is multiplied by the proportion specified for the particular band to give the individual amount due.

Council Tax bills were based on the following multipliers for bands A\* to I and the number of properties in each band were as follows:



| Band                 | A*  | A      | B      | C      | D     | E     | F     | G     | H    | I    |
|----------------------|-----|--------|--------|--------|-------|-------|-------|-------|------|------|
| Multiplier           | 5/9 | 6/9    | 7/9    | 8/9    | 9/9   | 11/9  | 13/9  | 15/9  | 18/9 | 21/9 |
| Chargeable Dwellings | 25  | 10,088 | 14,761 | 13,804 | 9,805 | 7,022 | 3,973 | 1,363 | 283  | 86   |

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

| 2014-15<br>£'000 |  | 2015-16<br>£'000 |
|------------------|--|------------------|
| 73,164           | Council Tax Collectable                  | 77,487           |
|                  | Less:                                    |                  |
| (1,574)          | Payable to Community Councils            | (1,737)          |
| (9,625)          | Payable to South Wales Police            | (10,207)         |
|                  | Provision for non-payment of Council Tax |                  |
| (1,159)          | (Increase)/decrease                      | 386              |
| <b>60,806</b>    | <b>Net Proceeds from Council Tax</b>     | <b>65,929</b>    |

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

NNDR is organised on a national basis. The Welsh Government (WG) specifies the rate in the pound to be charged and, subject to the effects of transition arrangements, local businesses pay rates calculated by multiplying their rateable value by the rate in the pound. This was 48.2p in 2015-16 (47.3p in 2014-15). The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by WG. WG then redistributes the sums payable back into local authorities on the basis of a fixed amount per head of population.

The Council receives a contribution from the NNDR pool direct. The income from this should be reflected separately in the Comprehensive Income and Expenditure Statement. This amount was £40.274 million in 2015-16 (£43.794 million in 2014-15).

#### 11. Leases

##### Council as a Lessee

##### Finance Leases (excluding Private Finance Initiative)

In 2012-13 the Council entered into a contract for the management of its leisure facilities, which included a major capital investment contract that is being funded via the contracted management fee. This element of the management fee was being treated as a finance lease, however the Council paid off the liability at the end of the financial year, leaving no future liability as set out in the tables below.

| 31 March<br>2015<br>£'000 |                                       | 31 March<br>2016<br>£'000 |
|---------------------------|---------------------------------------|---------------------------|
| 807                       | Leisure Contract - capital investment | -                         |
| <b>807</b>                | <b>Total</b>                          | <b>-</b>                  |

Operating Leases

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

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

Expenditure charged in the year to the Service areas was £0.851 million made up of minimum lease payments of £0.404 million and £0.447 million for contingent rents (£0.975 million in 2014-15 made up of £0.401 million minimum lease payments and £0.574 million contingent rents).

Council as a 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:-

| 31 March<br>2015<br>£'000 |                         | 31 March<br>2016<br>£'000 |
|---------------------------|-------------------------|---------------------------|
| 39                        | Not later than one year | 48                        |
| 170                       | Later than one year     | 120                       |
| 824                       | Later than five years   | 800                       |
| <b>1,033</b>              | <b>Total</b>            | <b>968</b>                |

**12. Private Finance Initiative (PFI)**

During the 2008-09 financial year, the Council commenced payment under the Private Finance Initiative (PFI) arrangement for the provision of a Secondary School in Maesteg that was entered into in 2007-08 and this arrangement will run until August 2033. There is a commitment of £30.5 million (Net Present Value) over the duration of the contract, which is to be funded by a combination of PFI Credits, agreed by the Welsh Government, and Council/Delegated School resources.

The total unitary payment is divided into the service charge element, the repayment of the liability element and the interest element. The charges are shown below:-

| 2014-15<br>£'000 | Unitary Charge          | 2015-16<br>£'000 |
|------------------|-------------------------|------------------|
| 635              | Service Charge Element  | 636              |
| 1,471            | Interest Element        | 1,434            |
| 476              | Finance Lease Liability | 513              |
| <b>2,582</b>     | <b>Total</b>            | <b>2,583</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          | 2016-17      | 2017-18 to       | 2022-23 to       | 2027-28 to       | 2032-33 to       |
|-------------------------|--------------|------------------|------------------|------------------|------------------|
|                         | £'000        | 2021-22<br>£'000 | 2026-27<br>£'000 | 2031-32<br>£'000 | 2033-34<br>£'000 |
| Service Charge Element  | 502          | 2,511            | 2,511            | 2,511            | 997              |
| Interest Element        | 1,395        | 6,264            | 4,702            | 2,436            | 147              |
| Finance Lease Liability | 552          | 3,470            | 5,032            | 7,298            | 2,435            |
| <b>Total</b>            | <b>2,449</b> | <b>12,245</b>    | <b>12,245</b>    | <b>12,245</b>    | <b>3,579</b>     |

The Council meets the costs of the Unitary Charge from its own resources and funding from the WG. The profile of funding from WG reduces annually until the expiry of the contract term whereas the unitary charge payable by the Council increases annually over the same period. This results in a "surplus" of resources for PFI when compared to payments for the initial period of the contract period. These surplus amounts are set-aside in an earmarked reserve to fund the later part of the contract period where annual payments are greater than annual resources.

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

### 13. Section 33 NHS (Wales) Act 2006

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

| 2014-15                              |   |                                   | Partner   | Purpose of Partnership   | 2015-16                              |   |                                   |
|--------------------------------------|---|-----------------------------------|---|--|--------------------------------------|---|-----------------------------------|
| Gross Income Of Partnership<br>£'000 | Gross Expenditure of Partnership<br>£'000 | Authority's Contribution<br>£'000 |   |  | Gross Income Of Partnership<br>£'000 | Gross Expenditure of Partnership<br>£'000 | Authority's Contribution<br>£'000 |
| 608                                  | 608                                       | 325                               | Abertawe Bro-Morgannwg University Health Board  | Integrated Service Provision using a Pooled Fund. Provision of day opportunities for people recovering from mental health problems.  | 615                                  | 615                                       | 328                               |
| 2,261                                | 2,686                                     | 492                               | Rhondda Cynon Taff CBC<br>Merthyr Tydfil CBC<br>Cwm Taf LHB<br>Abertawe Bro Morgannwg University Health Board | Integrated commissioning from a pooled fund for procuring specified community equipment for eligible people within the partnership's administrative area. Rhondda Cynon Taf are the lead partner | 2,654                                | 2,625                                     | 569                               |
| 0                                    | 0   | 0                                 | Abertawe Bro-Morgannwg University Health Board  | Integrated service provision using a pooled fund for the purpose of providing community support services   | 4,414                                | 4,414                                     | 2,346                             |

### 14. Minimum Revenue Provision

The Council is required by statute to set a prudent Minimum Revenue Provision (MRP) for the repayment of external debt. In accordance with this requirement the provision for 2015-16 has been calculated as shown in the table below. It is based on the opening Capital Financing Requirement (CFR) of the Council.

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

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

## 15. Officers' Remuneration

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

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

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

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

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

| 2014-15 inc<br>Redundancy Costs | Remuneration Band | Number of Employees     |                                    |                                    |  |  |
|---------------------------------|-------------------|-------------------------|------------------------------------|------------------------------------|--|--|
|                                 |                   | Movement<br>in Bandings | 2015-16 inc<br>Redundancy<br>Costs | 2015-16 exc<br>Redundancy<br>Costs | Number of<br>Teachers inc<br>in Figures<br>exc<br>Redundancy | Number of<br>Non-<br>Teachers inc<br>in Figures<br>exc<br>Redundancy |
| 18                              | £60,000-£64,999   | 5                       | 23                                 | 18                                 | 15   | 3  |
| 14                              | £65,000-£69,999   | 5                       | 19                                 | 15                                 | 15   | -  |
| 6                               | £70,000-£74,999   | -1                      | 5                                  | 4                                  | 4  | -  |
| 5                               | £75,000-£79,999   | 2                       | 7                                  | 6                                  | 1  | 5  |
| 3                               | £80,000-£84,999   | 6                       | 9                                  | 3                                  | 1  | 2  |
| 1                               | £85,000-£89,999   | 1                       | 2                                  | 1                                  | 1  | -  |
| 4                               | £90,000-£94,999   | -                       | 4                                  | 2                                  | 2  | -  |
| 4                               | £95,000-£99,999   | -3                      | 1                                  | 1                                  | -  | 1  |
| 4                               | £100,00-£104,999  | 4                       | 8                                  | 6                                  | 2  | 4  |
| -                               | £105,000-£109,999 | -                       | 0                                  | -                                  | -  | -  |
| -                               | £110,000-£114,999 | 1                       | 1                                  | -                                  | -  | -  |
| -                               | £115,000-£119,999 | 2                       | 2                                  | -                                  | -  | -  |
| -                               | £120,000-£124,999 | -                       | -                                  | -                                  | -  | -  |
| 1                               | £125,000-129,999  | -1                      | -                                  | -                                  | -  | -  |
| -                               | £130,000-£134,999 | 1                       | 1                                  | 1                                  | -  | 1  |
| -                               | £160,000-£164,999 | 1                       | 1                                  | -                                  | -  | -  |
| <b>60</b>                       |                   | <b>23</b>               | <b>83</b>                          | <b>57</b>                          | <b>41</b>  | <b>16</b>  |

**Note 1:** There are 57 individuals with remuneration of £60,000 or more, comprising:-

- a) 41 Headteachers and Deputy Headteachers, and
- b) 12 Senior Managers of the Council, including the Senior Officers shown in Disclosure 3 below, and Heads of Service.

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

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

**Notes**

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

Note 2 : Pension Contributions relate to actual payments made

**Disclosure 4: Table on Exit Packages**

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

| Exit Package Cost Band<br>(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 |                  |
|--|-----------------------------------|------------|-----------------------------------|-----------|--|------------|--|------------------|
|  | 15-16                             | 14-15      | 15-16                             | 14-15     | 15-16                                      | 14-15      | 15-16<br>£                               | 14-15<br>£       |
| £0 - £20,000   | 38                                | 73         | 31                                | 45        | 69   | 118        | 604,894                                  | 955,813          |
| £20,001 - £40,000                                      | 11                                | 21         | 41                                | 27        | 52   | 48         | 1,458,778                                | 1,391,579        |
| £40,001 - £60,000                                      | 10                                | 7          | 9                                 | 5         | 19   | 12         | 953,031                                  | 563,059          |
| £60,001 - £80,000                                      | 1                                 | 1          | 2                                 | -         | 3  | 1          | 204,767                                  | 67,383           |
| £80,001 - £100,000                                     | 1                                 | -          | 2                                 | -         | 3  | -          | 266,552                                  | -                |
| £100,001 - £120,000                                    | -                                 | -          | -                                 | 1         | -  | 1          | -  | 112,117          |
| £120,001 - £140,000                                    | -                                 | -          | 1                                 | 1         | 1  | 1          | 139,431                                  | 125,483          |
|  | <b>61</b>                         | <b>102</b> | <b>86</b>                         | <b>79</b> | <b>147</b>                                 | <b>181</b> | <b>3,627,453</b>                         | <b>3,215,434</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.

| 2014-15<br>£'000 |                            | 2015-16<br>£'000 |
|------------------|----------------------------|------------------|
| 515              | Basic Salary (all Members) | 544              |
| 524              | Senior Salary              | 508              |
| 40               | Civic Salary               | 37               |
| <b>1,079</b>     | <b>Total</b>               | <b>1,089</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 2015-16 Bridgend County Borough Council incurred the following fees relating to external audit and inspection:

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

**Capita Glamorgan Consultancy Ltd**

Capita Glamorgan Consultancy Ltd is a Joint Venture between Capita Symonds and Bridgend, 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 2015-16 the Council was charged £867,435 (2014-15: £817,204) in respect of goods, services and capital works.

**Joint Operations**

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

**Glamorgan Archives Joint Committee**

The Glamorgan Record Office is managed and administered by the Glamorgan Archives Joint



Committee under powers conferred by the Local Government (Wales) Act 1994. During 2015-16, the Council contributed to the Joint Committee an amount of £95,436 (£95,437 in 2014-15). This was calculated proportionately based upon population. Financial statements for this Joint Committee are available on the Cardiff CC website ([www.cardiff.gov.uk](http://www.cardiff.gov.uk))

**Coychurch Crematorium**

Coychurch Crematorium is subject to the control of a Joint Committee of Members from Bridgend CBC, Rhondda Cynon Taf CBC and the Vale of Glamorgan CBC. The Crematorium is self-financing through income and no partner contributions are made. The Annual Report 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. Bridgend Council's contribution to Margam Crematorium for 2015/16 was £1,312 (2014-15 – refund of £14,416). The Annual Report for this Joint Committee are available on the Neath Port Talbot CBC website ([www.npt.gov.uk](http://www.npt.gov.uk))

**County Borough Supplies**

County Borough Supplies ceased trading on 31 March 2016. Until this time it was administered by the Council and supplies goods such as stationery. It was a Joint Committee with Members from Bridgend CBC, Rhondda Cynon Taf CBC, Merthyr Tydfil CBC and Caerphilly CBC. The service is financed through income from sales and no additional partner contributions are made. Any final surplus/deficit will be shared between the partner authorities once confirmed. Closing financial statements for this Joint Committee are available on the Bridgend CBC website ([www.bridgend.gov.uk](http://www.bridgend.gov.uk)).

**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's contribution to the joint arrangement for the year was £692,350 (2014-15 - £630,119).

**Integrated Family Support Service (IFSS)**

This is a joint arrangement between Bridgend CBC (lead authority), Neath Port Talbot CBC and City and County of Swansea Council. During 2015-16 the contribution to the joint service by Bridgend CBC was £278,973. Prior to 1 April 2015 the service was fully grant funded by the Welsh Government and so Bridgend's net contribution in 2014-15 was £nil.

**Joint Adoption Service**

The joint service is between Bridgend CBC, Neath Port Talbot CBC and City and County of Swansea and was established from 1 April 2015. Bridgend's contribution to the service in 2015-16 was £593,512 (2014-15 - £Nil)

**Shared Regulatory Service**

This is a joint arrangement between Bridgend CBC, Cardiff City Council and the Vale of Glamorgan CBC for the provision of a joint regulatory service. This was established in 2015-16 and Bridgend's contribution to the joint service was £1,761,998 (2014-15 - £Nil)

**Joint Vehicle Maintenance Service**

Bridgend CBC and South Wales Police<sub>79</sub> moved to joint premises during the year for the

delivery of their vehicle maintenance services. The contribution from Bridgend CBC to South Wales Police for the joint facility was £110,773 (2014-15 – £Nil)

**Western Bay Youth Justice and Early Intervention Service**

This is a joint arrangement between Bridgend CBC (who is the lead), 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 £366,621 (2014-15 - £311,921)

**Civil Parking Enforcement**

Bridgend provides Civil Parking Enforcement for both Bridgend CBC and Vale of Glamorgan CBC. The cost of providing Vale of Glamorgan CBC are fully recharged to them, the total cost being £174,280 (2014-15 - £167,135).

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

The Council is also in joint arrangements under Section 33 NHS (Wales) Act 2006 arrangements involving pooled funds. Further details of these are provided in note 13 to the accounts.

**19. School Accounting**

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

| <b>School Types</b> | <b>Nos in Category</b> | <b>2015-16 Budget<br/>£'000</b> | <b>2015-16 Spend<br/>£'000</b> | <b>2015-16 Closing Balances<br/>£'000</b> |
|---------------------|------------------------|---------------------------------|--------------------------------|---|
| Primary Schools     | 50                     | 44,610                          | 43,077                         | 1,533                                     |
| Secondary Schools   | 9                      | 41,861                          | 41,699                         | 162                                       |
| Special Schools     | 2                      | 7,482                           | 7,022                          | 460                                       |
| <b>Total</b>        | <b>61</b>              | <b>93,953</b>                   | <b>91,798</b>                  | <b>2,155</b>                              |

**20. Related Party Transactions**

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

**Welsh Government**

Welsh Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills). Grants received from government departments are set out in Notes 7 and 8 above.

**Members**

Members of the Council have direct control over the council's financial and operating policies. Members' external interests are maintained in a register, which is available for inspection on the Council's website. The total of members' allowances paid in 2015-16 is shown in Note 16. Grants were made to organisations whose senior management included Members including Groundwork Bridgend and Neath Port Talbot £Nil in 2015-16 (£43,748 in 2014-15), Bridgend County Borough Citizens Advice Bureau £190,339 (£210,624 in 2014-15) and Bridgend Association of Voluntary Organisations £244,375 in 2015-16 (£139,795 in 2014-15). In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants.

**Chief Officers**

During 2015-16 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 2015/16 the Council was charged £867,435 (2014/15: £817,204) in respect of goods, services and capital works.

**Joint Committees****Glamorgan Archives Joint Committee**

The Glamorgan Record Office is managed and administered by the Glamorgan Archives Joint Committee under powers conferred by the Local Government (Wales) Act 1994. During 2015-16, the Council contributed to the Joint Committee an amount of £95,436 (£95,437 in 2014-15). This was calculated proportionately based upon population. Financial statements for this Joint Committee are available on the Cardiff CC website ([www.cardiff.gov.uk](http://www.cardiff.gov.uk))

**Coychurch Crematorium**

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**Margam Crematorium**

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**County Borough Supplies**

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

**Other Public Bodies**

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

**21. Amounts Reported for Resource Allocation Decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to Directorates.

The income and expenditure of the Council's principal Directorates recorded in the budget reports for the comparative year (2014-15) is as follows:

## Statement of Accounts

2015-16

| Directorate Income and Expenditure 2014-15<br>Restated | Education &<br>Transformation<br>£'000 | Wellbeing &<br>Social<br>Services<br>£'000 | Communities<br>£'000 | Other<br>Services<br>£'000 | Total<br>£'000   |
|--|--|--|----------------------|----------------------------|------------------|
| Fees, charges & other service income                   | (18,645)                               | (14,901)                                   | (14,992)             | (18,353)                   | (66,891)         |
| Government grants                                      | (22,968)                               | (2,554)                                    | (14,815)             | (50,781)                   | (91,118)         |
| <b>Total Income</b>                                    | <b>(41,613)</b>                        | <b>(17,455)</b>                            | <b>(29,807)</b>      | <b>(69,134)</b>            | <b>(158,009)</b> |
| Employee expenses                                      | 111,040                                | 25,826                                     | 18,237               | 21,191                     | 176,294          |
| Other operating expenses                               | 55,569                                 | 34,888                                     | 37,952               | 68,474                     | 196,883          |
| <b>Total operating expenses</b>                        | <b>166,609</b>                         | <b>60,714</b>                              | <b>56,189</b>        | <b>89,665</b>              | <b>373,177</b>   |
| <b>Net Cost of Services</b>                            | <b>124,996</b>                         | <b>43,259</b>                              | <b>26,382</b>        | <b>20,531</b>              | <b>215,168</b>   |

| Directorate Income and Expenditure 2015-16 | Education &<br>Transformation<br>£'000 | Wellbeing &<br>Social<br>Services<br>£'000 | Communities<br>£'000 | Other<br>Services<br>£'000 | Total<br>£'000   |
|--|--|--|----------------------|----------------------------|------------------|
| Fees, charges & other service income       | (16,271)                               | (16,145)                                   | (14,587)             | (16,692)                   | (63,695)         |
| Government grants                          | (22,470)                               | (3,309)                                    | (14,953)             | (51,773)                   | (92,505)         |
| <b>Total Income</b>                        | <b>(38,741)</b>                        | <b>(19,454)</b>                            | <b>(29,540)</b>      | <b>(68,465)</b>            | <b>(156,200)</b> |
| Employee expenses                          | 103,694                                | 32,315                                     | 15,583               | 18,588                     | 170,180          |
| Other operating expenses                   | 40,429                                 | 47,362                                     | 37,709               | 68,805                     | 194,305          |
| <b>Total operating expenses</b>            | <b>144,123</b>                         | <b>79,677</b>                              | <b>53,292</b>        | <b>87,393</b>              | <b>364,485</b>   |
| <b>Net Cost of Services</b>                | <b>105,382</b>                         | <b>60,223</b>                              | <b>23,752</b>        | <b>18,928</b>              | <b>208,285</b>   |

**Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement**

The below reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement for the comparative year :-

|  | <b>2015-16<br/>£'000</b> | <b>2014-15<br/>£'000</b> |
|--|--------------------------|--------------------------|
| <b>Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement</b>      |                          |                          |
| Cost of Services in Service Analysis   | <b>208,285</b>           | <b>215,168</b>           |
| Add services not included in main analysis   | 21,368                   | 18,931                   |
| Add amounts not reported to management   | 22,049                   | 86,017                   |
| Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement | (1,423)                  | (1,558)                  |
| <b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>                        | <b>250,279</b>           | <b>318,558</b>           |

## Statement of Accounts

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### Reconciliation to Subjective Analysis

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

| Reconciliation to Subjective Analysis<br>2015-16       | Directorate<br>Analysis<br>£'000 | Services not<br>in Analysis<br>£'000 | Not reported<br>to mgmt<br>£'000 | Not included<br>in I&E<br>£'000 | Net Cost of<br>Services<br>£'000 | Corporate<br>Amounts<br>£'000 | Total<br>£'000   |
|--|----------------------------------|--------------------------------------|----------------------------------|---------------------------------|----------------------------------|-------------------------------|------------------|
| Fees, charges & other service income                   | (63,695)                         | -                                    | -                                | -                               | (63,695)                         | -                             | (63,695)         |
| Surplus or deficit on associates and joint ventures    | -                                | -                                    | -                                | -                               | -                                | -                             | -                |
| Interest and investment income                         | -                                | -                                    | -                                | -                               | -                                | (903)                         | (903)            |
| Income from council tax                                | -                                | -                                    | -                                | -                               | -                                | (77,487)                      | (77,487)         |
| Government grants and contributions                    | (92,505)                         | (198)                                | -                                | -                               | (92,703)                         | (203,298)                     | (296,001)        |
| <b>Total Income</b>                                    | <b>(156,200)</b>                 | <b>(198)</b>                         | <b>-</b>                         | <b>-</b>                        | <b>(156,398)</b>                 | <b>(281,688)</b>              | <b>(438,086)</b> |
| Employee expenses                                      | 170,180                          | 1,834                                | (3,726)                          | -                               | 168,288                          | 8,450                         | 176,738          |
| Other service expenses                                 | 194,305                          | 19,732                               | (1,262)                          | (1,423)                         | 211,352                          | -                             | 211,352          |
| Support Service recharges                              | -                                | -                                    | -                                | -                               | -                                | -                             | -                |
| Depreciation, amortisation and impairment              | -                                | -                                    | 27,037                           | -                               | 27,037                           | -                             | 27,037           |
| Interest Payments                                      | -                                | -                                    | -                                | -                               | -                                | 6,049                         | 6,049            |
| Precepts & Levies                                      | -                                | -                                    | -                                | -                               | -                                | 18,766                        | 18,766           |
| Gain or Loss on Disposal of Non Current Assets         | -                                | -                                    | -                                | -                               | -                                | 1,100                         | 1,100            |
| <b>Total Expenditure</b>                               | <b>364,485</b>                   | <b>21,566</b>                        | <b>22,049</b>                    | <b>(1,423)</b>                  | <b>406,677</b>                   | <b>34,365</b>                 | <b>441,042</b>   |
|  |                                  |                                      |                                  |                                 |                                  |                               |                  |
| <b>Surplus or deficit on the provision of services</b> | <b>208,285</b>                   | <b>21,368</b>                        | <b>22,049</b>                    | <b>(1,423)</b>                  | <b>250,279</b>                   | <b>(247,323)</b>              | <b>2,956</b>     |

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| Reconciliation to Subjective Analysis<br>2014-15 restated | Directorate<br>Analysis<br>£'000 | Services not<br>in Analysis<br>£'000 | Not reported<br>to mgmt<br>£'000 | Not included<br>in I & E<br>£'000 | Net Cost of<br>Services<br>£'000 | Corporate<br>Amounts<br>£'000 | Total<br>£'000   |
|---|----------------------------------|--------------------------------------|----------------------------------|-----------------------------------|----------------------------------|-------------------------------|------------------|
| Fees, charges & other service income                      | (66,891)                         | -                                    | -                                | -                                 | (66,891)                         | -                             | (66,891)         |
| Surplus or deficit on associates and joint ventures       | -                                | -                                    | -                                | -                                 | -                                | -                             | -                |
| Interest and investment income                            | -                                | -                                    | -                                | -                                 | -                                | (853)                         | (853)            |
| Income from council tax                                   | -                                | -                                    | -                                | -                                 | -                                | (73,164)                      | (73,164)         |
| Government grants and contributions                       | (91,118)                         | -                                    | -                                | -                                 | (91,118)                         | (208,974)                     | (300,092)        |
| <b>Total Income</b>                                       | <b>(158,009)</b>                 | <b>-</b>                             | <b>-</b>                         | <b>-</b>                          | <b>(158,009)</b>                 | <b>(282,991)</b>              | <b>(441,000)</b> |
| Employee expenses   | 176,294                          | 2,738                                | (678)                            | -                                 | 178,354                          | 10,090                        | 188,444          |
| Other service expenses                                    | 196,883                          | 16,193                               | (1,803)                          | (1,558)                           | 209,715                          | -                             | 209,715          |
| Support Service recharges                                 | -                                | -                                    | -                                | -                                 | -                                | -                             | -                |
| Depreciation, amortisation and impairment                 | -                                | -                                    | 88,498                           | -                                 | 88,498                           | -                             | 88,498           |
| Interest Payments   | -                                | -                                    | -                                | -                                 | -                                | 6,215                         | 6,215            |
| Precepts & Levies   | -                                | -                                    | -                                | -                                 | -                                | 18,092                        | 18,092           |
| Gain or Loss on Disposal of Non Current Assets            | -                                | -                                    | -                                | -                                 | -                                | 72                            | 72               |
| <b>Total Expenditure</b>                                  | <b>373,177</b>                   | <b>18,931</b>                        | <b>86,017</b>                    | <b>(1,558)</b>                    | <b>476,567</b>                   | <b>34,469</b>                 | <b>511,036</b>   |
| <b>Surplus or deficit on the provision of services</b>    | <b>215,168</b>                   | <b>18,931</b>                        | <b>86,017</b>                    | <b>(1,558)</b>                    | <b>318,558</b>                   | <b>(248,522)</b>              | <b>70,036</b>    |



## Notes to the Balance Sheet

## 22. Tangible Fixed Assets

a) Capital commitments

As at 31 March 2016 commitments of approximately £3.651 million existed on capital works contracts started before that date, details of which are shown in the table below.

| 2014-15<br>£'000 |                                   | 2015-16<br>£'000 |
|------------------|-----------------------------------|------------------|
| 894              | Ogmore Comprehensive              | 65               |
| 5,049            | Coety Primary School              | 200              |
| 107              | Bridgent Town Centre Regeneration | 36               |
|                  | - Vibrant and Viable Places       | 3,350            |
| 840              | Coychurch Crematoria Cremators    |                  |
| 1,209            | Celtic Court Refurbishment        |                  |
| 2,744            | Community Care Information System |                  |
| 730              | Maximising Space                  |                  |
| 35               | Lewistown Flying Start Provision  |                  |
| <b>11,608</b>    | <b>Total</b>                      | <b>3,651</b>     |

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

The Council recognises its only Voluntary-controlled School on its Balance Sheet. This is Pen-y-Fai Church in Wales Primary School. The four voluntary-aided primary schools and one voluntary-aided comprehensive school are not assets of the Council and therefore not included in the Balance Sheet.

## Statement of Accounts

2015-16

| c) Summary of Property, Plant & Equipment (PPE)   | Other Land and Buildings<br>£'000 | Vehicle, Plant and Equipment<br>£'000 | Infra-Structure<br>£'000 | Comm-unity Assets<br>£'000 | Surplus Assets<br>£'000 | Assets Under Construction<br>£'000 | Total PPE Assets<br>£'000 | PFI Assets Included In PPE<br>£'000 | Finance Leases In PPE<br>£'000 |
|---|-----------------------------------|---------------------------------------|--------------------------|----------------------------|-------------------------|------------------------------------|---------------------------|-------------------------------------|--------------------------------|
| <b>Cost or Valuation</b>  |                                   |                                       |                          |                            |                         |                                    |                           |                                     |                                |
| At 1 April 2015   | 364,373                           | 10,500                                | 201,351                  | 4,845                      | 9,906                   | 16,456                             | <b>607,431</b>            | 23,948                              | 1,876                          |
| Additions   | 4,362                             | 3,945                                 | 4,595                    | 142                        |                         | 8,597                              | <b>21,641</b>             | -                                   | 124                            |
| Accumulated Depreciation and Impairment written out to GCA  | (11,618)                          |                                       |                          |                            | (24)                    |                                    | <b>(11,642)</b>           | (1,404)                             |                                |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                                   | 15,285                            |                                       |                          |                            | 651                     | 46                                 | <b>15,982</b>             | 1,598                               |                                |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services          | (3,188)                           |                                       |                          |                            | 1,000                   | 2                                  | <b>(2,186)</b>            | -                                   |                                |
| Derecognition - Disposals   | (3,609)                           | (40)                                  |                          |                            | (539)                   |                                    | <b>(4,188)</b>            |                                     |                                |
| Assets reclassified (to)/from Held for Sale   | (457)                             |                                       |                          |                            |                         | (61)                               | <b>(518)</b>              | -                                   | -                              |
| Other Movements in Cost or Valuation  | 21,620                            | (1,181)                               |                          | (142)                      | (2,738)                 | (18,740)                           | <b>(1,181)</b>            | -                                   | (2,000)                        |
| <b>At 31 March 2016</b>   | <b>386,768</b>                    | <b>13,224</b>                         | <b>205,946</b>           | <b>4,845</b>               | <b>8,256</b>            | <b>6,300</b>                       | <b>625,339</b>            | <b>24,142</b>                       | <b>-</b>                       |
| <b>Accumulated Depreciation and Impairments</b>   |                                   |                                       |                          |                            |                         |                                    |                           |                                     |                                |
| At 1 April 2015   | (10,043)                          | (2,573)                               | (117,978)                | (37)                       | (139)                   | (608)                              | <b>(131,378)</b>          | (601)                               | (1,068)                        |
| Depreciation Charge for the year  | (9,936)                           | (1,674)                               | (10,477)                 |                            | (90)                    | -                                  | <b>(22,177)</b>           | (807)                               | (14)                           |
| Accumulated Depreciation and Impairment written out to the surplus / deficit on the provision of services | 11,618                            |                                       |                          |                            | 23                      |                                    | <b>11,641</b>             | 1,404                               |                                |
| Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services              | (678)                             |                                       | (230)                    |                            |                         |                                    | <b>(908)</b>              |                                     |                                |
| Derecognition - disposals   | 664                               | 40                                    |                          |                            | 206                     |                                    | <b>910</b>                | -                                   | -                              |
| Assets reclassified (to)/from Held for Sale   | 19                                |                                       |                          |                            |                         | 11                                 | <b>30</b>                 |                                     |                                |
| Other Movements   | (597)                             | 1,181                                 |                          |                            |                         | 596                                | <b>1,180</b>              | -                                   | <b>1,082</b>                   |
| <b>At 31 March 2016</b>   | <b>(8,953)</b>                    | <b>(3,026)</b>                        | <b>(128,685)</b>         | <b>(37)</b>                | <b>-</b>                | <b>(1)</b>                         | <b>(140,702)</b>          | <b>(4)</b>                          | <b>-</b>                       |
| <b>Balance Sheet as at 1 April 2015</b>   | <b>354,330</b>                    | <b>7,927</b>                          | <b>83,373</b>            | <b>4,808</b>               | <b>9,767</b>            | <b>15,848</b>                      | <b>476,053</b>            | <b>23,347</b>                       | <b>808</b>                     |
| <b>Balance Sheet as at 31 March 2016</b>  | <b>377,815</b>                    | <b>10,198</b>                         | <b>77,261</b>            | <b>4,808</b>               | <b>8,256</b>            | <b>6,299</b>                       | <b>484,637</b>            | <b>24,138</b>                       | <b>-</b>                       |

## Statement of Accounts

2015-16

| c) Summary of Property, Plant & Equipment (PPE)  | Other Land and Buildings<br>£'000 | Vehicle, Plant and Equipment<br>£'000 | Infra-Structure<br>£'000 | Comm-unity Assets<br>£'000 | Surplus Assets<br>£'000 | Assets Under Construction<br>£'000 | Total PPE Assets<br>£'000 | PFI Assets Included In PPE<br>£'000 | Finance Leases In PPE<br>£'000 |
|--|-----------------------------------|---------------------------------------|--------------------------|----------------------------|-------------------------|------------------------------------|---------------------------|-------------------------------------|--------------------------------|
| <b>Cost or Valuation</b>   |                                   |                                       |                          |                            |                         |                                    |                           |                                     |                                |
| At 1 April 2014  | 449,969                           | 15,110                                | 196,356                  | 4,574                      | 11,266                  | 16,115                             | <b>693,390</b>            | 22,744                              | 2,284                          |
| Additions  | 5,752                             | 4,184                                 | 5,356                    | -                          | -                       | 7,537                              | <b>22,829</b>             | -                                   | 108                            |
| Accumulated Depreciation and Impairment written out to GCA                                       | (57,585)                          | (8,765)                               | -                        | -                          | (736)                   | -                                  | <b>(67,086)</b>           | (1,366)                             | (126)                          |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          | 25,244                            | -                                     | -                        | -                          | 818                     | -                                  | <b>26,062</b>             | 7,016                               | (57)                           |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (59,287)                          | -                                     | -                        | (196)                      | (233)                   | -                                  | <b>(59,716)</b>           | (4,446)                             | (333)                          |
| Derecognition - Disposals  | (1,469)                           | (29)                                  | -                        | -                          | (55)                    | -                                  | <b>(1,553)</b>            | -                                   | -                              |
| Assets reclassified (to)/from Held for Sale  | (4,235)                           | -                                     | -                        | -                          | (2,260)                 | -                                  | <b>(6,495)</b>            | -                                   | -                              |
| Other Movements in Cost or Valuation   | 5,984                             | -                                     | (361)                    | 467                        | 1,106                   | (7,196)                            | -                         | -                                   | -                              |
| <b>At 31 March 2015</b>  | <b>364,373</b>                    | <b>10,500</b>                         | <b>201,351</b>           | <b>4,845</b>               | <b>9,906</b>            | <b>16,456</b>                      | <b>607,431</b>            | <b>23,948</b>                       | <b>1,876</b>                   |
| <b>Accumulated Depreciation and Impairments</b>  |                                   |                                       |                          |                            |                         |                                    |                           |                                     |                                |
| At 1 April 2014  | (51,867)                          | (9,908)                               | (107,697)                | (37)                       | (597)                   | -                                  | <b>(170,106)</b>          | (1,195)                             | (1,143)                        |
| Depreciation Charge for the year   | (14,754)                          | (1,382)                               | (10,211)                 | -                          | (268)                   | -                                  | <b>(26,615)</b>           | (772)                               | (51)                           |
| Accumulated Depreciation and Impairment written out to the surplus / deficit on the              | 57,585                            | 8,765                                 | -                        | -                          | 736                     | -                                  | <b>67,086</b>             | 1,366                               | 69                             |
| Impairment Losses/(Reversals) recognised in the Revaluation Reserve                              | (702)                             | -                                     | -                        | -                          | -                       | -                                  | <b>(702)</b>              | -                                   | 57                             |
| Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services     | (1,175)                           | (48)                                  | (170)                    | -                          | -                       | -                                  | <b>(1,393)</b>            | -                                   | -                              |
| Derecognition - disposals  | 351                               | -                                     | -                        | -                          | -                       | -                                  | <b>351</b>                | -                                   | -                              |
| Assets reclassified (to)/from Held for Sale  | 1                                 | -                                     | -                        | -                          | -                       | -                                  | <b>1</b>                  | -                                   | -                              |
| Other Movements  | 518                               | -                                     | 100                      | -                          | (10)                    | (608)                              | -                         | -                                   | -                              |
| <b>At 31 March 2015</b>  | <b>(10,043)</b>                   | <b>(2,573)</b>                        | <b>(117,978)</b>         | <b>(37)</b>                | <b>(139)</b>            | <b>(608)</b>                       | <b>(131,378)</b>          | <b>(601)</b>                        | <b>(1,068)</b>                 |
| <b>Balance Sheet as at 1 April 2014</b>  | <b>398,102</b>                    | <b>5,202</b>                          | <b>88,659</b>            | <b>4,537</b>               | <b>10,669</b>           | <b>16,115</b>                      | <b>523,284</b>            | <b>21,549</b>                       | <b>1,141</b>                   |
| <b>Balance Sheet as at 31 March 2015</b>   | <b>354,330</b>                    | <b>7,927</b>                          | <b>83,373</b>            | <b>4,808</b>               | <b>9,767</b>            | <b>15,848</b>                      | <b>476,053</b>            | <b>23,347</b>                       | <b>808</b>                     |

c) Non-current Assets valuation

Non-current Assets are included in the Balance Sheet on the valuation basis set out in the Statement of Accounting Policies. The freehold and leasehold properties of Bridgend County Borough Council schools estate were valued as at 31 December 2015 with a review to 31 March 2016, which confirmed no significant changes in value during that period, with all other fixed assets being fully revalued as at 1 April 2014 but amended via a desk top exercise at 31 March 2015. These valuations were by Council Surveyors in accordance with the Statements of Asset Valuation, Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

d) Sources of finance for Capital Expenditure

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

e) Revenue Expenditure Funded from Capital under Statute

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

| 2014-15<br>£'000 |   | 2015-16<br>£'000 |
|------------------|---|------------------|
| 5,113            | Revenue Expenditure Funded from Capital under Statute | 4,658            |
| <b>5,113</b>     | <b>Total</b>  | <b>4,658</b>     |

f) Capital financing requirement and the financing of capital expenditure

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

g) Capital Grants Received in Advance

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

| 2014-15<br>£'000 |   | 2015-16<br>£'000 |
|------------------|---|------------------|
| 2,558            | Developers' Contributions - capital element | 1,844            |
| <b>2,558</b>     | <b>Total</b>                                | <b>1,844</b>     |

**23. Investment Properties**

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

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

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

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

**24. Heritage Assets**

| 2014-15<br>£'000 |                               | 2015-16<br>£'000 |
|------------------|-------------------------------|------------------|
| 73               | Civic Regalia                 | 73               |
| <b>73</b>        | <b>Balance as at 31 March</b> | <b>73</b>        |

**25. Long term debtors**

The Long Term Debtors figure is detailed below. It consists of the value of long term loans made by the Council to former tenants and private households for mortgages and a Finance Lease for vehicles linked to the waste contract.

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

**26. Short Term Debtors**

This represents the monies owed to the Council after making provision for debts that might not be recovered. The main debtors are listed below:

| 2014-15<br>£'000 | Short-term Debtors             | 2015-16<br>£'000 |
|------------------|--------------------------------|------------------|
| 12,818           | Central Government Bodies      | 12,177           |
| 4,774            | Other Local Authorities        | 4,468            |
| 1,277            | NHS Bodies                     | 809              |
| 10,403           | Other Entities and Individuals | 9,892            |
| <b>29,272</b>    | <b>Balance as at 31 March</b>  | <b>27,346</b>    |

The Council collects NNDR payments on behalf of Welsh Government. As at the 31 March 2016, the Council had paid over more cash than it collected, this excess was included in the Balance Sheet as a debtor of £0.882 million. The equivalent for 2014-15 was a debtor of £0.199 million which represented monies not yet paid over by Welsh Government.

#### 27. Assets Held for Sale

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

#### 28. Short Term Creditors

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

| 2014-15<br>£'000 | Short Term Creditors           | 2015-16<br>£'000 |
|------------------|--------------------------------|------------------|
| (2,594)          | Central Government Bodies      | (5,832)          |
| (6,228)          | Other Local Authorities        | (4,998)          |
| (39)             | NHS Bodies                     | (338)            |
| (34,597)         | Other Entities and Individuals | (21,604)         |
| <b>(43,458)</b>  | <b>Balance as at 31 March</b>  | <b>(32,772)</b>  |

## 29. Provisions

The Council has two provisions as detailed below:

| 2014-15<br>£'000 |                               | Expenditure<br>£'000 | Increase<br>£'000 | 2015-16<br>£'000 | < 1yr<br>£'000 | < 1yr<br>£'000 |
|------------------|-------------------------------|----------------------|-------------------|------------------|----------------|----------------|
| 2,098            | Insurance (BCBC)              |                      | 1,047             | 3,145            | 783            | 2,362          |
| 326              | Carbon Reduction Commitment   | (304)                | 313               | 335              | 335            | -              |
| <b>2,424</b>     | <b>Balance as at 31 March</b> | <b>(304)</b>         | <b>1,360</b>      | <b>3,480</b>     | <b>1,118</b>   | <b>2,362</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 2015-16 for Employer's Liability, Public Liability and Property. However the actual cost of individual claims and the timing of payments is uncertain. The Council also has an earmarked reserve for Insurance which acts as an additional buffer amount to the fund, over and above the total outstanding liability, to allow for unexpected events, worse than anticipated deterioration in the current reserves and higher than anticipated future losses both in frequency and cost.

Municipal Mutual Insurance (MMI) Limited

Prior to local government reorganisation the former Ogwr Borough Council and Mid Glamorgan County Council's insurance cover was provided by Municipal Mutual Insurance Limited. When this company hit severe financial difficulties both became a creditor under the Scheme of Arrangement, accepting liability to return to MMI some proportion of historical claim payments received from MMI if the Scheme were to trigger. The Board of Directors of MMI 'triggered' MMI's Scheme of Arrangement on 13 November 2012.

Carbon Reduction Commitment Energy Efficiency Scheme

This provision represents the obligation to purchase Carbon Reduction Commitment (CRC) Allowances in relation to carbon dioxide emissions incurred during 2015-16. The payment will be made with the retrospective purchase of allowances in the summer 2016.

## 30. PFI and Other Long Term Liabilities

| 2014-15<br>£'000 |   | Additions in<br>Year<br>£'000 | Reduction in<br>year<br>£'000 | Moved to<br>Short<br>Term<br>Creditors<br>£'000 | 2015-16<br>£'000 |
|------------------|---|-------------------------------|-------------------------------|---|------------------|
| 18,787           | Maesteg School PFI Lease Liability        | -                             |                               | (552)   | 18,235           |
| 719              | Innovation Centre Financial Liability     |                               |                               | (55)  | 664              |
| 450              | Waste Contract                            |                               |                               | (50)  | 400              |
| 47               | Escrow (Football Club)                    | 13                            |                               |   | 60               |
| -                | Welsh Government Loan - Llynfi Valley     | 2,400                         |                               |   | 2,400            |
| 844              | Healthy Living Contract Capital Liability |                               | (844)                         |   | -                |
| <b>20,847</b>    | <b>Balance as at 31 March</b>             | <b>2,413</b>                  | <b>(844)</b>                  | <b>(657)</b>                                    | <b>21,759</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 2015-16, the amount written down was £513,000 and £552,000 has been transferred to Short Term Creditors leaving an outstanding long term liability of £18.235 million at year end.

The Innovation Centre Financial Liability of £0.917 million was recognised in 2009-10 as a loan in substance. This is being written down over the remaining fourteen years of the loan. The amount written down in 2015-16 was £51,000 and £55,000 was transferred to Short Term Creditors resulting in a long term financial liability of £0.664 million at 31 March 2016.

A new addition was recognised during 2012-13 to reflect the capital work being undertaken by Halo Leisure Services Ltd at the Bridgend Recreation Centre as part of the Healthy Living Partnership Contract which commenced on 1 April 2012. The liability was repaid during the year and as such no liability remains as at 31 March 2016.

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

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

**31. Usable Reserves**

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

**a) Useable capital receipts reserve**

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

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

**b) Revenue reserves**

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

**Statement of Accounts**
**2015-16**

| Opening Bal<br>2014-15<br>£'000 | Move-<br>ment<br>2014-15<br>£'000 | Closing<br>Bal<br>2014-15<br>£'000 | Reserve                                     | Expenditure<br>2015-16 | Additions<br>2015-16 | Closing<br>Bal<br>2015-16<br>£'000 |
|---------------------------------|-----------------------------------|------------------------------------|---|------------------------|----------------------|------------------------------------|
| 7,395                           | 55                                | 7,450                              | <b>Council Fund Balance</b>                 |                        | 154                  | 7,604                              |
| 2,467                           | (57)                              | 2,410                              | <b>Delegated Schools Balance</b>            | (256)                  |                      | 2,154                              |
| 3,051                           | 356                               | 3,407                              | <b>Maesteg School PFI Equalisation Fund</b> |                        | 299                  | 3,706                              |
|                                 |                                   |                                    | <b>Earmarked Balances :-</b>                |                        |                      |                                    |
| 348                             | 354                               | 702                                | Asset Management Plan                       | (430)                  | 1,219                | 1,491                              |
| -                               | 10                                | 10                                 | Building Control Reserve                    | -                      | 2                    | 12                                 |
| 987                             | (687)                             | 300                                | Building Maintenance Reserve                | (30)                   | 86                   | 356                                |
| 300                             | 327                               | 627                                | Capital feasibility fund                    | (208)                  | 212                  | 631                                |
| 5,513                           | 921                               | 6,434                              | Capital Programme Contribution              | (2,538)                | 1,937                | 5,833                              |
| 555                             | -                                 | 555                                | Car Parking Strategy                        | (84)                   | 152                  | 623                                |
| 2,069                           | 329                               | 2,398                              | Change Management                           | (448)                  |                      | 1,950                              |
| -                               | -                                 | -                                  | Community Safety Reserve                    | -                      | 31                   | 31                                 |
| 196                             | (165)                             | 31                                 | Connecting Families                         | (31)                   | -                    | -                                  |
| -                               | -                                 | -                                  | Donations Reserves Account                  | -                      | 48                   | 48                                 |
| -                               | 115                               | 115                                | DDA Emergency Works                         | (12)                   | -                    | 103                                |
| 330                             | 1,160                             | 1,490                              | Directorate Issues                          | (1,316)                | 1,193                | 1,367                              |
| -                               | -                                 | -                                  | Digital Transformation                      | -                      | 2,500                | 2,500                              |
| -                               | -                                 | -                                  | School Projects Reserve                     | -                      | 285                  | 285                                |
| 201                             | -                                 | 201                                | Election costs                              | -                      | -                    | 201                                |
| -                               | -                                 | -                                  | Highways Reserve                            | -                      | 692                  | 692                                |
| 1,257                           | (396)                             | 861                                | ICT & Finance Systems                       | (146)                  | -                    | 715                                |
| 1,691                           | 1,486                             | 3,177                              | Insurance reserve                           | (1,166)                | 24                   | 2,035                              |
| 411                             | (150)                             | 261                                | Invest to save / Joint projects             | (261)                  | -                    | -                                  |
| -                               | -                                 | -                                  | Partnership Reserves                        | -                      | 66                   | 66                                 |
| 824                             | -                                 | 824                                | Looked After Children                       | -                      | -                    | 824                                |
| 11,046                          | (515)                             | 10,531                             | Major Claims Reserve                        | (3,162)                | 3,505                | 10,874                             |
| 300                             | (175)                             | 125                                | Porthcawl Regeneration                      | (49)                   | -                    | 76                                 |
| -                               | -                                 | -                                  | Property Disposal Strategy                  | -                      | 234                  | 234                                |
| 1,200                           | (1,200)                           | -                                  | Service Pressures Contingency               | -                      | -                    | -                                  |
| 3,052                           | 1,697                             | 4,749                              | Service Reconfiguration / Severence Costs   | (206)                  | 1,082                | 5,625                              |
| -                               | -                                 | -                                  | SRF Earmarked Reserve                       | -                      | 313                  | 313                                |
| 1,044                           | -                                 | 1,044                              | Treasury Management Reserve                 | (1,044)                | -                    | -                                  |
| 50                              | 42                                | 92                                 | Unitary Development Plan                    | -                      | 49                   | 141                                |
| -                               | 210                               | 210                                | Waste Management Contract                   | (118)                  | -                    | 92                                 |
| -                               | -                                 | -                                  | Webcasting Reserve                          | -                      | 26                   | 26                                 |
| 300                             | -                                 | 300                                | Welfare Reform Bill                         | -                      | 200                  | 500                                |
| 707                             | (107)                             | 600                                | Wellbeing Projects                          | (67)                   | 876                  | 1,409                              |
| <b>32,381</b>                   | <b>3,256</b>                      | <b>35,637</b>                      | <b>Balance as at 31 March</b>               | <b>(11,316)</b>        | <b>14,732</b>        | <b>39,053</b>                      |
| <b>45,294</b>                   | <b>3,610</b>                      | <b>48,904</b>                      |   | <b>(11,572)</b>        | <b>15,185</b>        | <b>52,517</b>                      |

The transfer to Earmarked Balances excluding the Council Fund Balance was £3.459 million in 2015-16 (transfer to Balances of £3.555 million in 2014-15). This includes money transferred into the Comprehensive Income and Expenditure Statement to match expenditure within the year and

amounts set aside from revenue reserves in 2015-16 to be utilised in future years to finance expenditure.

**i) Delegated School Balances**

These balances represent the cumulative effect of over and under-spending on school delegated budgets not available to the Council.

Analysis of Delegated Schools Balance

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

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

**ii) Maesteg School PFI Equalisation Fund**

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

| 2014-15<br>£'000 |                               | 2015-16<br>£'000 |
|------------------|-------------------------------|------------------|
| 3,407            | Maesteg PFI Equalisation Fund | 3,706            |
| <b>3,407</b>     | <b>Balance as at 31 March</b> | <b>3,706</b>     |

**iii) Other Earmarked Balances**

An overview of the other main earmarked reserves is explained below:-

- Major Claims Earmarked Reserve  
This reserve has been created to mainly cover the deficit on the pension fund, major capital contractual claims and mitigate potential equal pay claims.
- Insurance Reserve  
This reserve is based on the assessment for potential future liabilities.
- Equalisation of Spend Reserves  
These reserves ensure that expenditure that is incurred in a particular future year is smoothed over the period of the MTFs. These include the costs of elections, the Special Regeneration Fund, the preparation of the Unitary Development Plan and the Building Control Earmarked Reserves.
- Other Reserves  
There are a number of other reserves which are either Corporate or Directorate based. These are detailed below:-

**Corporate Reserves**

- **Service Reconfiguration / Severance Costs**  
This reserve has been established to meet potential costs relating to service remodelling and consequential severance costs as well as service reconfiguration such as the Extra Care provision as outlined in the MTFS 2016-17.
- **ICT & Digital Transformation**  
These two reserves will fund the Digital Transformation of the Council supporting channel shift together with the costs of planned system developments from 2016-17 to 2017-18. It includes developments including the roll out of the cashless catering system.
- **Welfare Reform Bill**  
This reserve has been established to fund the potential impact of increases in demand for services resulting from the Welfare Reform Bill.
- **Asset Management Plan**  
This has been established to meet the on-going costs of condition surveys and supports the demolition of asset programme.
- **Building Maintenance Reserve**  
This reserve is for planned maintenance expenditure on the Council's buildings.
- **Change Management**  
This reserve will meet potential costs associated with corporate capacity requirements to facilitate and progress planned developments linked to achieving budget reductions in the Medium Term Financial Strategy and the Bridgend Change Programme.
- **Waste Management Contract**  
This earmarked reserve is to facilitate the procurement of the next waste collection contract with the current contract expiring in 2017.
- **DDA Emergency/Prevention Works**  
This earmarked reserve is to cover the costs of emergency works within schools as well fund a temporary post a 2 year period to ensure Fire Risk Assessments are updated and maintained within schools.
- **Property Disposal Strategy**  
This reserve will cover legal, surveying and marketing costs associated with planned disposals to generate capital receipts for the Council
- **Webcasting Reserve**  
This will be used to continue the programme of broadcasting certain Committee Meetings on the Council's web-site.
- **Capital feasibility fund**  
This fund has been established to fund studies for proposed capital projects.
- **Capital Programme Contribution**  
This earmarked reserve has been set up as a revenue contribution to the capital programme, to enable schemes to be progressed more quickly to alleviate pressure on the revenue budget and accelerate the realisation of capital receipts.

**Directorate Reserves**

- Looked After Children Reserve  
This reserve has been established to provide for the continuing pressures over the Medium Term Financial Strategy on the Looked After Children budget within Children’s Services.
- Wellbeing Projects  
This has been established to allow one off injections of financial resources into service areas to facilitate change/development linked with the Health Service.
- Car Parking Strategy  
This reserve has been established for the up-front costs associated with new initiatives to generate income or reduce costs in relation to car parking.
- 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.
- Porthcawl Regeneration  
This reserve has been established to fund up front revenue costs associated with the proposed regeneration of Porthcawl.
- 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.
- Schools Projects Reserve  
This reserve covers both school’s future projects expenditure and also the associated financing costs of any capital borrowing.
- Highways Reserve  
This reserve will be drawn down to offset future expenditure incurred on the Council’s Highways network.
- Partnership Reserves  
This reserve will be utilised in 2016-17 for partnership working within the Council
- Directorate Issues  
This relates to specific directorate issues anticipated in 2016-17, totalling £1.367 million, allocated to directorates as shown below:-

|  | <b>£’000</b> |
|--|--------------|
| Education and Transformation Directorate | 99           |
| Communities Directorate                  | 445          |
| Legal and Regulatory services            | 229          |
| Resources Directorate                    | 517          |
| Social Services and Wellbeing            | 77           |

**32. Unusable Reserves**

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

**a) Revaluation Reserve (RR)**

This reserve stores the accumulated gains on fixed assets held by the Council arising from increases in value as a result of inflation or other factors.

| 2014-15<br>£'000 |  | 2015-16 |                |
|------------------|--|---------|----------------|
|                  |  | £'000   | £'000          |
| 98,804           | <b>Balance at 1 April</b>  |         | 115,916        |
| 74,036           | Upward Revaluation of Assets   | 19,280  |                |
| (48,654)         | Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services             | (3,299) |                |
| <b>25,382</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>15,981</b>  |
| (2,696)          | Difference between fair value depreciation and historical cost depreciation  | (2,464) |                |
| (5,574)          | Accumulated gains on assets sold or scrapped   | (2,142) |                |
| (8,270)          | Amount written off to the Capital Adjustment Account   |         | (4,606)        |
| <b>115,916</b>   | <b>Balance as at 31 March</b>  |         | <b>127,291</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.

| 2014-15<br>£'000 |  | 2015-16<br>£'000 |
|------------------|--|------------------|
| (243,900)        | Balance at 1 April   | (273,010)        |
| (20,090)         | Actuarial gains or losses on pensions assets and liabilities   | 34,330           |
| (26,800)         | Reversal of Items relating to Retirement Benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | (26,600)         |
| 17,780           | Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year  | 20,010           |
| <b>(273,010)</b> | <b>Balance as at 31 March</b>  | <b>(245,270)</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 and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

**Capital Adjustment Account (CAA)**

| 2014-15<br>£'000 |  | 2015-16  |                 |
|------------------|--|----------|-----------------|
|                  |  | £'000    | £'000           |
| 257,644          | <b>Balance at 1 April</b>  |          | 196,059         |
|                  | <b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :</b>                     |          |                 |
| (28,008)         | Charges for depreciation and impairment of non-current assets  | (23,087) |                 |
| (59,716)         | Revaluation losses on Property, Plant and Equipment  | (3,259)  |                 |
| (434)            | Revenue Expenditure funded from Capital Under Statute  | (710)    |                 |
| (12)             | Other amounts including Mortgage Payments  | (5)      |                 |
| (1,440)          | Financial Liability Adjustment to Capital Receipts   |          |                 |
|                  | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (3,998)  |                 |
| (89,610)         |  | (31,059) |                 |
| 2,696            | Adjusting amounts written out to the Revaluation Reserve   | 2,464    |                 |
| <b>(86,914)</b>  | <b>Net written out amount of the cost of non-current assets consumed in the year</b>   |          | <b>(28,595)</b> |
|                  | <b>Capital financing applied in the year:</b>  |          |                 |
| 2,019            | Use of the Capital Receipts Reserve to finance capital expenditure   | 146      |                 |
| 12,817           | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that has been applied to capital financing               | 13,610   |                 |
| 24               | Application of grants to capital financing from the Capital Grants Unapplied Account   |          |                 |
| 8,020            | Statutory provision for the financing of capital investment charged against the Council Fund   | 8,514    |                 |
| 1,803            | Capital expenditure charged against the Council Fund   | 1,262    |                 |
| <b>24,683</b>    |  |          | <b>23,532</b>   |
| 646              | Movement in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement                                     |          | 1,082           |
| <b>196,059</b>   | <b>Balance as at 31 March</b>  |          | <b>192,078</b>  |



## d) Financial Instruments Adjustment Account (FIAA)

This holds the difference between the amounts charged to income and expenditure in accordance with the Code for applying the transaction costs and assessing the fair cost of loan debts and investments and the amounts charged to the Council Fund Balance in accordance with statute. The full remaining balance on the account for Premiums was paid off during 2015-16. Therefore the balance going forward on this account relates to Lender Option Borrowing Option (LOBO) Loans.

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

## e) Short Term Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the Council Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the Council Fund Balance is neutralised by transfers to or from the Account.

| 2014-15<br>£'000 |  | 2015-16 |                |
|------------------|--|---------|----------------|
|                  |  | £'000   | £'000          |
| (3,832)          | <b>Balance at 1 April</b>  |         | (4,224)        |
| 3,832            | Settlement or cancellation of accrual made at the end of the preceding year  | 4,224   |                |
| (4,224)          | Amounts accrued at the end of the current year   | (2,359) |                |
| (392)            | Amounts by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements |         | 1,865          |
| <b>(4,224)</b>   | <b>Balance as at 31 March</b>  |         | <b>(2,359)</b> |

## 33. Trust funds

The Council administers Trust Funds, which are mainly of an educational or recreational nature. A large proportion of the balances are invested in the Council's internal balances. The Trust Funds do not represent assets of the Council and are accounted for separately. The principal categories of funds and balances as at 31 March 2016 are:

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

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

#### 34. Escrow accounts

The Council manages a number of escrow accounts comprising of £57,000 recognised for Bocam Park and £229,000 for Wind Farms at Forch Ness and Pant y Wal which have resulted from planning conditions. Also, there is an escrow linked to the sale of land to Asda previously used by Bridgend Town Football Club. this was initially £1 million, but payments made during previous financial years has meant that the value at 31 March 2016 is £60,000. This will be held to meet the future costs of the restatement of the football pitch from an artificial service to grass.

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

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

#### 35. Developers' Contributions

Section 106 receipts are monies paid to the council by developers where, as a result of granting planning permission, works are required to be carried out or new facilities provided as a result of that permission (e.g. improvement of transport links for a housing or retail development). The sums are restricted to being spent only in accordance with the agreement concluded with the developer. The major balances (i.e. over £100,000) of section 106 receipts held by the Council during the year were as follows:

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

### 36. Pensions liabilities, IAS 19 disclosures

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

This Council participates in the Rhondda Cynon Taf County Borough Council Pension Fund, which is administered under the Regulations governing the Local Government Pension Scheme. This is a defined benefit scheme, meaning that the 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 2015-16 include information provided by the pension administrators, Rhondda Cynon Taff CBC and Aon Hewitt Associates Limited as the pension's actuary.

### Transactions Relating to Post-employment Benefits

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

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

## Pensions Assets and Liabilities Recognised in the Balance Sheet

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

|  | Local Govt Pension Scheme |               | LGPS Unfunded Benefits |             | Teachers' Unfunded Benefits |             | Total         |               |
|--|---------------------------|---------------|------------------------|-------------|-----------------------------|-------------|---------------|---------------|
|  | £m                        | £m            | £m                     | £m          | £m                          | £m          | £m            | £m            |
|  | 2015-16                   | 2014-15       | 2015-16                | 2014-15     | 2015-16                     | 2014-15     | 2015-16       | 2014-15       |
| Present value of defined benefit obligation                  | 689.16                    | 698.52        | 7.63                   | 8.27        | 4.56                        | 5.07        | 701.35        | 711.86        |
| Fair Value of Plan Assets                                    | (456.08)                  | (438.85)      | 0.00                   | 0.00        | 0.00                        | 0.00        | (456.08)      | (438.85)      |
| <b>Net liability arising from defined benefit obligation</b> | <b>233.08</b>             | <b>259.67</b> | <b>7.63</b>            | <b>8.27</b> | <b>4.56</b>                 | <b>5.07</b> | <b>245.27</b> | <b>273.01</b> |

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

|  | Local Govt Pension Scheme |               |
|--|---------------------------|---------------|
|  | £m                        | £m            |
|  | 2015-16                   | 2014-15       |
| Opening fair value of scheme assets  | 438.85                    | 383.45        |
| Interest income on assets  | 14.03                     | 16.48         |
| Remeasurement gain/(loss):   |                           |               |
| The return on plan assets, excluding the amount included in the net interest expense | 1.54                      | 39.72         |
| Contributions by Employer  | 19.09                     | 16.84         |
| Contributions by Participants  | 4.55                      | 4.84          |
| Settlements  | 0.00                      | 0.00          |
| Net Benefits Paid Out  | (21.98)                   | (22.48)       |
| <b>Balance as at 31 March</b>  | <b>456.08</b>             | <b>438.85</b> |

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

|  | Local Govt Pension Scheme |               | LGPS Unfunded Benefits |             | Teachers' Unfunded Benefits |             | Total         |               |
|--|---------------------------|---------------|------------------------|-------------|-----------------------------|-------------|---------------|---------------|
|  | £m                        | £m            | £m                     | £m          | £m                          | £m          | £m            | £m            |
|  | 2015-16                   | 2014-15       | 2015-16                | 2014-15     | 2015-16                     | 2014-15     | 2015-16       | 2014-15       |
| Opening balance at 1 April   | 698.52                    | 614.31        | 8.27                   | 7.94        | 5.07                        | 5.10        | 711.86        | 627.35        |
| Current Service Cost   | 17.56                     | 16.15         | 0.00                   | 0.00        | 0.00                        | 0.00        | 17.56         | 16.15         |
| Interest Cost  | 22.08                     | 26.05         | 0.25                   | 0.32        | 0.15                        | 0.20        | 22.48         | 26.57         |
| Contributions from scheme participants                                   | 4.55                      | 4.84          | 0.00                   | 0.00        | 0.00                        | 0.00        | 4.55          | 4.84          |
| Remeasurement (gains) and losses:  |                           |               |                        |             |                             |             |               |               |
| Actuarial gains / losses arising from changes in financial assumptions   | (26.08)                   | 62.72         | (0.26)                 | 0.59        | (0.15)                      | 0.26        | (26.49)       | 63.57         |
| Actuarial gains / losses arising from changes in demographic assumptions | 0.00                      | 0.00          | 0.00                   | 0.00        | 0.00                        | 0.00        | 0.00          | 0.00          |
| Actuarial gains / losses arising from changes in liability experience    | (6.08)                    | (3.63)        | (0.14)                 | (0.08)      | (0.08)                      | (0.05)      | (6.30)        | (3.76)        |
| Past Service Cost  | 0.59                      | 0.56          | 0.00                   | 0.00        | 0.00                        | 0.00        | 0.59          | 0.56          |
| Benefits Paid  | (21.98)                   | (22.48)       | (0.49)                 | (0.50)      | (0.43)                      | (0.44)      | (22.90)       | (23.42)       |
| Liabilities extinguished on settlements                                  | 0.00                      | 0.00          | 0.00                   | 0.00        | 0.00                        | 0.00        | 0.00          | 0.00          |
| <b>Balance as at 31 March</b>  | <b>689.16</b>             | <b>698.52</b> | <b>7.63</b>            | <b>8.27</b> | <b>4.56</b>                 | <b>5.07</b> | <b>701.35</b> | <b>711.86</b> |

## Local Government Pension Scheme assets comprised:

|   | Fair Value<br>of Scheme<br>Assets<br>2015-16<br>£'m | Asset<br>Split<br>2015-16<br>% | Fair Value<br>of Scheme<br>Assets<br>2014-15<br>£'m | Asset<br>Split<br>2014-15<br>% |
|---|---|--------------------------------|---|--------------------------------|
| <b>Cash and cash equivalents</b>                                    | <b>15.826</b>                                       | <b>3.47</b>                    | <b>18.019</b>                                       | <b>4.11</b>                    |
| <b>Equity Instruments:</b><br><i>by industry type (FTSE Sector)</i> |   |                                |   |                                |
| Oil & Gas   | 8.483   | 1.86                           | 10.874  | 2.48                           |
| Basic Materials   | 6.111   | 1.34                           | 9.207   | 2.10                           |
| Industrials   | 37.034  | 8.12                           | 37.634  | 8.58                           |
| Consumer Goods  | 38.539  | 8.45                           | 34.579  | 7.88                           |
| Health Care   | 25.586  | 5.61                           | 22.623  | 5.15                           |
| Consumer Services   | 49.393  | 10.83                          | 49.407  | 11.26                          |
| Telecommunications  | 2.052   | 0.45                           | 3.392   | 0.77                           |
| Utilities   | 4.834   | 1.06                           | 1.189   | 0.27                           |
| Financials  | 58.013  | 12.72                          | 61.059  | 13.91                          |
| Technology  | 31.059  | 6.81                           | 24.366  | 5.55                           |
| Pooled Equity Investment Vehicles                                   | 54.045  | 11.85                          | 48.244  | 10.99                          |
| <b>Sub-total equity</b>   | <b>315.151</b>                                      | <b>69.10</b>                   | <b>302.574</b>                                      | <b>68.94</b>                   |
| <b>Bonds:</b><br><i>By Sector</i>                                   |   |                                |   |                                |
| Corporate   | 50.351  | 11.04                          | 51.328  | 11.70                          |
| Government  | 44.787  | 9.82                           | 42.334  | 9.65                           |
| <b>Sub-total bonds</b>  | <b>95.138</b>                                       | <b>20.86</b>                   | <b>93.663</b>                                       | <b>21.35</b>                   |
| <b>Property:</b><br><i>By Type</i>                                  |   |                                |   |                                |
| Retail  | 7.525   | 1.65                           | 6.049   | 1.38                           |
| Office  | 3.785   | 0.83                           | 4.045   | 0.92                           |
| Industrial  | 6.932   | 1.52                           | 5.162   | 1.18                           |
| Other Commercial  | 11.721  | 2.57                           | 9.338   | 2.13                           |
| <b>Sub-total property</b>   | <b>29.964</b>                                       | <b>6.57</b>                    | <b>24.595</b>                                       | <b>5.60</b>                    |
| <b>Total assets</b>   | <b>456.080</b>                                      | <b>100.00</b>                  | <b>438.850</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 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:

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

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

|  | Increase in Assumption | Decrease in Assumption | Increase in Assumption | Decrease in Assumption |
|--|------------------------|------------------------|------------------------|------------------------|
|  | <b>2015/16</b>         | <b>2015/16</b>         | 2014/15                | 2014/15                |
|  | £m                     | £m                     | £m                     | £m                     |
| Rate for discounting scheme liabilities (increase or decrease by 0.1%) | (13.17)                | 13.42                  | (13.35)                | 13.61                  |
| Rate of increase in salaries (increase or decrease by 0.1%)            | 2.89                   | (2.86)                 | 3.17                   | (3.14)                 |
| Rate of increase in pensions (increase or decrease by 0.1%)            | 10.51                  | (10.33)                | 10.19                  | (10.03)                |
| Longevity (increase or decrease in 1 year)                             | 17.51                  | (17.55)                | 18.31                  | (18.34)                |

**Impact on the Council's Cash Flows**

The funded nature of the LGPS requires the Employer and its employees to pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets. The Actuary will be carrying out the next Actuarial Valuation as at 31 March 2016. The current Employer's contribution rate to achieve a funding level of 100% of scheme liabilities will be reviewed at this point. Consequently, whilst there is a significant shortfall (liability) between the benefits earned by past and current employees and the resources the 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 2017 are:-

|                           | 2016-17<br>£m |
|---------------------------|---------------|
| Local Govt Pension Scheme | 24.80         |
| LGPS Unfunded             | 0.25          |
| Teachers' Unfunded        | 0.15          |

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

#### Teachers

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

### 37. Financial Instruments Disclosures

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

#### **Financial Liabilities**

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets. Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure Section of the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the 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.

Where premiums and discounts on early repayment have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the Council Fund to be spread over future years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

The Council's non-derivative financial liabilities are carried in the Balance Sheet at amortised



cost split between short and long term. The Short Term Borrowing in the Balance Sheet is detailed below:

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

The short term trade payables (creditors) figure £5.103 million relates to trade payables for goods and services received. 64% of this is not overdue for payment and 36% is due within 6 months. The other short term financial liabilities figure of £1.176 million represents monies held by the Council on behalf of different third parties.

The value of the short term liability relating to Other Long Term Liabilities for 2015-16, is made up as follows:-

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

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

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

There are 3 levels in the fair value hierarchy for calculations, however due to the type of financial liabilities we hold the only level applicable to the Council at 31 March 2016 is level 2 where the fair value is calculated from inputs other than quoted prices that are observable for the asset or liability – this is interest rates or yields for similar instruments. The fair value of the long term financial

instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2016, which provides an estimate of the value of payments in the future in today's terms, using the following methods and assumptions:

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

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

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

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

| Other Long Term Liabilities              | Fair Value Level | 31 March 2016 |               | 31 March 2015 |               |
|--|------------------|---------------|---------------|---------------|---------------|
|  |                  | Balance Sheet | Fair Value    | Balance Sheet | Fair Value    |
|  |                  | £'000         | £'000         | £'000         | £'000         |
| Maesteg PFI Lease Liability              | 2                | 18,235        | 26,499        | 18,787        | 28,419        |
| Innovation Centre Financial Liability    | 2                | 664           | 961           | 719           | 1,073         |
| HALO Financial Liability                 | 2                | -             | -             | 844           | 1,458         |
| Escrow ( Football Club)                  | -                | 60            | 60            | 47            | 47            |
| Waste Contract (MREC)                    | 2                | 400           | 406           | 450           | 454           |
| Llynfi                                   | -                | 2,400         | 2,400         | -             | -             |
| <b>Total Other Long Term Liabilities</b> |                  | <b>21,759</b> | <b>30,326</b> | <b>20,847</b> | <b>31,451</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.

### Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Council during the year are classed as Loans and Receivables, which are assets that have fixed or determinable payments but are not quoted in an active market. They are carried in the balance sheet at amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

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

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

The £5.771 million trade receivable (debtor) figure above is for goods and services delivered and an age debt analysis of these trade debtors is shown below in the Credit Risk section. This figure is included in the Short Term Debtors figure of £27.472 million in the balance sheet which also includes debtors that do not meet the definition of a financial liability and Note 26 provides more detailed information of the total short term debtors figure.

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

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

There are Long Term Debtors carried in the Balance Sheet which are financial assets. These are Housing Advances (£12,552.73) which are made of 5 long term loans made by the Council

to former tenants and private households for mortgages and a lease receivable carried in the balance sheet as Finance Leases (£133,000) for vehicles linked to the waste contract.

### **Offsetting Financial Assets and Liabilities**

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

| <b>Offsetting of Financial Assets and Liabilities</b> | <b>31 March 2016<br/>Gross Assets<br/>(Liabilities)<br/>£000</b> | <b>31 March 2015<br/>Gross Assets<br/>(Liabilities)<br/>£000</b> |
|---|--|--|
| Bank Accounts in Credit                               | 2,121  | 2,322  |
| <b>Total Financial Assets</b>                         | <b>2,121</b>   | <b>2,322</b>   |
| Bank Overdrafts                                       | (2,229)  | (2,415)  |
| <b>Total Financial Liabilities</b>                    | <b>(2,229)</b>   | <b>(2,415)</b>   |
|   |  |  |
| <b>Net Position on Balance Sheet</b>                  | <b>(108)</b>   | <b>(93)</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 complies with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks. The Council meeting of the 25 February 2015 accepted the Treasury Management Strategy 2015-16 and the Treasury Management and Prudential Indicators.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the WG's Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy is based on seeking the highest rate of return consistent with the proper levels of security and liquidity. The Council also conducts a mid-year review of its treasury management policies, practices and activities and any revisions of the Investment Strategy to enable increased flexibility in an ever changing financial market and investment opportunities available will be approved by formal Council. Actual performance is also reported annually to Members in the form of the Annual Treasury Management Report which is reviewed by Audit Committee. These policies are implemented by a central Financial Control Team.

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;

- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

**Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined in the Investment Strategy contained within the Treasury Management Strategy.

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

Cipfa's Code of Practice for Treasury Management requires all local authorities to conduct a mid-year review of its treasury management policies, practices and activities. As a result of this review it was not deemed necessary for the Council to make any major changes to the Investment Strategy only a few minor revisions to enable increased flexibility in an ever changing financial market and to increase the investment opportunities available to the Council whilst still maintaining security and. The Council meeting of 25 November 2015 approved the revisions as a result of the half year review of the Treasury Management Strategy and all these are reflected within this disclosure. Based on this, the Council may invest with any of the counterparty types shown below in the approved counterparties table, subject to the cash limits (per counterparty) and the time limits shown.

## Approved Counterparties

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

\* excluding parish and community councils

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

The Annual Investment Strategy states which investments the Council may use for the prudent

management of its treasury balances during the financial year under the heads of Specified Investments and Non-Specified Investments.

A Specified Investment is one which offers high security and high liquidity. It is a low risk investment where the possibility of loss of principal or investment income is negligible and satisfies the conditions below as defined by WG Investment Guidance:-

- The investment is denominated in pound sterling
- The investment is not a long-term investment (contractually committed to be paid within 12 months/364 days)
- not defined as capital expenditure by legislation, and
- The investment is made with:
  - a) a body or in an investment scheme of high credit quality; or
  - b) the UK Government;
  - c) a UK local authority
  - d) a parish council or community council.

A Non-Specified Investment is any investment that does not fall into the criteria detailed above under the Specified definition. The WG Guidance requires the Council's Investment Strategy to set an overall limit for non-specified investments which was set at £25 million. Therefore, at any one point in time a maximum of £25 million of investments could have been in one of the following non-specified categories:

| Non-Specified Investment Limits   | Category Total Cash limit |
|---|---------------------------|
| Total long-term investments   | £15m                      |
| Total Money Market Funds and other pooled funds   | £10m                      |
| Total investments without credit ratings or rated below the Council's definition of "high credit quality" | £6m                       |
| Total investments with institutions domiciled in foreign countries with a sovereign rating below AA+      | £3m                       |

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

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

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

The Council's primary objective for the management of its investments is to give priority to the security and liquidity of its funds before seeking the best rate of return so not all the options available to the Council as detailed above were utilised during 2015-16. The counterparty limits were constantly reviewed and where market conditions dictated, the limit was dropped below the limits detailed above. No breaches of the Council's counterparty criteria occurred during 2015-16 and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council's investments outstanding principal at 31 March 2016 totalled £26.00 million as detailed below and shown in the balance sheet as Long Term Investments (£2.007 million), Short Term Investments (£14.543 million) and included within Cash and Cash Equivalents (£9.501 million). The maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2016 that this was likely to crystallise. The table below summarises the credit risk exposures of the Council's investment portfolio by credit rating, based on the lowest long term rating:



| Counterparty Category       | Credit Rating | Instant Access Deposit Accounts<br>£'000 | Notice Period Deposit Account<br>£'000 | Deposits Maturing Within 1 Month<br>£'000 | Deposits Maturing Within 2-3 Months<br>£'000 | Deposits Maturing Within 6 Months to 1 Year<br>£'000 | Deposits Maturing Within 1-2 Years<br>£'000 | Total<br>£'000 |
|-----------------------------|---------------|--|--|---|--|--|---|----------------|
| Bank                        | AA-           | 500                                      |  |   |  |  |   | 500            |
| Bank                        | A             | 1,000                                    | 2,000                                  |   |  | 2,000  |   | 5,000          |
| Local Authorities (unrated) |               |  |  | 10,000                                    | 5,500  | 2,000  | 2,000                                       | 19,500         |
| Unrated Building Societies  |               |  |  |   | 1,000  |  |   | 1,000          |
| <b>Total</b>                |               | <b>1,500</b>                             | <b>2,000</b>                           | <b>10,000</b>                             | <b>6,500</b>                                 | <b>4,000</b>   | <b>2,000</b>                                | <b>26,000</b>  |

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

| Trade Debtors Past Due but not impaired | 31 March 2016<br>£'000 | 31 March 2015<br>£'000 |
|---|------------------------|------------------------|
| Less than three months                  | 923                    | 1,308                  |
| Three to six months                     | 582                    | 259                    |
| Six months to one year                  | 343                    | 130                    |
| More than one year                      | 541                    | 406                    |
| <b>Total</b>                            | <b>2,389</b>           | <b>2,103</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 and the Public Works Loan Board (PWLB) provides access to borrowing at favourable rates. The Council arranges fixed term loans and investments with a range of maturity dates within the framework and indicators approved each year. There is no perceived risk that the Council will be unable to raise finance to meet its commitments, instead the risk relates to replenishing a significant proportion of its borrowings at a time of unfavourable interest rates.

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

| Maturity structure of fixed rate borrowing | Upper Limit | Lower Limit | Actual %       | Principal Outstanding<br>£'000 |
|--|-------------|-------------|----------------|--------------------------------|
|  | 2015-16     | 2015-16     | 31-03-16       | 31-03-16                       |
| Less than one year                         | 50%         | 0%          | 0%             | 0                              |
| Between 1 and 2 years                      | 25%         | 0%          | 0%             | 0                              |
| Between 2 and 5 years                      | 50%         | 0%          | 0%             | 0                              |
| Between 5 and 10 years                     | 60%         | 0%          | 9.59%          | 9,289                          |
| 10 years and above                         | 100%        | 40%         | 70.54%         | 68,328                         |
| Uncertain date *                           | -           | -           | 19.87%         | 19,250                         |
| <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.

| Maturity Analysis<br>Financial Liabilities | 31 March 2016  | 31 March 2015  |
|--|----------------|----------------|
|  | £'000          | £'000          |
| Less than one year                         | 7,897          | 5,884          |
| Between one and two years                  | 705            | 774            |
| Between two and five years                 | 4,878          | 2,642          |
| Between five and ten years                 | 14,510         | 11,181         |
| More than ten years                        | 79,282         | 84,057         |
| Uncertain date*                            | 19,817         | 19,827         |
| <b>Total Financial Liabilities</b>         | <b>127,089</b> | <b>124,365</b> |

\* The £19.250 million (19.87%) and £19.817 million in the two tables above showing an uncertain date relates to Lender's Option Borrower's Option (LOBO) loans which may be re-scheduled in advance of their maturity date of 2054. The LOBO rate and term may vary in the future depending upon the prevailing market rates, the lender exercising their option to increase rates at one of the bi-annual trigger points (the next trigger date being 22 July 2016) and therefore, the 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 2016-17 however in the unlikely event that the lender exercises its option the Council is likely to repay these loans. The maturity date is therefore uncertain.

### Market Risk

The Council is exposed to the risk that financial loss could potentially occur as a result of changes in such measures as interest rate movements, market prices or foreign currency exchange rates. The Council is not exposed to the two treasury management risks of price risk or foreign exchange rate risk so only interest rate risk is detailed below.

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest charged to revenue within the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fixed rate protects the Council from increased interest charges as an equivalent loan would now cost more. The fair value of the borrowing (liability) will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fixed rate prevents the Council from receiving higher investment income from the same principal invested. The fair value of the investment (asset) will fall

The Council has a number of strategies for managing interest rate risk. The Treasury Management Strategy draws together the Council's Treasury Management and Prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this, an indicator is set which provides maximum limits for fixed and variable interest rate exposure:-

|  | <b>Upper Limit TMS<br/>2015-16</b> | <b>Actual<br/>Principal<br/>Outstanding<br/>31-03-16</b> |
|--|------------------------------------|--|
|  | <b>£m</b>                          | <b>£m</b>  |
| Total Projected Principal Outstanding on Borrowing   | 101.87                             | 96.87  |
| Total Projected Principal Outstanding on Investments(including cash/cash equivalents deposits) | 8.00                               | 26.00  |
| <b>Net Principal Outstanding</b>   | <b>93.87</b>                       | <b>70.87</b>   |
| Fixed interest rates (net principal) exposure  | 140.00                             | 55.12  |
| Variable interest rates Exposure (net principal) exposure                                      | 50.00                              | 15.75  |

The Council's borrowings and investments are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement, however, changes in interest payable and receivable on variable rate borrowings and investments does and will be posted to the Surplus or Deficit on the Provision of Services.

The Financial Control Team monitors market and forecast interest rates within the year to adjust exposures appropriately, to allow any adverse changes to be accommodated. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposure to losses. According to this strategy, at 31 March 2016, if there had been a 1% change in interest rates with all other variables held constant, the financial effect would be approximately:

|  | Estimated<br>£'000<br>+ 1% | Estimated<br>£'000<br>-1% |
|--|----------------------------|---------------------------|
| Interest payable on variable rate borrowings                 | 133                        | 0                         |
| Interest receivable on variable rate investments             | (185)                      | 185                       |
| <b>Impact on Surplus or Deficit on Provision of Services</b> | <b>(52)</b>                | <b>185</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.

### 38. Post Balance Sheet Events

There are no Post Balance Sheet Events.

### 39. 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.

As at the 31 March 2016, the Council had an ongoing claim relating to land that was compulsory purchased by the Council for a replacement of a school building. The method of calculating the compensation award has been challenged and there is ongoing litigation. In the event that the landowner is successful a separate process will commence to determine the value of the land. At this time, therefore, the value of any potential future compensation that might or might not be due is unknown and as such is being disclosed as a contingent liability within the accounts.

## Notes to the Cash Flow Statement

## 40. Adjustments for Non-Cash Movements

| 2014-15<br>£'000<br>restated |   | 2015-16<br>£'000 |
|------------------------------|---|------------------|
| (87,724)                     | Depreciation & Impairment of Assets   | (26,342)         |
| 2,377                        | Movement in Stock, Debtors & Creditors  | 10,071           |
| (9,020)                      | Pension Fund Adjustments  | (6,590)          |
| (2,476)                      | Provisions  | (1,056)          |
| (7,014)                      | Gain/Loss on Disposal of non current asset  | (6,140)          |
| 647                          | Changes in Fair Value of Investment Property  | 1,082            |
| 63                           | Other non cash movements  | 6                |
| <b>(103,147)</b>             | <b>Adjustments to net deficit on the provision of services for non-cash movements</b> | <b>(28,969)</b>  |

## 41. Operating Activities

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

| 2014-15<br>£'000<br>restated |   | 2015-16<br>£'000 |
|------------------------------|---|------------------|
| (19,587)                     | Cash Flow on Revenue Activities                           | (13,599)         |
| 4,789                        | Interest Paid   | 4,545            |
| 1,638                        | Interest element of finance lease and PFI rental payments | 1,503            |
| (830)                        | Interest Received   | (880)            |
| <b>(13,990)</b>              | <b>Net Cash Flows from Operating Activities</b>           | <b>(8,431)</b>   |

## 42. Investing Activities

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

| 2014-15<br>£'000<br>restated |   | 2015-16<br>£'000 |
|------------------------------|---|------------------|
| 23,349                       | Purchase of Property, Plant and Equipment and Investment Property           | 21,517           |
| 7,022                        | Purchase / (Proceeds) from Long and Short Term Investments                  | 5,523            |
| (6,296)                      | Proceeds from sale of Property, Plant and Equipment and Investment Property | (3,959)          |
| <b>24,075</b>                | <b>Net Cash Flows from Investing Activities</b>                             | <b>23,081</b>    |

## 43. Financing Activities

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

| 2014-15<br>£'000<br>restated |  | 2015-16<br>£'000 |
|------------------------------|--|------------------|
| -                            | Cash Receipts of short and long term borrowing   | (3,971)          |
| (14,343)                     | Other Receipts from financing activities   | (15,598)         |
| 671                          | Repayments of short and long term borrowing  | 1,500            |
| 1,483                        | Cash Payments for the reduction of the<br>outstanding liabilities relating to finance leases and<br>on-balance sheet PFI contracts | 2,810            |
| <b>(12,189)</b>              | <b>Net Cash Flows from Financing Activities</b>  | <b>(15,259)</b>  |

## **Glossary Of Terms**

**Accrual**

An accrual is a sum shown in the accounts representing income or expenditure for the accounting period but which was not actually received or paid as at the date of the balance sheet.

**Actuary**

An actuary is a person who works out insurance and pension premiums, taking into account factors such as life expectancy.

**Amortisation**

Reduction in value of capital expenditure which has not created an asset, through charges to revenue.

**Audit**

An audit is an independent examination of the Council's accounts.

**Balance Sheet**

This is a statement of our assets, liabilities and other balances at the date of the end of the financial year, 31 March.

**Budget**

A budget (or estimate) is a plan of income and spending, based upon which council tax is set. Actual expenditure and income is subsequently monitored against this plan.

**Capital expenditure**

Capital expenditure is spending on fixed assets. These are assets that will be used for several years in the provision of services and are items such as buildings, equipment and vehicles.

**Capital Adjustment Account**

This is money set aside in the Council's accounts for capital spending and to repay loans.

**Capital receipt**

Capital receipts are proceeds from the sale of fixed assets such as land or buildings.

**Cash flow Statement**

This is a statement that summarises the movements in cash during the year.

**Comprehensive Income and Expenditure Statement**

This account records day-to-day spending and income on items such as salaries and wages, running costs of services and the financing of capital expenditure.

**Contingent liabilities**

A Contingent Liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence of uncertain future events.

**Corporate and Democratic Core (CDC)**

CDC is a service defined by the Best Value Accounting Code of Practice representing costs relating to Member activity (Democratic Representation and Management) and costs that provide the infrastructure to ensure that services can be provided (Corporate Management).

**Creditor**

A creditor is an organisation / someone owed money by the Council at the end of the financial year for goods / services received during the financial year or previous years.

**Current assets**

These are short-term assets that are available for the Council to use in the following accounting year.

**Current liabilities**

These are short-term liabilities that are due for payment by the Council in the following accounting year.

**Debtor**

A debtor is an organisation / someone who owed the Council money at the end of the financial year for goods / services received during the financial year or previous years.

**Delegated schools balances**

Under the Local Management of Schools provisions, any balances accrued at year end are delegated to individual schools. These funds are held outside of the Council's Council Fund balances.

**Depreciation**

Depreciation is the estimated loss in value of fixed assets that are presented in the Balance Sheet.

**Earmarked reserves**

These are reserves set aside for a specific purpose.

**Escrow account**

Escrow is a legal arrangement whereby money is delivered to a third party (called an escrow agent) to be held in trust pending a contingency or the fulfillment of a condition or conditions in a contract.

**Financial Year**

This is the accounting period. For local authorities it starts on 1 April and finishes on 31 March of the following year.

**Finance leases**

Finance leases are used to finance purchases where the Council takes on most of the risks associated with owning the asset.

**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.