



***Bridgend County Borough Council***

# ***Statement of Accounts***

## ***2016-17***



**Bridgend County Borough Council  
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## Contents

	<b>Page no.</b>
<b>Narrative Report</b>	3
<b>Statement of Responsibilities for the Statement of Accounts</b>	26
<b>Annual Governance Statement</b>	27
<b>Statement of Accounting Policies</b>	50
<b>Financial Statements</b>	
Comprehensive Income and Expenditure Statement	64
Expenditure and Funding Analysis	65
Movement in Reserves Statement	66
Balance Sheet	67
Cash Flow Statement	68
<b>Notes to the Financial Statements</b>	69
<b>Auditor's Report</b>	124
<b>Glossary of Terms</b>	126

## Narrative Report

### 1. The Statement Of Accounts

These Accounts have been produced in line with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2016-17. This is in accordance with International Financial Reporting Standards (IFRS). The main changes include the adoption of the following changes incorporated into the Code of Practice:

**Telling the Story** – requires changes to the presentation of local authority financial statements through changes in the segmental reporting arrangements for the Comprehensive Income and Expenditure Statement and introduces a new Expenditure and Funding Statement and associated notes. The statement brings together the Council's performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the Council Fund. This replaces the need for the Council to report the cost of individual services in their Comprehensive Income and Expenditure Statement in accordance with the format specified in Section 3 of the Service Reporting Code of Practice (SeRCOP). This change also introduces a streamlined Movement in Reserves Statement (MiRS) as reflected within this Statement of Accounts.

The accounts consist of the following financial statements:

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

This sets out the respective responsibilities of the Council and the Section 151 officer for the preparation and approval of the Statement of Accounts.

**b) 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 Financial Statements**

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

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory requirements; this may be difference from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

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

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

The second part, other comprehensive income and expenditure, shows the gains or losses in the measurement of the assets and liabilities of the Council. Those gains or losses arise as a result of

changes in market valuations, interest rates or changes in measurement assumptions relating to pensions assets and liabilities.

For 2016-17, the Council showed a deficit on the Provision of Services of £9.914 million. This contrasts with the budget outturn underspend of £0.356 million, the difference between the two is explained in the Expenditure and Funding Statement.

## ii. Expenditure and Funding Statement

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

## iii. Movement in Reserves Statement (MiRS)

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can currently be used to fund expenditure or reduce local taxation) and other 'unusable' reserves. It shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory Council Fund balance movements in the year following those adjustments and this shows that the total Council Fund balance has increased by £0.356 million.

## iv. Balance Sheet

The Balance sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves represents those that the Council is not able to use to provide services. This category of reserves represents those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement in 'Adjustment between accounting basis and funding basis under regulations'. The balance sheet shows the Council's net worth was £138.863 million, which is a decrease in net worth of £3.190 million from 2015-16 (which was £142.053 million).

## v. Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash

flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Council. The cash and cash equivalent position of the Council has decreased by £5.518 million.

#### e) The Notes to the Accounts

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

#### f) Funding Council Services

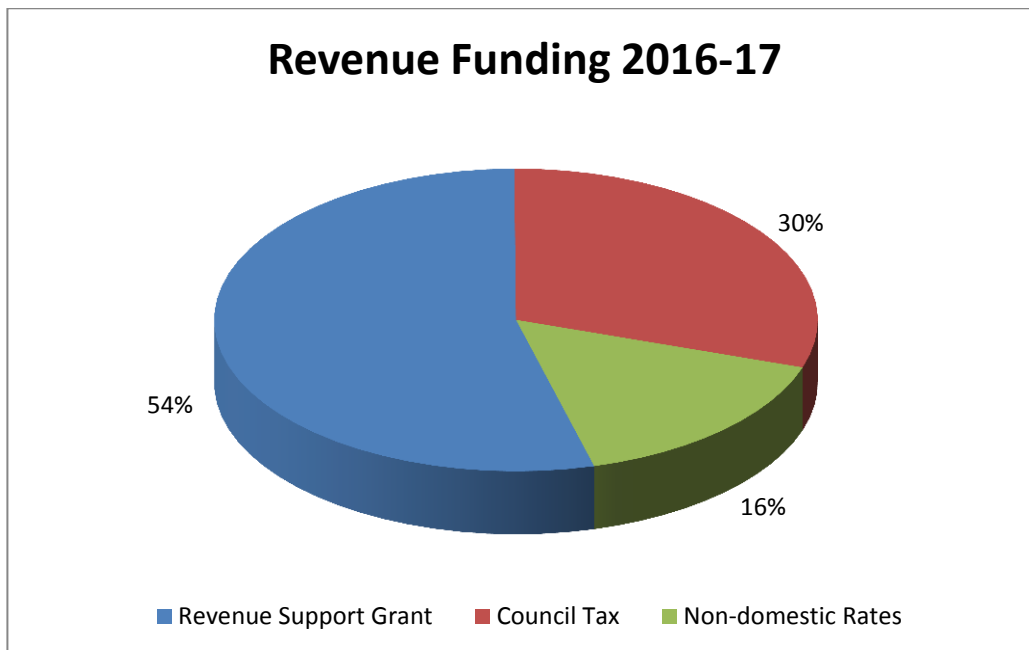
The Council incurs two types of expenditure – revenue expenditure and capital expenditure.

**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.

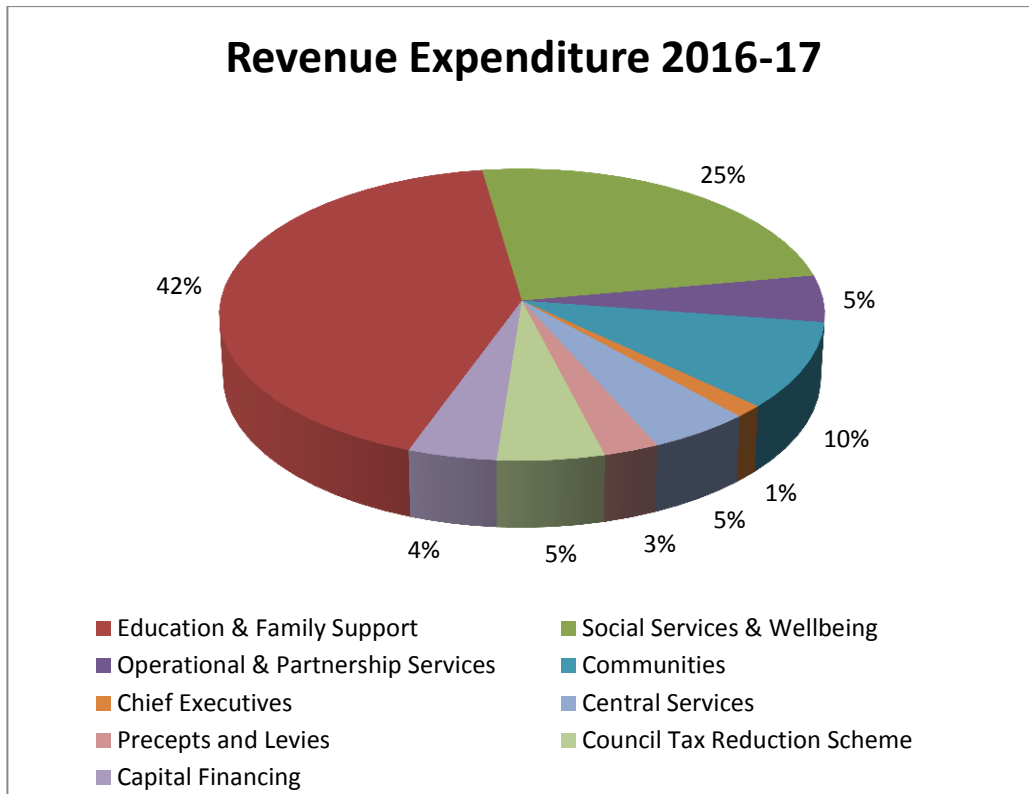
**Capital expenditure** covers spending on assets such as roads, new schools, redevelopment and the major renovation of buildings. These assets will provide benefits to the community for several years and the expenditure is mainly financed by borrowing and capital grants.

##### a) Revenue spending on council services

Where the money came from...



Where the money was spent...



In 2016-17 the net spend on revenue services was £211.433 million. This compares to £213.712 million anticipated when the budget was revised, resulting in a £2.279 million underspend on Directorate Budgets. It is important to note that due to movement of services between Directorates year-on-year comparisons cannot be made. The overall position for the Council was a slight underspend of £356,000 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 2016-17 compared with the budget set for the year. Explanations are provided for significant differences between spend and budget.

**Comparison of actual spend with budget 2016-17**

Directorate/Budget Area	Original Budget 2016-17 £'000	Revised Budget 2016-17 £'000	Actual Outturn 2016-17 £'000	Actual Over / (Under) Spend 2016-17 £'000
<b>Directorate Budgets</b>				
Education and Family Support	108,034	108,238	107,653	(585)
Social Services and Wellbeing	59,697	61,383	62,560	1,177
Communities	24,644	24,871	24,517	(354)
Operational and Partnership Services	14,899	14,952	13,236	(1,716)
Chief Executives	4,333	4,268	3,467	(801)
<b>Total Directorate Budgets</b>	<b>211,607</b>	<b>213,712</b>	<b>211,433</b>	<b>(2,279)</b>
<b>Council Wide Budgets</b>				
Capital Financing	10,128	10,128	11,115	987
Precepts and Levies	6,959	6,879	6,881	2
Sleep Ins	800	264	0	(264)
Council Tax Reduction Scheme	14,304	14,304	13,358	(946)
Insurance Costs	1,559	1,559	1,316	(243)
Building Maintenance	900	729	413	(316)
Other Corporate Budgets	8,634	7,316	(1,516)	(8,832)
<b>Total Council Wide Budgets</b>	<b>43,284</b>	<b>41,179</b>	<b>31,567</b>	<b>(9,612)</b>
<b>Accrued Council Tax Income</b>			<b>(974)</b>	<b>(974)</b>
<b>Appropriations to / from Earmarked Reserves</b>			<b>12,509</b>	<b>12,509</b>
<b>Transfer to Council Fund</b>			<b>356</b>	<b>356</b>
<b>Total</b>	<b>254,891</b>	<b>254,891</b>	<b>254,891</b>	<b>0</b>

The overall outturn at 31 March 2017 shows a balanced position, following the transfer of £356,000 to the Council Fund, in line with Principle 8 of the MTFs. After including in-year draw down of reserves, Directorate budgets provided a net underspend of £2.279 million and council wide budgets a net underspend of £9.612 million. These are offset by the requirement to provide Earmarked Reserves for a range of new future risks and expenditure commitments.

The underspend on Directorate net budgets for the year is a result of a number of factors including the maximisation of grant and other income, strict vacancy management and general efficiencies. Directorates drew down £7.751 million in-year from approved earmarked reserves to meet specific one-off pressures identified in previous years, including funding for transformation projects through the Change Fund, funding for capital projects, draw down of school balances, funding for demolition work and service specific one-off pressures.

The underspend masks underlying budget pressures in some service budgets which were reported during the year and still persist. The main financial pressures are in the service areas of Looked After Children and Adult Social Care. It should be noted that these budget areas can be volatile and small



changes in demand can result in relatively high costs being incurred. As patterns of provision change within Directorates, service budgets are reviewed and re-aligned accordingly.

## Monitoring of Budget Reduction Proposals

### Budget Reductions 2015-16

The MTFS Budget Reduction Contingency was established in line with MTFS Principle 12 that “Resources are allocated to deliver the Bridgend Change Programme based on clear strategic plans that are kept under review by Corporate Directors to maintain alignment with the MTFS and a MTFS Budget Reduction Contingency will be maintained”, and has been used to partly mitigate the shortfalls on the following budget reduction proposals in this financial year.

<b>2015-16 Budget Reduction Shortfalls</b>		
COM 1	MREC	£150,000
COM 11	Blue Badges	£83,000
CH 9	School Transport	£100,000
<b>2016-17 Budget Reduction Shortfalls</b>		
RES29	To rationalise the core office estate - leasing of Raven's Court	£195,000

### Budget Reductions 2016-17

A report was presented to Cabinet on 5 July 2016 on Financial Performance 2015-16. In the report it was highlighted that, of the £11.225 million budget reduction proposals for 2015-16, £2.692 million were not met in full, with a shortfall in the financial year of £1.909 million. The report stated that these proposals would continue to be monitored alongside current year proposals, with mitigating action to achieve them to be identified. Not all proposals have been fully delivered however and where this is the case Directorates have identified a recurrent solution and mitigating actions to provide a more permanent solution.

The budget approved for 2016-17 included savings proposals of £7.477 million. £2.385 million of these proposals were not realised in full in 2016-17, but the expenditure associated with them has been offset by vacancy management, and other savings elsewhere within the budget. Of the £2.385 million of proposals not fully achieved, £540,000 was realised in 2016-17, leaving a shortfall of £1.845 million. As such there is still a recurrent pressure on 2017-18 budgets which will need to be addressed by implementing agreed savings proposals or identifying and delivering alternatives. Future monitoring reports will review achievement against these targets in addition to 2017-18 budget reductions. A summary of achievement of the budget reduction proposals is provided below.

**Achievement of Budget Reductions 2016-17**

<b>DIRECTORATE</b>	<b>Total Budget Reductions Required £'000</b>	<b>Total Budget Reductions Achieved £'000</b>	<b>Shortfall £'000</b>
Education and Family Support	976	504	472
Social Services and Wellbeing	2,984	1,993	991
Communities	1,377	1,025	352
Operational and Partnership Services	985	985	0
Chief Executive	217	187	30
Council Wide Budgets	938	938	0
<b>TOTAL</b>	<b>7,477</b>	<b>5,632</b>	<b>1,845</b>

The most significant of those proposals not achieved in full in-year include:

- Home to School College Transport (£450,000) – in particular the achievement of school transport efficiencies and rationalisation of special educational needs transport. Budgets have been realigned in 2017-18 to address the shortfall.
- Transfer of Family Care Service to Community Hubs (£158,000) - This saving should be achieved in full in 2017-18.
- Remodelling of Children's Residential and Respite Care (£200,000) - There is an on-going review of remodelling options to identify savings. The Directorate will need to identify alternative proposals in 2017-18 if this proposal is not achievable.
- Reduction in Safeguarding Looked After Children (LAC) numbers and costs (£357,000) – progress has been made in reducing the existing number of Looked After Children, however the number of new children entering the system is making it very difficult to make savings at the required level. This is being progressed through the Early Intervention and Safeguarding Board.
- Review of Highways maintenance / DLO services (£112,000) – due to a delay in completing the restructure, however this is now complete and the saving will be achieved in full in 2017-18.
- Lease of Raven's Court (£195,000) – met from the MTFs Budget Reduction Contingency Reserve in 2016-17. Active marketing of the building continues however if this is unsuccessful the reduction may be undeliverable.
- Implement some aspects of Council Tax and Housing Benefits on line (£30,000) - delay in implementing Channel Shift prevented full savings being achieved in this financial year.

Directors continue to work with their staff to deliver their proposals or find alternatives to prevent future budget overspends.

**Commentary on the financial position as at 31st March 2017**

The most significant variances are identified and explained below.

**Education and Family Support Directorate**

The net budget for the Directorate for 2016-17 was £108.238 million and the actual outturn was £107.653 million, following draw down of £2.54 million from Earmarked Reserves, resulting in an underspend of £585,000. The most significant variances are:

<b>EDUCATION &amp; FAMILY SUPPORT DIRECTORATE</b>	<b>Net Budget £'000</b>	<b>Outturn £'000</b>	<b>Variance Over/ (under) budget £'000</b>	<b>% Variance</b>
Built Environment Service	997	1,010	13	1.3%
Inter Authority Recoupment	126	(519)	(645)	-511.9%
Early Years	606	541	(65)	-10.7%
Behaviour Support Service	1,442	1,359	(83)	-5.8%
School Improvement	966	800	(166)	-17.2%
Strategic Planning and Resources	4,126	4,013	(113)	-2.7%
Home to School/College Transport	3,860	4,986	1,126	29.2%
Catering Services	775	494	(281)	-36.3%
Integrated Working	1,022	856	(166)	-16.2%

#### Built Environment Service

- Whilst the overall position for the Built Environment service is a small overspend of £13,000, there are underlying variances across the areas of service.
- There was an over spend of £185,000 on the DLO. Charge-out rates were amended in year in line with CIPFA guidance. The result was a reduced charge out rate following the removal of ineligible costs. Close monitoring will be required in 2017-18 on productivity rates to ensure a break even position is achieved going forward. The over spend has been offset by over-recovery of income against the income target in Architects (£81,000) and Quantity Surveyors (£34,000), along with staff vacancy management in Mechanical and Electrical Engineers (£26,000) and the Energy Department (£64,000).

#### Inter Authority Recoupment

- There is an underspend of £645,000 for out of county education placements, due to a combination of a reduction in the number of placements (28 at March 2016 to 24 at March 2017) as pupils are brought back in-County to be educated (£588,000) and additional income from pupils from other local authorities (£57,000) being placed in Bridgend's schools. £445,000 of this budget has been transferred to the Home to School Transport budget in 2017-18 to mitigate pressures on that budget.

#### Early Years

- There is an underspend of £65,000 on Early Years due to a combination of vacant posts, an unforeseen increase in grant income and reduced spend on Nursery Development Grants pending 2017-18 MTFS budget reductions.

#### Behaviour Support Service

- The net underspend of £83,000 is a combination of higher clawbacks from schools arising from an increase in the number of pupils educated other than at school, along with vacant posts at the Bridge Alternative Provision (£116,000). This is offset by increased costs on 1:1 ancillary support due to difficulties in recruitment of permanent staff (£32,000) and consequently use of agency staff at a higher cost to the Council.

### School Improvement

- The underspend of £166,000 mainly relates to the delay in appointments to the Development Team (£124,000) which supports the strategic review of schools, and has been used to mitigate other over spends within the Directorate. These posts have now been filled. There is a budget reduction of £68,000 against the Development Team in the MTFS for 2017-18 as an alternative funding source has been identified to enable the budget to be reduced without impacting on service delivery. The balance of the underspend is due to additional grant income.

### Strategic Planning and Resources

- The underspend of £113,000 has primarily arisen as a result of later than expected construction of the 21st Century Schools Programme, and the consequent need to borrow as part of the Local Government Borrowing Initiative (LGBI). The revenue funding will be used to repay the cost of borrowing once the schemes progress.
- On 28<sup>th</sup> March 2017, Cabinet resolved to abandon the proposal to relocate Mynydd Cynffig Primary to the Cynffig Comprehensive School site. Consequently, the cost of design and other works associated with the scheme were recharged to the Directorate revenue budget under this area of service. These amounted to £327,000. This was, however, offset by funding from the Corporate Contingency.

### Home to School / College Transport

- There is an overspend on the Home to School/College Transport budget of £1.126 million, of which £337,000 relates to over spends carried forward from 2015-16. The 2015-16 MTFS savings were not fully achieved partly due to the limited rationalisation of contracts because of increases in the number of pupils eligible for transport, which is outside of the control of the local authority and difficult to predict with accuracy. In addition, budget reductions in respect of changes to the Learner Travel Policy were not fully realised as the agreed change to the policy by Cabinet was not able to be implemented until September 2016 and this did not bring the same level of savings as were originally identified. The overspend has been partly mitigated by a contribution of £100,000 from the MTFS Budget Reduction Contingency Reserve.
- Further efficiencies to Special Education Needs (SEN) and Looked After Children (LAC) transport have been pursued 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.
- Additional MTFS proposals for 2016-17 of £450,000 have added to these pressures. Budget realignments have taken place as part of the 2017-18 budget setting process to mitigate the shortfalls in this area of service with the majority coming from the Inter Authority Recoupment under spend identified above.
- The Council has set aside one-off funding in an earmarked reserve to undertake work on safe routes to schools.

### Catering Services

- The underspend of £281,000 has arisen partly as a result of strict vacancy management (£116,000). This prudent approach was adopted as labour costs can be affected by disruption to trading days during the winter months, which did not materialise as adverse weather conditions were not experienced. In addition, the service also achieved £139,000 more than their targeted income. This is primarily due to higher demand for secondary school meals than was anticipated when the budgets were set at the start of the financial year.
- These underspends will contribute to the 2017-18 MTFS target for catering of £79,000.

### Integrated Working

- Integrated Working has under spent by £166,000. This is primarily due to staff vacancy management of £125,000, with the balance due to an under spend on Volunteer Drivers Support – the service was temporarily ceased in February 2017 pending a review.

Schools' Delegated Budgets

- School balances reduced from £2.154 million at the end of 2015-16 to £866,000 at the end of 2016-17 (a reduction of £1.288 million), representing 0.93% of the funding available. Total deficit budgets equate to £1.225 million and total surplus budgets equate to £2.090 million.
- Out of a total of 59 schools there are 18 schools (13 primary, 4 secondary and 1 special) with deficit budgets and 7 schools (5 primary, 1 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 - Education and Family Support, in line with the agreed 'Guidance and procedures on managing surplus school balances'.

Social Services and Wellbeing Directorate

The Directorate's net budget for 2016-17 was £61.383 million and the actual outturn was £62.560 million, following draw down of £1.806 million from Earmarked Reserves, resulting in an overspend of £1.177 million. The most significant variances are:

<b>SOCIAL SERVICES AND WELLBEING DIRECTORATE</b>	<b>Net Budget £'000</b>	<b>Outturn £'000</b>	<b>Variance Over/ (under) budget £'000</b>	<b>% Variance</b>
Older People Residential Care	8,084	8,320	236	2.9%
Older People Home Care	8,640	7,936	(704)	-8.1%
Assessment & Care Management Older People and Physical Disability	3,475	2,890	(585)	-16.8%
Learning Disabilities Residential Care	1,458	1,753	295	20.2%
Learning Disabilities Home Care	5,516	6,177	661	12.0%
Learning Disabilities Day Opportunities	3,099	2,896	(203)	-6.6%
Mental Health Home Care	412	626	214	51.9%
Looked After Children	10,546	11,521	975	9.2%

Older People Residential Care

- The overspend has arisen mainly as a result of a reduction in income in respect of nursing care of £230,000 compared to 2015-16. This is mainly due to lower income received on nursing provision in our establishments following a more prudent approach to the recovery of income secured against property, based on historical patterns, which has resulted in less income being accounted for in the 2016-17 financial year.

Older People Home Care

- There is an underspend of £704,000 as a result of reduced costs from the transfer of homecare packages to the independent sector, as part of the Council's strategy to focus local authority homecare on specialist and complex care only.

### Assessment and Care Management

- There is an underspend of £301,000 on assessment and care management for older people, and £284,000 on assessment and care management for people with physical disabilities. The underspend has been generated through good vacancy management but also through identification of additional external funding to offset the costs of core service activities.

### Learning Disabilities Residential Care

- There has been an overspend of £295,000 as a result of the transition of 'complex needs' children into adult services. This over spend is after draw down of £245,000 from earmarked reserves.
- Going forward, whilst there are no known children with care needs that are coming of age within the next financial year, analysis will be carried out to understand the future demands of the service. Those that have transferred have been assessed to determine the most appropriate form of placement to meet their needs, which are generally at a lower cost.

### Learning Disabilities Home Care

- There is an overspend of £661,000 arising from an increase in the number of hours within existing care packages, to meet more complex needs, together with an increase in the number of supported living schemes by one. Income received from charges to other Local Authorities is also less than budgeted.

### Learning Disabilities Day Opportunities

- There is an underspend of £203,000 arising from staff vacancies. Most have now been filled with those remaining used to meet budget reductions in 2017-18.

### Adult Mental Health Home Care Services

- There is an overspend of £214,000 on home care as a result of increased demand for domiciliary care in this service area, coupled with an increase of two additional service users within the supported living scheme.

### Looked After Children (LAC)

- There is an overspend of £975,000 on LAC, after a draw-down of £440,000 from Earmarked Reserves. This is mainly as a result of the delay in implementing a new model for residential services (£400,000 MTFs saving from 2015-16 and 2016-17 to be realised) which has taken some time to establish due to the need for significant research, consultation and options appraisals, and the slower than anticipated safe reduction of looked after children (£357,000 in 2016-17). Project plans for both of these areas are now in place and the required work has gathered momentum, with significant capital work due to take place in 2017-18. There is a plan to place more children into in-house foster placements from high cost independent placements.
- Whilst the number of looked after children across Wales and within Bridgend has continued to rise over recent years, the number as a proportion of the child population has actually decreased. The Early Intervention and Safeguarding Board has been reviewing the type of placements in which our more vulnerable children are placed, and through placement in more appropriate settings, has achieved an overall financial saving. The focus has been, and will continue to be, on reducing the number of out of county placements, where it is appropriate and safe to do so. The number of LAC at the end of March 2017 was 390 compared to 382 at the end of March 2016, and the number of out of county placements is currently 10 with some individual placements costing around £220,000 per annum. Although the net LAC population has increased, it should be noted that:
  - The Service has reduced high cost Independent Fostering Agency (IFA) placements by 7 which can reduce the annual cost by approximately £330,000.
  - 88 children ceases to be LAC but during this time 97 became LAC.

- The Service has implemented its performance strategy identifying high cost placements and transferring to lower cost placements
- When reviewing the LAC population of 390 as at the end of March 2017, the net annual equivalent LAC cost is approximately £290,000 less than the cost of the LAC population of 382 as at April 2016.
- In addition, there are a number of “When I am Ready” clients (where a care leaver continues to live with their foster carer after they turn 18) that are still in a placement, which the Council funds, but do not count as LAC. For 2017-18 this has been recognised as a new budget pressure following the implementation of the Social Services and Wellbeing (Wales) Act 2014 and funded accordingly.

The budget is closely monitored and a recovery plan is in place to work toward reducing the current over spend and ensure that the budget for 2017-18 is effectively managed.

#### Other Child and Family Services

- This Service is not projecting a significant variance, and therefore this Service isn't reported in the table above. However, it must be noted that this is following the draw-down of £308,000 from Earmarked Reserves to offset the overspend on the joint adoption service. The overspend relates mainly to the contribution to the Western Bay pooled fund. Each authority's contribution is based on the number of placements by each authority as a % of total Western Bay placements, and currently Bridgend's proportion of placements is 34% of the total compared to 24% anticipated when the budget was set. This recognises the proactive approach to trying to reduce the number of looked after children, by providing more permanent solutions. This shortfall has been addressed for 2017-18 through a budget pressure in the MTFs.

#### Communities Directorate

The net budget for the Directorate for 2016-17 was £24.871 million and the actual outturn was £24.517 million, following draw down of £2.287 million from Earmarked Reserves, resulting in an underspend of £354,000. The most significant variances are:

<b>COMMUNITIES DIRECTORATE</b>	<b>Net Budget</b>	<b>Outturn</b>	<b>Variance Over/ (under) budget</b>	<b>% Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Development	301	162	(139)	-46.2%
Regeneration	1,788	1,692	(96)	-5.4%
Streetworks	8,018	8,260	242	3.0%
Highways and Fleet	6,127	6,475	348	5.7%
Parks and Open Spaces	2,010	1,942	(68)	-3.4%
Transport & Engineering	842	746	(96)	-11.4%
Streetscene Support	326	253	(73)	-22.4%
Adult Learning	177	83	(94)	-53.1%
Property (Estates)	1,264	867	(397)	-31.4%

#### Development Control

- There is an underspend of £139,000 due to an increase in the number of larger planning applications which attract higher fee levels during the financial year. Fees are set by Welsh Government and vary according to the type of development. As a result of the number of applications, the service has received more income than budgeted. However, it cannot be

guaranteed that a similar number of large applications will be received next year and so at this point the increased income generated should be regarded as 'one-off'.

#### Regeneration

- There is an underspend of £96,000 on the Regeneration budget. This is primarily due to staff vacancy management (£50,000) with the balance from underspends on non-staffing budgets. The underspend on non-staffing budgets is partly linked to the early implementation of future MTFS budget reductions, and partly due to an underspend in the Economic Development Unit marketing and promotion budget as a result of the staff capacity constraints and higher than anticipated contributions from sponsors.

#### Streetworks

- The net overspend of £242,000 on Streetworks includes an over spend on the Waste Disposal Budget of £365,000. The MREC saving of £300,000 for 2015-16 was not achieved, but it was partly mitigated by a contribution of £150,000 from the MTFS Budget Reduction Contingency reserve. Budget re-alignments have taken place as part of the 2017-18 budget setting process to mitigate this shortfall. There were also additional tonnage costs of £454,000 which have been partly offset by savings from the interim Anaerobic Digestion (AD) procurement project of £239,000.
- Under the new waste contract commencing in 2017-18, there is a forecast reduction in the amount of tonnage going to the MREC due to an increase in kerbside recycling and at the Civic Amenity Sites. £196,000 drawn-down from Earmarked Reserves to support procurement project costs for the new Waste Contract which commenced 1 April 2017.
- There is a further budget reduction target of £200,000 in respect of the MREC in 2017-18 which is anticipated to be achieved when the procurement process to appoint a contractor to operate and manage the MREC is concluded. This remains an area of considerable management focus in partnership with Neath Port Talbot CBC. A £100,000 saving is also included in the MTFS for 2017-18 against the AD Procurement exercise which is nearing conclusion.

#### Highways and Fleet

- The net overspend on Highways and Fleet is £348,000. Included within this is an over spend on Highways Maintenance and Fleet Services of £441,000 which mainly constitutes expenditure on highways maintenance borne by the Directorate (£293,000) along with a downturn in commercial income in Fleet Services (£148,000). The reduction in income is due to a number of factors, including the general reduction in the Council's budgets and the closure of County Supplies. This has been offset by an underspend of £131,000 in street lighting, which has arisen following the Local Government Borrowing Initiative (LGBI) programme of replacement of lanterns, and subsequent reduction in energy costs and required maintenance. This saving will be used in 2017-18 to meet short term shortfalls in MTFS savings, whilst proposals are being progressed e.g. car parking charges review.
- The outturn position of the DLO has been positively affected by South East Wales Trunk Road Agency (SWTRA) requesting additional works on the A470 subsequent to the withdrawal of Merthyr Council from the maintenance activities on the trunk road. Additional requests were also received to assist on trunk road maintenance in the Neath Port Talbot area. It is unclear at this time if any additional works will be requested over and above the service level commitment in 2017-18 and the financial implications of any such requests.

#### Parks and Open Spaces

- There is an underspend on Parks and Open Spaces of £68,000 primarily due to an underspend on staffing. The underspend has arisen as part of a restructure of the parks service and will not reoccur in 2017-18.



### Transport and Engineering

- There is a net underspend across the service of £96,000. Within this there is a pressure on the car park budget of £111,000, primarily due to the delay in the implementation of MTFS budget reductions, including charging for blue badges (£165,000) and increases in car parking charges (£60,000), combined with car park income shortfalls (£140,000). This has been mitigated by a contribution of £83,000 from the MTFS Budget Reduction Contingency Reserve and draw down of funding from Earmarked Reserves. The Directorate has identified mitigating underspends to address this pressure in the short-term. There is a further budget reduction of £50,000 in the 2017-18 MTFS relating to a broad review of car parking including staff and elected member parking passes.
- There is an overspend on Traffic Management and Road Safety of £64,000. £20,000 of this is due to the shortfall on the MTFS saving relating to School Crossing Patrols. The balance of the over spend is due to a shortfall in internal fee income.
- Policy and Development has an overspend of £79,000. This mostly consists of an overspend on staffing costs due to the late implementation of staffing restructures.
- The overspends identified have been offset by Engineering services exceeding their income target (£275,000) primarily due to the balance of working on EU/non EU funded projects compared with previous years. There has also been an underspend under Public Transport Co-ordination due to staff vacancy management (£75,000).

### Streetscene Support

- There is an underspend across the service of £73,000 due to staff vacancy management and reduced spend on supplies and services.

### Adult Community Learning (ACL)

- There is an underspend across the service of £94,000 due to staff vacancy management. This, in part, was as a result of a reduced programme of courses due to uncertainty about the future provision of ACL following significant changes to the area strategic partnership and Bridgend College's delivery of an ACL programme. This will contribute towards the 2017-18 MTFS saving target of £70,000 for a reduction in Adult Community Learning provision.

### Property

- There is an underspend across Property Estates of £397,000. This is mainly due to the draw-down of Welsh Government funding in respect of Hartshorn House of £250,000, which has been transferred into an earmarked reserve to cover operational costs and refurbishment within the commercial property portfolio. There is also an underspend of £117,000 arising from staff vacancies, which is partly offset by an over spend arising from under occupancy of the Innovation Centre, as a result of difficulties in attracting tenants.
- The Section 151 Officer made a one-off allocation from the MTFS Budget Reduction Contingency Reserve against the £195,000 saving in respect of Raven's Court following the failure to lease the building during the financial year.

### **Operational and Partnership Services Directorate**

The net budget for the Directorate for 2016-17 was £14.952 million and the actual outturn was £13.236 million, following draw down of £1.056 million from Earmarked Reserves, resulting in an underspend of £1.716 million. The most significant variances are:

<b>OPERATIONAL AND PARTNERSHIP SERVICES DIRECTORATE</b>	<b>Net Budget</b>	<b>Outturn</b>	<b>Variance Over/ (under) budget</b>	<b>% Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Housing Options and Homelessness	693	375	(318)	-45.9%
Legal Services	1,976	1,783	(193)	-9.8%
Human Resources & Organisational Development	3,536	3,175	(361)	-10.2%
ICT	3,726	3,466	(260)	-7.0%
Regulatory Services	1,470	1,350	(120)	-8.2%

#### Housing and Homelessness

- There is an underspend on this area of £318,000. This is mainly as a result of the use of core staff to undertake duties for which the Council receives Welsh Government grant funding (transitional funding and Supporting People grant), and small underspends on other budgets. This budget is currently being reviewed by the Head of Finance and Director of Operational and Partnership Services to ascertain whether or not there is a recurrent budget saving that could be realised going forward.

#### Legal Services

- The underspend of £193,000 on legal services is partly due to an increase in recovery of legal costs (£69,000), partly due to an underspend on legal costs and disbursements, and the balance due to staffing vacancies (£72,000), most of which are built into the MTFs as budget reductions for 2017-18.

#### Human Resources and Organisational Development

- Part of the underspend relates to vacancy management in preparation for future MTFs savings (£200,000) and the balance has arisen as a result of vacancies pending recruitment.

#### ICT

- The underspend of £260,000 is as a result of vacancies within the team, and reduced telephone charges (£40,000), along with an underspend of £168,000 on software licences, due to a proactive approach to the rationalisation of software across the Council when the opportunity arises. Some of these savings are in preparation for future MTFs savings.

#### Regulatory Services

- The underspend relates to repayment of an underspend on the shared regulatory service following the closure of the 2015-16 accounts, which was primarily due to staff vacancies following the creation of the shared service. The amount of this underspend, and any potential repayment, was not known until the accounts had been audited.

#### Chief Executives

The net budget for the Directorate for 2016-17 was £4.268 million and the actual outturn was £3.467 million, following draw down of £58,000 from Earmarked Reserves, resulting in an underspend of £801,000. The most significant variances are:

<b>CHIEF EXECUTIVES</b>	<b>Net Budget</b>	<b>Outturn</b>	<b>Variance Over/ (under) budget</b>	<b>% Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Chief Officers	645	508	(137)	-21.2%
Housing Benefit Administration	696	485	(211)	-30.3%
Housing Benefit Payments	52	(368)	(420)	-807.7%

#### Chief Officers

- The underspend mainly relates to the vacant staffing budget following the departure of the Corporate Director Resources. This was included in MTFS budget reductions for 2017-18.

#### Housing Benefit Administration

- There is an underspend in respect of the administration of housing benefit arising mainly from staffing vacancies, but also additional grant income. The 2016-17 budget pressure in relation to the new Emmaus facility was reviewed in quarter 3 and reduced by £100,000 and returned to the corporate budget.

#### Housing Benefit Payments

- The gross budget is £48.478 million, which is offset by £48.427 million of income, the majority of which is housing benefit subsidy. There is an underspend in respect of the payment of housing benefit of £420,000. This comprises additional recovery of over-payments, totalling £245,000, and £180,000 underspend as a result of the reduced need for a provision for bad debt.

#### Council Wide budgets

This section of the accounts includes budgets, provisions and services which are council wide, and not managed by an individual Directorate. The net budget is £41.179 million and the actual outturn was £31.567 million, resulting in an underspend of £9.612 million. The most significant variances are detailed below:

<b>COUNCIL WIDE BUDGETS</b>	<b>Net Budget</b>	<b>Outturn</b>	<b>Variance Over/ (under) budget</b>	<b>% Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Capital Financing	10,128	11,115	987	9.7%
Council Tax Reduction Scheme	14,304	13,358	(946)	-6.6%
Repairs and Maintenance	729	413	(316)	-43.3%
Insurance Premiums	1,559	1,316	(243)	-15.6%
Other Corporate Budgets	7,316	(1,516)	(8,832)	-120.7%

#### Capital Financing

- The net overspend of £987,000 is a combination of an underspend on interest paid due to lower borrowing than anticipated (£1.3 million), as the Council uses its own internal resources to finance schemes, which is more than offset by a one-off payment of £2.35 million of prudential borrowing in respect of Raven's Court to reduce future capital financing costs. There is also slightly lower interest realised than projected on internal borrowings following the repayment of previous prudential borrowing amounts.

### Council Tax Reduction Scheme

- The underspend of £946,000 is a result of lower demand than forecast for the Council Tax Reduction Scheme. This a demand led budget which is based on full take up, but actual take up is not known until year end. There is a reduction in this budget in the MTFs of £300,000 for 2017-18 with further budget reductions planned for future years, depending on take up at that time.

### Repairs and Maintenance

- The underspend of £316,000 is a result of slippage on some minor works schemes and feasibility studies, which will now be completed in 2017-18. An Earmarked Reserve has been established to meet these costs. There is also an underspend on prudential borrowing in respect of the Civic Offices Enveloping Scheme, which will be completed in 2017-18.

### Insurance Premiums

- The underspend of £243,000 has mainly arisen as a result of a fortuitous and unexpected rebate in respect of the Maesteg PFI scheme under the contract's premium sharing agreement (£170,000). There is also a small amount of additional income generated from recharges to direct labour organisations for insurance arranged on their behalf.

### Other Corporate Budgets

- There is a significant movement on the Council's balance sheet in respect of historic and current council tax and housing benefits debtors. This has created a favourable movement of £3.678 million on other corporate budgets. With regard to housing benefits, these have previously only been established as debtors in the housing benefits system and not in the Council's main accounts. This is a change of accounting treatment which, going forward, will recognise the debts in the year in which they are raised, rather than the year in which they are paid. The balance relates to a reduced bad debt provision in the balance sheet for council tax following higher recovery rates. Consequently these are one-off adjustments and will not reoccur.
- There is also an underspend of £961,000 in respect of insurance monies released into the revenue account to provide a contribution towards the 21<sup>st</sup> Century Schools programme. This funding has been transferred to earmarked reserves to offset the cost in 2017-18.
- There are a number of other underspends on council wide budgets, totalling £5.09 million including:
  - o Reduced requirement from Directorates in relation to pay and prices following low rates of inflation (£1.58 million). While this has not been required in 2016-17, this is currently a particular risk area for council budgets as inflation indices have risen over recent months.
  - o Lower than expected in-year cost of implementing auto enrolment for new entrants (£400,000). This cost should be fully known by the end of 2017-18 as the Council works towards the end of the auto enrolment transitional period (30 September 2017).
  - o Under spends on other corporate budgets e.g. corporate contingency, provision for increased superannuation and national insurance contributions (£1.7 million).
  - o In addition, funding was held corporately in the budget to meet the budget pressures associated with the Extra Care scheme (£1 million revenue contribution to capital) and implementation of the Welsh Language Standards. Due to the delay in the Extra Care scheme, the funding has been transferred to an Earmarked Reserve, pending construction works. In addition, a number of Welsh Language Standards are currently under appeal, and as a consequence there is a delay in implementation of the full suite of standards, and therefore spend on this budget (£319,000), until the outcome of the appeal is received from the Welsh Language Commissioner.
- These have been partly offset by a one-off payment of £896,000 of prudential borrowing in respect of Glamorgan Records Office to reduce future capital financing costs.

This underspend has enabled a number of new Corporate Earmarked Reserves to be established to meet pressures in 2017-18, some of which were reported in quarter 2 and quarter 3, including in particular contributions to the capital reserve in support of possible future additions to the capital programme (subject to full Council approval) and funding of demolition works, to avoid costs associated with vacant premises. The underspend 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 2017-18, many of which were originally planned to be undertaken in 2016-17. The underspend on accrued council tax income of £974,000 has been transferred into the service reconfiguration reserve to support the cost of transformation programmes. Further information on Earmarked Reserves is provided in note 27 to the Statement of Accounts.

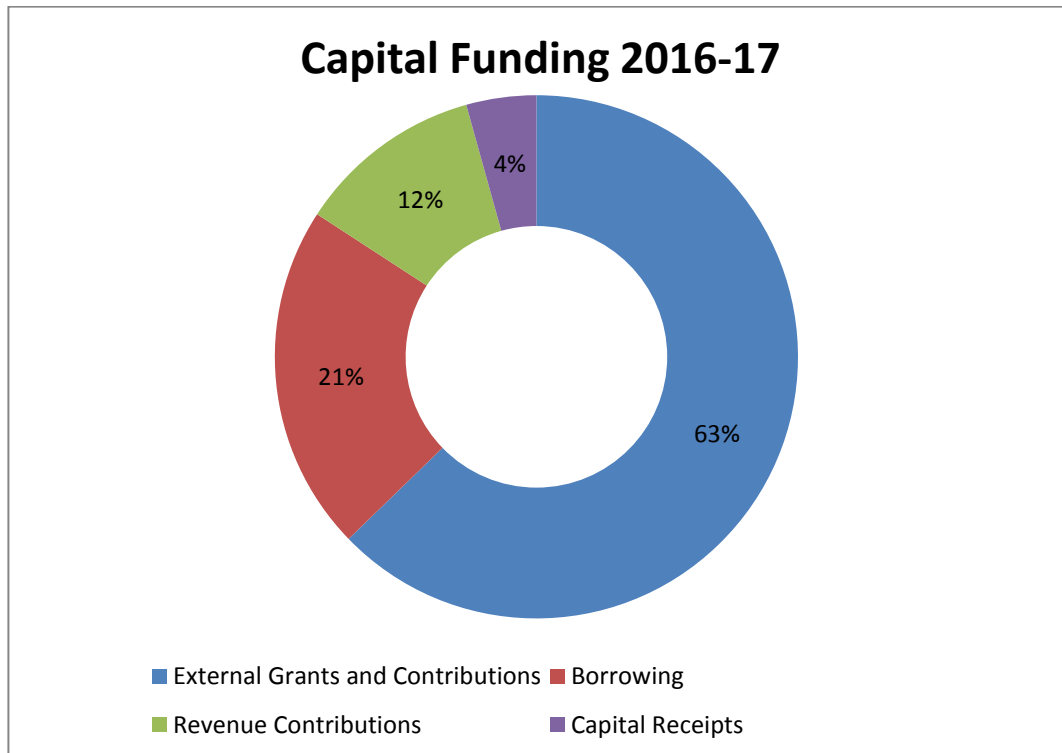
The council wide budgets have been reviewed as part of the MTFS 2017-18 to 2020-21 and will be subject to significant reductions over the life of the MTFS.

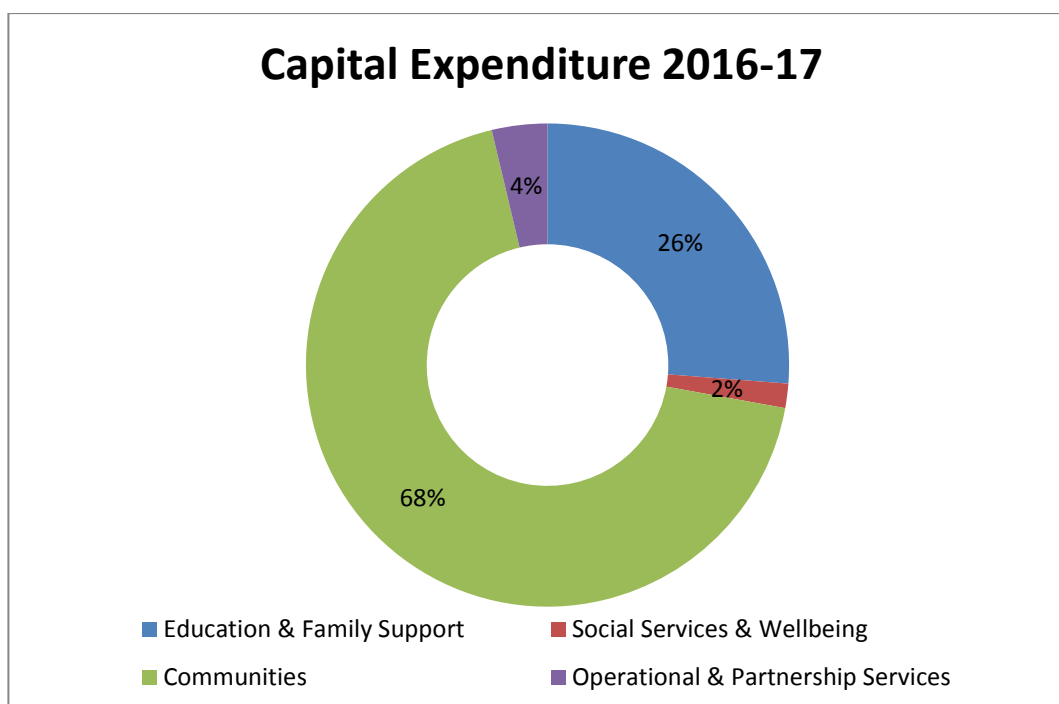
#### b) Capital spending in 2016-17

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 2016-17 was £18.356 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
- Garw Valley South, Pencoed and Brynmenyn Primary Schools
- Civic Offices refurbishment
- Disabled Facility Grants
- Carriageway reconstruction and street lighting

#### Where the money came from:



**What the money has been spent on:****Capital programme outturn**

The original budget approved by Council on 10 March 2016 was further revised and approved by Council during the year to incorporate budgets brought forward from 2015-16, budgets carried forward into 2017-18, and any new schemes and grant approvals. The revised programme presented to Council on 31 May 2017 totals £18.356 million for 2016-17. The main changes from the capital programme presented to Council on 1 March 2017 are:

- Total slippage of £7.670 million into 2017-18, including:
  - £565,000 in relation to school modernisation schemes;
  - £1 million fund set aside for parks and pavilion improvements to support successful Community Asset Transfer;
  - £922,000 for Housing related / Disabled Facilities grants, as a result of timing differences between grant awards and householder claims. There was slippage against the Disabled Facilities Grants budget in previous years due to delays with occupational health referrals, leading to a backlog, and this has had a knock-on effect to the ability to catch up in the following year. The commitment has carried forward into 2017-18. In addition, there was a delay in receipt of applications for Empty Homes Grants and Gomer in Towns Grants which has led to a further underspend. These grants should be fully spent in 2017-18.
  - £480,000 in respect of the purchase of income-generating non-operational assets;
  - £820,000 minor works schemes due to completion of schemes rolled forward from the previous year, subsequent delays in commencing current year schemes and limited capacity within the Built Environment Service.
- Reduced budgets for a number of schemes in 2016-17, totalling £871,000, particularly in respect of the proposed replacement Mynydd Cynffig Primary School which has been removed from the capital programme.

Total expenditure as at 31st March 2017 is £18.266 million, resulting in an underspend of £89,000 on BCBC resources. This under spend will be returned to the Capital Receipts Fund.

### 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:-

	2016-17 £m
<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 2017 long term borrowing totalled £97.432 million (£97.434 million 2015-16) and long term liabilities totalled £21.064 million (£21.759 million 2015-16) 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 2017 can be summarised as follows:-

Opening Balance 2016-17 £'000	Reserve	Movement during 2016-17		Closing Balance 2016-17 £'000
		Additions/ Re- classification £'000	Drawdown by Directorates £'000	
7,604	Council Fund Balance	356	-	7,960
2,154	Delegated Schools Balance	-	(1,288)	866
3,706	Maesteg School PFI Equalisation	243	-	3,949
39,053	Earmarked Reserves	13,754	(6,463)	46,344
<b>52,517</b>	<b>TOTAL INCLUDING COUNCIL FUND</b>	<b>14,353</b>	<b>(7,751)</b>	<b>59,119</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 2017-18. 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.

### Earmarked Reserves

The Council is required to maintain adequate financial reserves to meet the needs of the organisation. The MTFs includes the Council's Reserves and Balances Protocol which sets out how the Council will determine and review the level of its Council Fund balance and Earmarked Reserves. During 2016-17, Directorates drew down funding from specific Earmarked Reserves and these were reported to Cabinet through the Monitoring Reports. The final Directorate draw-down from Reserves is detailed below:-

	<b>Draw down from Earmarked Reserves 2016-17 £'000</b>
<b>Education &amp; Family Support</b>	2,543
<b>Social Services &amp; Wellbeing</b>	1,806
<b>Communities</b>	2,288
<b>Operational &amp; Partnership Services</b>	1,056
<b>Chief Executives</b>	58
<b>Total</b>	<b>7,751</b>

The draw-down was £4.095 million from Corporate Reserves, £2.368 million from Directorate Reserves and £1.288 million in respect of a net movement on school balances.

At year end, the Protocol requires that the Chief Finance Officer reviews existing Earmarked Reserves, and consider requests from Directorates for new Reserves or additional Corporate Reserves based on new risks or pressures. This review has now been undertaken together with an assessment of the risks and pressures that are sufficiently 'known' or 'probable' over the MTFs period and for which an Earmarked Reserve is therefore required. This review has identified the need for £10.416 million to create new or enhance existing Corporate Reserves including reserves to help support the Capital Programme, to meet the cost of future service reconfigurations (including severance payments), to provide funding for the Extra Care Provision as agreed within the MTFs, to continue with the Council's Digital Transformation programme and to replenish the MTFs Contingency Reserve.

In determining what Directorate Earmarked Reserves are required, priority has been given to those demonstrating significant risk, those which are sufficiently 'known' or 'probable' and those for which funding needs to be set aside as a priority, with consideration given to any existing reserve balances. The total of new and replenishments to existing Directorate Earmarked Reserves is £2.093 million. The largest addition is £1 million to the Looked After Children's Reserve to replenish the reserve and further enhance it following the draw-down of almost £800,000 during the 2016-17 financial year. The total of additions/reclassifications as a result of the Chief Finance Officer's review is £12.509 million.

As per last year, under proper accounting practice as detailed in CIPFA's Code of Practice on Local Authority Accounting, all grants and contributions should be analysed to see whether there are specific conditions attached to them. When the conditions are actually satisfied the grant is credited to the Comprehensive Income and Expenditure Statement regardless of whether the actual expenditure has been incurred. In these cases the Council can decide to transfer the grant monies to an



Earmarked Reserve to fund future expenditure. In 2016-17, there was £841,000 of grants received which, in line with International Financial Reporting Standards (IFRS), have been transferred to Earmarked Reserves to ensure the funding is protected in accordance with the original terms and conditions of the grant or contribution.

There are also a number of '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, Maesteg PFI funding, Building Control costs, Special Regeneration Fund projects and the preparation of the Local Development Plan. These have been enhanced by £647,000 at year end.

A full breakdown of the total movement on Earmarked Reserves as at 31 March 2017 is provided in Note 27 to the Core Financial Statements. Total Reserves excluding the Equalisation of Grants and Spend is £44.418 million, an increase of £4.758 million from the start of the financial year. The remaining under spend on the revenue account of £356,000 will be transferred to the Council Fund.

#### **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 2017. 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 2016-17 is £252.450 million (£245.270 million in 2015-16), an increase of £7.18m. 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 2016-17 compared to 2015-16**

The Council's accounts for the financial year 2016-17 have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 ('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 'Telling the Story' and changes to the presentation of information to aid a better understanding of the Council's service management and this has been reflected in the production of the Statement of Accounts for 2016-17.

## **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.

Signed: \_\_\_\_\_

**Councillor Lyn Walters**  
**Chair of Audit Committee**

**28 September 2017**

### Section 151 Officer's Responsibilities

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

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

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

The Section 151 Officer has also:

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

### Section 151 Officer's Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of Bridgend County Borough Council as at 31 March 2017 and of its income and expenditure for the year ended 31 March 2017

Signed: \_\_\_\_\_

**Randal Hemingway**  
**S.151 Officer & Head of Finance**

**28 September 2017**

## Annual Governance Statement 2016-17

### 1. Scope of Responsibility

- 1.1 Bridgend County Borough Council (the 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.
  - a. The Council has 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) (The 2007 edition).
  - b. In 2016, CIPFA and SOLACE published the revised *Delivering Good Governance in Local Government Framework* and the *Delivering Good Governance in Local Government Guidance Notes for Welsh Authorities*. The revised Framework establishes a new set of seven principles that characterise effective governance for all local authority bodies. These principles have superseded those set out previously in 2007. The Council has reviewed its Code of Corporate Governance to reflect these new principles.
- 1.6 Following discussion with the Wales Audit Office (WAO), it has been agreed that 2016-17 will be a transitional year in the way that the Council produces its Annual Governance Statement. For the purposes of this report, the Council has followed the historical six principles as set out in the 2007 Framework in demonstrating strong governance and where possible has included evidence to support governance against the new principles. Next year the Council will draw on the new principles in producing its Annual Governance Statement in line with the new 2016 framework.

### 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 2017. The description of the arrangements in place is built around the core principles set out in the Council's Code of Corporate Governance.

### 3. The Governance Framework

The table below outlines the governance framework by which the Council is directed and controlled and through which it accounts to, engages with and, where appropriate, leads its communities

Key Documents: Annual Review/ Production	Key Documents: Ad hoc Review/Production	Process/ Regulatory Monitoring
Corporate Plan Medium Term Financial Strategy Annual Report Annual Governance Statement Asset Management Plan Budget Book Communications, Marketing and Engagement Strategy Code of Corporate Governance Corporate Risk Assessment Directorate Business Plans Financial Resilience Report Single Integrated Partnership Plan Statement of Accounts Treasury Management Strategy Workforce Plan	Anti-Fraud and Bribery Policy Anti-Money Laundering Policy Assessment of Local Wellbeing Business Continuity Plans Code of Conduct – Part 5 of the Constitution Constitution Contract Procedure Rules Corporate Complaints Policy Corporate Training and Development Elected Member Learning & Development Strategy Financial Procedure Rules Health & Safety Gap Analysis/Policy Human Resources Protocols & Management Guidelines Information & Communications Technology Strategy Information Management Strategy Performance Management Framework Record of Decisions Shaping Bridgend's Future Consultation Social Services Representations & Complaints Procedure Strategic Equality Plan Whistleblowing Policy	Audit Committee Annual Improvement Report (WAO) Budget Monitoring Reports to Cabinet & Scrutiny Committees Citizens' Panel Corporate Assessment (WAO) Corporate Safeguarding Policy Corporate Performance Assessment (CPA) Council Tax Leaflet External Audit Forward Work Programme for Committees Freedom of Information Head of Finance – s151 Officer Inspectorate Reports Internal Audit Job Descriptions Job Evaluation Process Law & Governance Member Development and Induction Monitoring Officer Regulatory, Scrutiny & Standards Committees Scheme of Delegation Staff Induction Treasury Management Monitoring Reports

3.1 The six principles of corporate governance (2007 Framework) that underpin the effective governance of all local authority bodies as defined by CIPFA and SOLACE and adopted by the Council 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 identified the following points whilst gathering evidence under each of the principles to gain assurance that governance within the Council is robust. The new 2016 principles are outlined in brackets where it is possible to map these against the historic principles as per the CIPFA guidance 2016.

**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 (CIPFA 2016 - Principle C – Defining outcomes in terms of sustainable economic, social, and environmental benefits)**

4.1 The Council has a clear vision – one Council working together to improve lives. In 2016, the Council developed a new set of corporate priorities and defined clear outcomes for each priority. A new corporate plan for 2016-2020 was created to realise the vision and to deliver outcomes for the local people, 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 forecast reductions in funding from the Welsh Government. 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

4.2 The Council has reviewed these priorities recently against the requirements of the Well-being of Future Generations (Wales) Act 2015 as well as the requirements of the Local government (Wales) Measure 2009, and decided that these three priorities are its improvement objectives under the Measure and wellbeing objectives under the Act. The reviewed Corporate Plan for 2017-18 has reflected these amendments. It has also embedded the Council's wellbeing state, required by the Act, into the document, and sets out how our priorities link to the seven national wellbeing goals.

4.3 The vision, principles and improvement priorities set out in the Corporate Plan available via this link <http://www1.bridgend.gov.uk/media/414512/reviewed-bcbc-corporate-plan-2016-2020-for-17-18.pdf> give the direction for development of Directorate Business Plans. The Corporate Plan identifies a number of outcome-focused success indicators, some of which are benchmarking

measures. The indicators included in the Plan are aimed at measuring the success of our outcomes and evidence our joined up working with citizens and partners, as well as providing a measure of performance. These are reported to Corporate Performance Assessment (CPA) panel on a regular basis and subject to scrutiny on a bi- annual basis.

- 4.4 Alongside the Corporate Plan, the Council approved a Medium Term Financial Strategy (MTFS) for the period 2016-17 to 2019-20 available via this link <http://parliament/ieListDocuments.aspx?CId=142&MId=2341&Ver=4>. 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.
- 4.5 The Council has a range of projects and programmes in progress to ensure that the improvement priorities are achieved and provides corporate leadership that supports change throughout the Council. The Corporate Programme Management Board (PMB) oversees a number of major initiatives to deliver change:
- 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; and
  - Strategic collaboration projects e.g. City Deal.
- 4.6 The Council works collaboratively with a number of partners providing joint services to maximise efficiencies and improve outcomes for the benefit of our citizens. Key collaborations include: Shared Regulatory Service, Central South Consortium, Western Bay, HALO, Awen, Coychurch Crematorium. These partnerships are initially monitored by those elected members appointed by Cabinet/ Council to represent the Council's interests on the outside body. The Overview and Scrutiny Committee also receive reports from Council partners which enable Elected Members to monitor the governance arrangements and the outcomes being delivered.
- 4.7 The Auditor General for Wales (the Auditor General) audited the Council's Improvement Plan for 2016-17, and also one for 2017-18, and for each year certified that the Council had 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.
- 4.8 The Auditor General also audited the Council's assessment of its performance in 2016-17 in accordance with the Measure and his Code of Audit Practice and certified in November 2016 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.

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

- Ongoing use of the Citizens' Panel (a representative group of over 1,500 residents aged 16+) and extensive public consultation and engagement activity undertaken with citizens on various Council services and policies including reduction proposals;
- Delivery of the Council's Communications, Marketing and Engagement Strategy 2016-17
- Highest response by % of residents in Wales to the budget consultation.
- Increased the range of ways citizens can complete surveys ie desktop, tablet or mobile.
- Introduced an email database (in addition to the Citizens' Panel of over 1,500 residents who have requested to be kept up to date on key consultations.
- Citizen engagement and involvement activities to inform Bridgend's Assessment of Wellbeing, and public consultation on the draft assessment developed by the Public Services Board

5. **Principle 2 - Members and Officers working together to achieve a common purpose with clearly defined functions and roles**

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 the Council;
- The Leader appoints members of the Cabinet and announces the Deputy Leader and the portfolio of Cabinet Members, details of which are published on the website;
- 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. Audit Committee appoints its own Chairperson;
- In total there are five Scrutiny Committees who 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, lay members, co-opted members and Church and Parent Governor Representatives. In total there are 8 members of the Committee, representing the above.

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. The Corporate Director, Operational and Partnership Services is the Monitoring Officer appointed under Section 5 of the Local Government and Housing Act 1989. The post holder holds overall responsibility for ensuring compliance with the law and his staff work closely with departments to advise on legal matters.
- 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. Changes to the management structure were proposed by the Chief Executive (following the post of the Corporate Director – Resources becoming vacant) and were agreed by Council in April 2016.
- 5.7 Since the deletion of the post of Corporate Director, the Head of Finance has been nominated as the Council's Section 151 Officer, as required by the 1972 Local Government Act, and carries overall responsibility for ensuring that the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The corporate finance function provides a range of support to departments and determines the budget preparation and financial monitoring process. Whilst not a Corporate Director, the Section 151 Officer is a member of the Corporate Management Board on the same basis as other members.
- 5.8 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. Following changes made in December 2014, the Corporate Director – Social Services and Wellbeing now holds 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.
- 5.9 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.
- 5.10 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. The incumbent post holder has taken a secondment to Welsh Government and an interim Head of Service was engaged in April 2017 to cover this role for the duration of the secondment.

- 5.11 The Council's Workforce Plan aims to identify critical workforce issues and provide a structured and co-ordinated approach to building the capacity and capability of our workforce. Updated annually by Human Resources (HR) in consultation with Business Managers, the plan incorporates an action plan of HR and Organisational Development (OD) Action Plan and is approved by the Corporate Management Board.
- 5.12 Corporate training and development opportunities are provided for priority areas either through targeted face to face training and e-learning, which employees can access through a learning management system. Specialist training is also provided and co-ordinated by service areas, which includes training to meet new legislative requirements.
- 5.13 Training needs are identified through the employee appraisal process where managers are able to identify with employees their development needs. A Core Training Framework is available providing details of corporate training available to assist this process.
- 5.14 Job descriptions are available which set out the job purpose and summarise main responsibilities and activities of the role. These are reviewed as part of the appraisal process. Appraisals take place between January and June each year and actions and targets are linked to service priorities reflected in annual business plans.
- 5.15 Terms and conditions of employment are set out for all employees via their Written Statement of Particulars of Employment. These comprise national terms and conditions of employment and those negotiated on a local basis, e.g. the Council's Pay and Grading Scheme
- 5.16 HR policies protocols and managers' guidelines are available and are reviewed to ensure they are compliant with employment legislation, best practice and meet organisational needs. These are developed in consultation with legal colleagues and Trade Union representatives. The key policies are approved by Cabinet.
- 5.17 Health and wellbeing support is available for employees through the Care First counselling and employee assistance scheme which provides 24/7 access to counselling and advice on a broad range of workplace and personal matters, as well as a programme to help improve employees' health and wellbeing.
- 5.18 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 Framework is structured around the 'Plan, Do, Review, Revise' model. It clearly defines the Council's processes and procedures for performance management at each stage, including monitoring and performance data. It establishes the roles and responsibilities of members, managers and staff through the cycle. It shows the relationship between process and plans at Corporate, Directorate and Service level, linking to individual appraisals. It includes expectations around the style and behaviour of managers to support the further evolution of a strong culture of self-assessment.

- 5.19 During 2016-17, the Council strengthened the Corporate Management Board (CMB) challenge on Performance Management, to complement the Corporate Performance Assessment (CPA). This structured challenge further developed the use of Performance Indicators linked to service improvement and extended the opportunities for more detailed discussion of performance issues. The Performance Management system has been further developed to reflect these changes and continues to provide timely, consistent management information for managing service improvement and decision making.
- 5.20 In his Corporate Assessment report, published in January 2016, the Auditor General 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 CMB 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 (CIPFA 2016 - Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law)**
- 6.1 There is a clear vision for the Council, that is, always to act as ‘One Council working together to improve lives’. The Council recognises that it will become a smaller, more flexible and innovative authority that works with partners and local communities to create a future in which residents have access to a more responsive and tailored service. It will also mean that residents take greater responsibility for making that happen, both for their own sake and for that of the community as a whole. These values are set out in the Council’s Corporate Plan.
- 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.
- 6.3 The Council is committed to the sustainable development principle and the five ways of working provided by the Well-being of Future Generations (Wales) Act 2015. The Council appointed a Cabinet Member for Well-being and Future Generations to lead the implementation of the Act. The Council has integrated well-being planning into its corporate and business planning process. The Council is reviewing its Performance Management Framework to ensure the sustainable development principle and the five ways of working underpin everything it does: plan-do-review-revise.
- 6.4 The behaviour of elected members and officers is governed by codes of conduct. Elected members are provided with training in accordance with the Elected Member Learning and Development Strategy which is approved by Council and co-ordinated by Democratic Services. Topics include code of conduct, declarations of interest and other subjects which clarify the behaviours of elected members. Some training particularly relating to regulatory functions have been identified as mandatory to ensure that Elected Members have a full understanding of their role before they make key decisions. Democratic Services also monitors training, provides reminders and maintain documents and publish a variety of documents and registers including the register of Gifts and Hospitality for Elected Members and Officers.

- 6.5 The Council takes fraud, corruption and maladministration very seriously and has the following procedures and 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
  - Social Services Representations & Complaints Procedure
  - Financial Procedure Rules
  - Contract Procedure Rules
- 6.6 Conduct of Members is monitored by the Public Services Ombudsman for Wales and the standards reflect Welsh Government Public Service Values. 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. There has not been a referral to the Standards Committee in respect of a Council member for many years and the Monitoring Officer has utilised the internal informal protocol approved by the Public Services Ombudsman for Wales successfully.
- 6.7 The Audit Committee helps raise the profile of internal control and risk management within the Council. This enhances public trust and confidence in the financial governance of the Council.
- 6.8 The Council has a protocol for the use of Social Media. <http://www1.bridgend.gov.uk/media-centre/terms-and-conditions/social-media-policy.aspx>. 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 (CIPFA 2016 - Principle F – Managing risks and performance through robust internal control and strong public financial management)**
- 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); the Grants Policy and the Corporate Risk Management Policy. All managers have responsibility to ensure compliance with these policies.
- 7.6 The Council has adopted a category management approach to procurement. This is a strategic approach where our procurement resources are organised to focus on specific areas of spends. This enables category specialists to focus their time and conduct in depth market analysis to fully leverage procurement decisions on behalf of the Council as a whole. The results can be significantly greater than traditional transactional based purchasing methods. The corporate procurement unit also utilises and promotes collaborative frameworks, particularly the National Procurement Services (NPS).
- 7.7 The Council's Performance Management Framework describes the 'Golden Thread' for planning which links the Council's vision of "One Council 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 Public Services Board that is currently preparing its Wellbeing Plan and objectives that will influence/ and be influenced by the Council's priorities in the future. The vision and priorities set out in the Corporate Plan have a direct relationship with Directorate business plans, service delivery plans, group delivery plans and individuals' objectives within staff appraisals.
- 7.8 The Corporate Performance Assessment (CPA) is undertaken on a quarterly basis and is attended by Cabinet Members, Corporate Management Board, and Heads of Service. 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.
- 7.9 Specifically, the CPA monitors:
- The financial position by Directorate;
  - The Council's improvement priorities as defined by the Corporate Plan;
  - Service actions that are linked to Directorate priorities as defined by the Corporate Plan;
  - Key indicators/measures, through four perspectives that are linked to Directorate priorities in line with the Corporate Plan and at Service level for monitoring key operational performance; and
  - Corporate risks.
- 7.10 When necessary, the CPA may also, by way of exception, monitor progress against relevant national and collaborative initiatives.
- 7.11 During the latter part of 2015, Cabinet and CMB reviewed the current CPA process and agreed that for 2016-17, the CPA would cover a broader range of measures to assess performance

both of the Corporate Plan and at Service level in relation to business as usual activities. It was agreed that outcomes would be measured through four perspectives, concentrating on performance indicators that supported tangible outcomes. The indicators would measure value for money, service user outcomes, internal processes and organisational capacity. Indicators are monitored at the Head of Service level for there to be greater accountability across the organisation and a balanced scorecard approach is used in monitoring performance for 2016-17 onwards. CPA undertaken during 2016-17 reflected the new process, with work ongoing during the year to strengthen the suite of indicators used to challenge performance at Head of Service and Corporate Director Level.

- 7.12 The Council has developed a robust approach to the management of risk. The Corporate Risk Management Policy is aligned with Directorate Business Plans and the Council's performance management framework. All risks identified are assessed against the corporate criteria.
- 7.13 Risks are viewed from both a Service and Council-wide perspective which allows the key risks to be distilled in the Corporate Risk Register. Key corporate risks are monitored at the highest level within the Council, including Cabinet, Senior Management Team, Programme Management Board, CPA Overview and Scrutiny Committees and Audit Committee. The Council's approach ensures that key risks are considered when determining Council priorities, targets and objectives and are incorporated in Directorates' Business Plans. The main risks facing the Council that were identified during 2016-17 are set out in the Council's Corporate Risk Register which can be accessed <http://www.bridgend.gov.uk/media/393300/risk-register-2016-17.pdf>
- 7.14 In April 2015 Senior Management Team (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.
- 7.15 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. CMB regularly monitor the overall budgetary position and achievement of specific budget reductions and quarterly budget monitoring reports are produced for Cabinet and Scrutiny Committee. This work informs the production of the statutory annual Statement of Accounts.
- 7.16 The Council is committed to demonstrating due regard to the Equality Act 2010 and the Public Sector Equality Duty. It published its Strategic Equality Plan 2016-2020 on 1 April 2016. The plan outlines the Council's approach to ensuring equality of opportunity for customers, citizens, residents and visitors and seeks to ensure that Bridgend County Borough is a fair and welcoming place to be. The plan has been written based on what we know about our services and on the views and needs of Bridgend County Borough citizens and the people who use

them. The Council has a duty to publish Strategic Equality Plan annual reports with the most recent going to Cabinet Equalities Committee in March 2017. 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 (CIPFA2016 - Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it)**
- 8.1 The Council aims to ensure that members and officers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities as outlined in their job/role descriptions. New members and staff are provided with an induction to familiarise them with protocols, procedures, values and aims of the Council.
- 8.2 Organisational structures in respect of Member responsibility and Directorate portfolios are contained within the constitution and are available on the Council's website. Members also have agreed role descriptions.
- 8.3 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.
- 8.4 Modern.Gov the Committee Administrative system is used to automate many of the administrative duties in respect of elected members and the formal decision making process. The system aids decision making, enables the tracking of actions and monitoring of decisions and provides a web-based decision register.
- 8.5 The Council takes a pragmatic approach to delegation of powers for decision making enabling lower level decisions to be subject to 'calling to account' but not 'call in' by scrutiny. The scheme is reviewed in detail regularly, updated to reflect any changes in legislation and following changes to the corporate structure and is published to the intranet. The Authority is informed of any changes that have been made using Bridgend's messages. Delegated powers and limits are clearly set out as are the use of sub delegations enabling effective and timely decision making.
- 8.6 The Auditor General's corporate assessment found that the Council's elected Members benefitted from a range of opportunities that equipped them with the skills they needed to discharge their roles effectively.
- 8.7 The Member Development Programme is regularly reviewed to ensure that any training activities are appropriate, relevant and timely. Webcasting Training has been delivered to elected Members and to Officers. A provider has been sourced and webcasting of Council and Committee meetings has become a performance indicator requiring at least 10 meetings to be webcast until 2018.

- 8.8 In 2016-17 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 (CIPFA 2016 - Principle B – Ensuring openness and comprehensive stakeholder engagement)**
- 9.1 The Council is committed to understanding and learning from the views of the public and using their feedback to help shape services and policies. There is a consultation and engagement toolkit in place to help managers to ensure consultation activities are robust as well as following legal guidance (Gunning's principles) and Participation Cymru's National Principles for Public Engagement in Wales that have been adopted by the Council. The planning and decision-making processes are designed to include consultation with stakeholders. The Communications, Marketing and Engagement Strategy provides a framework for engagement activities, which are undertaken by the Council.
- 9.2 The Welsh Language (Wales) Measure was introduced by Welsh Government in March 2010 and a compliance notice was served on the Council on 30 September 2015. The Council has made significant steps in its use of the Welsh Language to give Welsh speakers improved, enforceable rights in relation to the Welsh Language and has implemented a number of the standards. The Council is negotiating with the Welsh Language Commissioner in relation to implementing the remaining standards.
- 9.3 The Council has a Citizens' Panel made up of over 1,500 residents 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. This has helped to understand residents' opinions about the services the Council provides and to help improve things in the future. The panel is currently representative of residents aged 25 and over. The consultation team has key performance indicators in place to increase representation of 16-24 year olds, Welsh speakers and disabled residents, as well as indicators to increase representation across each ward to a minimum 1 per cent.
- 9.4 During 2016-17, the Council consulted on a wide range of issues including the following (this list is not exhaustive):
- Shaping Bridgend's Future;
  - Understanding demand for Welsh language education
  - Bridgend Town Centre access survey
  - Household waste: additional allowance scheme
  - Digital transformation
- 9.5 The Shaping Bridgend's Future consultation included 15 community engagement events/stands throughout the county borough, and, an online survey which captured the views of the public on how to achieve the necessary budget savings.



- 9.6 Social media is used to promote services and engage with the public, Regular Q&A sessions/debates are held 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.
- 9.7 Increasingly, surveys are being made available on desktop, tablet and mobile to increase the likelihood of residents responding. The consultation team has also created a database of over 1,500 residents who are interested in receiving HTML emails regarding key consultations happening in the county borough.
- 9.8 Citizens' Panel members and residents who opt to receive key consultation updates are sent engagement details on projects that may be of interest to them. Using the database has seen a 68% improvement in response rate for the PSB survey (online consultation on the Wellbeing Assessment) in 2017. Bridgend Business Forum members, the youth Council and the Bridgend Equality Forum are all invited to share their views (when relevant) to improve representation.
- 9.9 There is regular communication with staff through managerial arrangements which is supplemented by
- Bridgenders
  - Bridgenders Bulletin
  - Chief Executive updates to employees
  - Senior Management workshops

Trade Union meetings are held regularly with the Head of HR and representative Cabinet members.

- 9.10 The Corporate Plan is published on the Council's website, is communicated widely to staff and approved by Members, through the normal democratic process. Performance data is also published on the Web, to support the Council's achievements in delivering its improvements for the year. The Annual report is published on the website and like the Corporate Plan and performance data is agreed by elected members at Cabinet and Council on an Annual Basis. Notifications for the Corporate Plan and the Annual Report are published on the website and the local gazette on annually. The Annual Report is also available in key public buildings around the Borough for citizens to read.
- 9.11 The Council operates both a Corporate Complaints Procedure and a Social Services Representations & 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, in writing and for Social Services complaints can also be made verbally. The Council has set target times for responding to all complaints received to ensure accountability. The operation of the Complaints Policy is reported annually to full Council as it provides an opportunity for improvement in service delivery. Social Services also produce an Annual Report on their complaints which is reported to Cabinet.
- 9.12 There is a Corporate Safeguarding policy which includes details of Safeguarding in Employment.

- 9.13 The Recruitment and Selection Protocol and Managers' Guidelines detail the pre-employment vetting which involves establishing full employment histories; proof of identity; satisfactory references; health assessment; checks of qualifications; asylum and immigration checks; and criminal record checks with the Disclosure and Barring Service.
- 9.14 The Disclosure & Barring Service Policy applies to employees, volunteers, work placements and elected members. In addition, foster carers and prospective adoptive parents, student placements, licencing and school transport arrangements and any other regulated positions also come under the provisions of this policy. Additionally it applies to those directly employed by governing bodies.
- 9.15 The Council makes a large amount of information available to its citizens in an open and friendly way. Information can be obtained through the Council website and many other publications. Under the Freedom of Information Act, the Council is required to increase access to the information it holds, and part of the Act requires the provision of a Publication Scheme. The Scheme has been approved by the Information Commissioner's Office who is responsible for ensuring compliance with the legislation. The Scheme provides a guide to the information routinely made available to the public. Not all the information the Council publishes is detailed in the publication scheme. Information that is not published can be requested by making a FOI request. The Council considers all requests under the provisions of the legislation and adheres to the requirement to respond within 20 working days.
- 9.16 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. Work Programmes with agreed timescales for report, submission, approval by Legal and Finance, publication and distribution aid decision making at a strategic level. This ensures a corporate check on the impact of decisions and also probity both in legal and financial authorisations. The Council also implemented a webcasting facility in early 2016, which provides live streaming and an archive facility. The number of webcast viewers is monitored and the results are reported to the Democratic Services Committee. Officers and members work together to identify those meetings which are considered to be of key public interest and suitable for webcasting. Members of the public and 'expert' witnesses can participate by speaking at Overview and Scrutiny Committees similar to arrangements already in place for Development Control Committee.
- 9.17 The Well-being of Future Generations (Wales) 2015 Act (the 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 Council is one of the four statutory members of Bridgend Public Services Board (PSB). The Board also includes 'Invited Participants'. The work of the PSB can be found at Public Services Board - Bridgend County Borough Council: <http://www.bridgend.gov.uk/services/public-services-board.aspx>.
- 9.18 The main focus of the PSB in 2016-17 has been the statutory requirement to publish an Assessment of Local Wellbeing by April 2017. The Assessment will inform the wellbeing objectives to be included in the Wellbeing Plan which will be published by May 2018. The PSB is also responsible for implementing Bridgend County Together, the Single Integrated Partnership Plan for Bridgend, until it is replaced by the Wellbeing Plan. The PSB is taking a project approach to delivering its identified priorities. During the year the PSB also agreed its

Terms of reference and developed its governance arrangements, including embedding in Scrutiny arrangements.

9.19 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 have agreed that collaboration should focus on projects which have the potential to generate the greatest benefit, make a clear contribution to the Council's corporate priorities and result in a clear service benefit. In the recently published White Paper 'Reforming Local Government: Resilient and Renewed' the Welsh Government sets out its proposals for mandatory and systematic regional working to offer an opportunity to strengthen, regularise and simplify the existing arrangements between Local Authorities. Services that could be affected include transport, land use planning and building control, social services, education and public protection. Whilst the authority is already operating collaboratively in a number of these areas of service, there are still areas where joint working can be progressed.

## 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. 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. Much of this work is 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 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 A comprehensive Member Development Programme has been provided to ensure that all members (including the Lay and Co-opted Members) have the opportunity to gain a comprehensive understanding of their role as described in the Elected Member Role Descriptions approved by Council. 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 has been recognised by Estyn which noted that training provided to elected members increased their understanding and ability to interrogate data to enable them to challenge performance particularly regarding school performance data.

10.5 Members have a key role to play in safeguarding children and adults at risk. Members have been able to access training to further their understanding of their responsibilities in relation to safeguarding children and adults. The training which took place over several dates between October and December 2016 considered safeguarding within the context of the Social Services & Wellbeing (Wales) Act 2014.

10.6 The Council has adopted the WLGA model of role descriptions for all committee Member and Chairpersons including the Audit Committee. These have been adapted to reflect the specific roles undertaken in the Council which enables members to better understand their role and identify any further support or training that they 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.

10.7 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.

10.8 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 2016-17, in carrying out its duties, Internal Audit worked to the Public Sector Internal Audit Standards (PSIAS). The PSIAS is applicable to all areas of the United Kingdom public sector and is based on the Chartered Institute of Internal Auditor's (CIIA's) International Professional Practices Framework. In accordance with the Public Sector Internal Standards the Internal Audit Shared Service underwent an external assessment,

which has been agreed by the Council's Audit Committee. Following a procurement exercise, CIPFA were commissioned to undertake the assessment which commenced at the end of January 2017 and concluded in February 2017. The outcome of the assessment was reported to the Council's Audit Committee on 27 April, which indicated that the assessment identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. A number of recommendations have been made and whilst a number have already been actioned, the Council's Audit Committee will retain oversight of the implementation process to ensure that all recommendations are addressed.

- 10.9 Internal Audit completed a programme of reviews in accordance with the Annual Audit Plan for 2016-17. 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. In addition, Internal Audit undertakes fraud investigation and is proactive in fraud detection work. This includes reviewing the control environment in areas where fraud or irregularity has occurred. Any significant weaknesses in the control environment identified by Internal Audit are reported to senior management, the Audit Committee and Cabinet as appropriate.
- 10.10 The internal audit arrangement enables the Chief Internal Auditor to provide an opinion on the internal control, risk management and governance arrangements. The Head of Internal Audit has found that the 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, and that the Council's financial management arrangements was conforming to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). On the basis of the audit work and taking into account all available evidence, the Head of Internal Audit has concluded that "the Council's framework of governance, risk management and control is considered to be satisfactory" and that "there are no significant cross cutting internal control weaknesses identified so far this year which would impact on the Council's Annual Governance Statement."
- 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, the Financial Resilience Assessment and the Corporate Assessment and followed up by the Wales Audit Office in 2016-17
- 10.12 Following on from the WAO proposals for improvement, the production and focus of the Annual Report was reviewed for 2015-16 making it more outcome focused and easier for citizens to understand the improvements the Council made in line with the improvements set out in the Corporate Plan. The effectiveness of the improved Annual Report 2015-16 is yet to be assessed by the WAO.
- 10.13 The Financial Resilience Assessment was undertaken during June to September 2016 and focused on delivery of the 2015-16 savings plans, the quality of its medium term financial plans and the robustness of its 2016-17 savings plans. The auditors also followed up their 2015-16 work to determine what the Council did as a consequence of what it learnt and how it had responded to the proposals for improvement in relation to financial planning. The auditors

sampled some of the savings proposals for 2016-17 and looked at the underlying assumptions, and whether there are adequate mechanisms to ensure they can be delivered in the planned timescale. In the review they found that the Council has strengthened its arrangements for reporting on the use of reserves but its approach to developing savings plans weakens arrangements. Over half of the savings plans are insufficiently well developed when setting the annual budget to ensure delivery in planned timescales and indicative savings plans for future years lack detail.

10.14 Overall the assessment concluded that “Whilst the Council has a sound financial planning framework underdeveloped savings plans may not fully support future financial resilience”. They made one proposal for improvement:

- That the Council strengthen financial planning arrangements by:
  - ensuring that savings proposals are fully developed and include realistic delivery timescales prior to inclusion in the annual budget; and
  - identifying indicative savings proposals over the period of the MTFS.

10.15 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.

10.16 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.

10.17 The outcome of the assessment was 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”*.

10.18 Since the conclusions of the Auditor General, the ICT Service has been developed to support the Council’s transformation agenda. An ICT Strategy has been developed and approved by Cabinet. The digital transformation is a key project to enable change as part of the Council’s transformation programme and training and development opportunities have been put in place to help address recruitment and retention issues within the ICT service.

10.19 The HR service has been further developed, specifically workforce planning so that they support the Council’s transformation agenda and ensure workforce considerations are embedded in service business planning.

10.20 The Council has also addressed the areas where improvement was identified by the Corporate Assessment, including the way in which its performance is evaluated and presented, evidenced by its annual report for 2015-16, performance report to Scrutiny Committees and the Council’s Corporate Plan and Directorate Business Plans for 2017-18. The WAO was undertaking a follow-up audit to ensure progress while this statement was prepared.

- 10.21 The Council has strong mechanisms in place to engage with citizens and partners to ensure there is transparency and public accountability. This includes for example in March 2017 a leaflet regarding the changes in household waste collection being enclosed with the annual Council tax bill to all households paying Council tax. The development of the Council's social media presence has extended the Council's communication, consultation and engagement mechanisms. Public interaction on our social media accounts including Q & A sessions with CMB, have increased public engagement which has directly informed our FAQs relating to the changes in provision of services to our citizens.
- 10.22 In 2016-17 the Auditor General undertook a Governance thematic review. The purpose of the review was to "provide assurance that Councils' governance arrangements are well-placed to respond to future challenges, as well as identify opportunities to strengthen arrangements and approaches". The review would also "provide insight and promote improvement through assessment of each of the 22 Councils' governance arrangements in relation to service change, taking into account the revised CIPFA framework, the Public Sector Equality Duty and the Future Generations (Wales) Act". The focus of the review was on Councils' governance arrangements for determining service changes.
- 10.23 The Auditor General concluded in his report, issued in May 2017, that "the Council has clear priorities that shape its decisions on significant service change and it seeks to learn and improve its arrangements, but there is scope to improve the accessibility of some information". The Auditor General made three proposals for improvement:
- The Council should improve the availability and accessibility of information relating to decision-making on significant service change, including, for example, publishing a Forward Work Programme(s) that covers Cabinet and Council business.
  - The Council should resolve how it will embed the sustainable development principle into decision-making
  - The Council should clearly set out how the impact of service changes will be monitored at the point of decision.
- The Council is considering these proposals and strive to improve in these areas.
- 10.24 The Public Services Ombudsman for Wales reports on each Council in Wales the number of complaints received and investigated. In July 2016 the Council received its Annual Letter for 2015-16. The letter noted an increase in the number of complaints received, 38 in 2015-16 compared to 33 in 2014-15. The comparative figure for the local authority average was 41 for 2015-16 (42 for 2014-15). One investigation was commenced by the Ombudsman in 2015-16. The Annual Letter noted that Planning and Building Control remain the biggest single area of complaints, followed by Road and Transport and Children's Services which both saw a 60% increase from last year. No "upheld" reports were issued and only one Quick Fix or Voluntary Settlement outcome recorded during the year.
- 10.25 Social Services is a regulated service area and there is an annual programme of inspection carried out by the Care and Social Services Inspectorate in Wales (CSSIW). In addition, the Director and Heads of Service have quarterly performance review meetings with CSSIW which ensure regulatory requirements are met and that significant service developments, challenges, workforce, performance and consultation activity is discussed. During 2016-17, the CSSIW completed a review of adult safeguarding and a review of carers. The verbal feedback following these reviews was positive.

- 10.26 There was an inspection of children's social care during January/February 2017. The inspection focussed on how children and families are empowered to access help and care and support services and on the quality of outcomes achieved for children in need of help, care and support and/or protection, including children who have recently become looked after by the local authority. The inspection also evaluated the quality of leadership, management and governance arrangements in place to develop and support service delivery. Formal feedback from this is still awaited and an action plan to progress the recommendations will be developed; it is planned that this will report into Scrutiny in July 2017. The relevant actions arising out of this inspection will be included in the Director of Social Services Annual Report 2016-17 which is in the process of being finalised.
- 10.27 The regulated service areas are also subject to an annual inspection and this includes the 4 older people residential care homes, the supported living environments, the three Children's Homes and the Fostering service.
- 10.28 The Statutory Director of Social Services annual report 2015-16 was submitted to CSSIW. It confirmed that the key priorities for the Directorate during 2015-16 were to progress the objectives of the Directorate Business Plan and also contribute to the new corporate priorities for 2016-17; to contribute to the Medium Term Financial Strategy (MTFS); to implement the new Social Services and Wellbeing (Wales) Act 2014 (SSWBA) and also implement the new Welsh Community Care Information System (WCCIS) – making Bridgend the first local authority in Wales to do so.
- 10.29 CSSIW confirmed in their subsequent performance review meeting with the Director and the two Heads of Service that they were satisfied that the annual report reflected the work undertaken in key areas including our achievements and future plans for the Directorate.
- 10.30 The remodelling Adult Social Care Board remains. The key transformation programme continues to be the central foundation for strengthening the remodelling workstreams and leads the prevention and wellbeing agenda across Bridgend, and regionally across the Western Bay Health and Social Care Collaboration. Key areas for remodelling in adult social services include the embedding of the new ways of working as laid down by the Social Services and Wellbeing (Wales) Act, for example the provision of information, advice and assistance. Progress has also been made towards the implementation of the extra care model, the remodelling of Home Care, Learning Disability and Mental health services as well as the continued development of the common access point based at Trem y Mor.
- 10.31 The budget approved for 2016-17 included savings proposals of £7.477 million (3.55% of net service budgets). However, as at quarter 3, £1.845 million of these proposals are at risk of not being realised, but the expenditure associated with them has in some instances been offset by vacancy management and other savings elsewhere within the budget. The impact of this is that there is still a recurrent pressure on 2017-18 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 audit work carried out for the year 2016-17, 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”. 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.

### Action Plan

1. Review the Performance Management Framework to incorporate the requirements of the Well-being of Future Generations (Wales) Act 2015
2. Promote the new Code of Corporate Governance and the Well-being of Future Generations (Wales) Act to ensure they underpin everything the Council does.
3. Democratic Services is updating and will publish the Cabinet Forward Work Programme (FWP) on the website to improve transparency and access to the general public. The scheme of delegation will also be published on the Council’s website.
4. The working group set up to produce this year’s annual governance statement and to review the Council’s Code of Corporate Governance to reflect CIPFA’s new 2016 principles will continue to work together to promote the CIPFA’s new 2016 principles and to improve the AGS for next year..
5. The Council will put measures in place to respond to the recommendations within the Financial Resilience report and ensure that financial planning arrangements are strengthened with more robust savings delivery plans and implementation timescales.

## 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.

This statement demonstrates the level of assurance that the Council's governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose.

### Signed:

Section 151 Officer: \_\_\_\_\_ 28 September 2017

**Randal Hemingway**

Chief Executive Officer: \_\_\_\_\_ 28 September 2017

**Darren Mepham**

Leader of the Council: \_\_\_\_\_ 28 September 2017

**Councillor Huw David**

## Statement of Accounting Policies

### 1. General principles

The Statement of Accounts summarises the Council's transactions for the 2016-17 financial year and its position at the year end of 31 March 2017. 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) 2016-17 and the *Service Reporting Code of Practice 2016-17* 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 are 'Unusable' reserves as set out in Note 28 to the accounts.

### **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. 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 relevant Service Cost line in the Comprehensive Income and Expenditure Statement, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant Service Cost line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### Post-Employment Benefits

Employees of the Council are members of two separate pension schemes. Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

- The *Teachers' Pension Scheme*, administered by Teachers' Pensions on behalf of the Department for Education (DfE). The arrangements for this scheme mean that liabilities for benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme and no liability for future payment of benefits is recognised in the Balance Sheet. The Education and Family line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.
- The *Local Government Pension Scheme* - other employees are entitled to be members of the Rhondda Cynon Taf County Borough Council Pension Fund. The Local Government Scheme is accounted for as a defined benefit scheme:-
- The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, 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 Central Services in the Comprehensive Income and Expenditure Statement
  - 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. Re-measurements comprising:-
- The return on plan assets – excluding amounts included in the net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve and Other Comprehensive Income and Expenditure
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions reserve as Other Comprehensive Income and expenditure:-

- 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**

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

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

In line with changes in the Code of Practice on Local Authority Accounting (the Code) for 2016-17, overheads and support services are shown in the relevant service where they are incurred and are not recharged out to supported service areas. Any internal income as a result of transactions between departments is shown in the supplying service line with the corresponding charge being shown in the recipient service line. This represents a change from 2015-16 when support costs were recharged in line with the Service Reporting Code of Practice.

## **9. Intangible Assets**

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

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

## **10. 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 on assets below £40,000 is recognised as an asset but treated as non-enhancing expenditure and immediately impaired in full. 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 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, 15 years on Roads and other infrastructure assets according to estimated asset lives (ranging from 1 to 30 years).

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.

## 11. 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 Council also owns a number of paintings in various buildings and some public works of art, however their value is not recognised in the balance sheet as conventional valuation approaches lack sufficient reliability for inclusion.

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.

## 12. Charges to revenue for non-current assets

Services are debited with the following amounts to record the real cost of holding fixed assets during the year:

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

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

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

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Examples of such expenditure include home improvement grants, town improvement grants, 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. Where this expenditure is funded by grants or contributions, this is also taken to the relevant service area where the expenditure has been charged.

## 14. 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 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 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.

### **15. 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.

## 16. 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.

## 17. 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.

## 18. 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.

## 19. Joint Arrangements

During the year the Council had administrative responsibilities for County Borough Supplies, which ceased trading on 31 March 2016. The Council agreed final balances to its partner authorities and the final accounts were audited in 2016-17. The Council continues to have administrative responsibilities for Coychurch Crematorium and independent financial statements continue to be prepared and reviewed for this joint committee. The activities of these joint arrangements are excluded from the Council's single entity financial statements on the basis of materiality of both assets and population.

## 20. Council Tax Income

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

## 21. 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.

## 22. 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.

## 23. 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.

## 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 (that is **Level 1 inputs**), their fair value is measured using the following valuation techniques:

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

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

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

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

## 25. Carbon Reduction Commitment Allowances

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions 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.

# **Financial Statements**



## Comprehensive Income and Expenditure Statement

2015-16 restated				2016-17			Notes
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
159,619	(47,695)	111,924	Education and Family Support	160,168	(44,483)	115,685	
77,972	(19,122)	58,850	Social Services & Wellbeing	85,871	(21,133)	64,738	
64,904	(26,798)	38,106	Communities	63,758	(23,942)	39,816	
28,157	(12,395)	15,762	Operational and Partnership Services	28,001	(12,882)	15,119	
55,721	(52,326)	3,395	Chief Executives and Finance	54,702	(51,173)	3,529	
23,099	(857)	22,242	Central Services	17,879	(5,717)	12,162	
<b>409,472</b>	<b>(159,193)</b>	<b>250,279</b>	<b>Cost Of Services</b>	<b>410,379</b>	<b>(159,330)</b>	<b>251,049</b>	
			<b>Other Operating Expenditure</b>				
11,944	-	11,944	Precepts payable	12,700		12,700	5
6,823	-	6,823	Levies payable	6,881		6,881	5
2,181		2,181	(Gain) / loss on disposal of non current assets	1,050		1,050	
<b>20,948</b>	<b>-</b>	<b>20,948</b>	<b>Other Operating Expenditure</b>	<b>20,631</b>	<b>-</b>	<b>20,631</b>	
			<b>Financing and Investment Income and Expenditure</b>				
4,546	-	4,546	Interest payable on debt	4,576		4,576	
69	-	69	Interest element of finance leases (lessee)	65		65	
1,434	-	1,434	Interest payable on PFI unitary payments	1,395		1,395	11
8,450	-	8,450	Net Interest on Net Defined Benefit Liability	8,050		8,050	29
-	(903)	(903)	Investment Interest & Other Interest Receivable		(942)	(942)	
-	(1,082)	(1,082)	Changes in fair value of investment properties			-	
<b>14,499</b>	<b>(1,985)</b>	<b>12,514</b>	<b>Financing and Investment Income and Expenditure</b>	<b>14,086</b>	<b>(942)</b>	<b>13,144</b>	
			<b>Taxation and Non-Specific Grant Income</b>				
	(148,002)	(148,002)	Revenue Support Grant		(145,233)	(145,233)	6
	(40,274)	(40,274)	National Non Domestic Rates		(42,142)	(42,142)	9
	(77,487)	(77,487)	Council Tax		(81,049)	(81,049)	8
	(13,622)	(13,622)	Recognised capital grants and cont.		(6,486)	(6,486)	7
	(1,400)	(1,400)	Non service related government grants		-	-	7
<b>-</b>	<b>(280,785)</b>	<b>(280,785)</b>	<b>Taxation and Non-Specific Grant Income</b>	<b>-</b>	<b>(274,910)</b>	<b>(274,910)</b>	
<b>444,919</b>	<b>(441,963)</b>	<b>2,956</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>445,096</b>	<b>(435,182)</b>	<b>9,914</b>	
	(19,595)	(19,595)	(Surplus) or deficit on revaluation of Property, Plant and Equipment		(8,705)	(8,705)	
3,614	(34,330)	3,614	Impairment losses on non-current assets charged to the Revaluation reserve	3,941	(1,960)	3,941	29
			Actuarial (gains) / losses on pension liabilities				
		<b>(50,311)</b>	<b>Other Comprehensive (Income) and Expenditure</b>			<b>(6,724)</b>	
		<b>(47,355)</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>3,190</b>	

## Expenditure and Funding Analysis

2015-16				2016-17		
Net Expenditure Chargeable to the Council Fund	Adjustments between the Funding and Accounting Basis & transfers to Earmarked Reserves (Note 18)	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the Council Fund	Adjustments between the Funding and Accounting Basis & transfers to Earmarked Reserves (Note 18)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
106,248	(5,677)	111,925	Education and Family Support	107,653	(8,032)	115,685
59,998	1,148	58,850	Social Services & Wellbeing	62,560	(2,178)	64,738
24,978	(13,127)	38,105	Communities	24,517	(15,299)	39,816
			Operational & Partnership			
13,629	(2,133)	15,762	Services	13,238	(1,881)	15,119
3,432	37	3,395	Chief Executives	3,467	(62)	3,529
36,315	14,073	22,242	Central Services	33,428	21,266	12,162
<b>244,600</b>	<b>(5,679)</b>	<b>250,279</b>	<b>Cost Of Services</b>	<b>244,863</b>	<b>(6,186)</b>	<b>251,049</b>
(244,754)	2,569	(247,323)	Other income and Expenditure	(245,219)	(4,084)	(241,135)
<b>(154)</b>	<b>(3,110)</b>	<b>2,956</b>	<b>Surplus or Deficit</b>	<b>(356)</b>	<b>(10,270)</b>	<b>9,914</b>
7,450			Opening Council Fund Balance	7,604		
154			Surplus or (Deficit) on Council Fund for year	356		
<b>7,604</b>			<b>Closing General Fund Balance at 31 March</b>	<b>7,960</b>		

## Movement in Reserves Statement

	Council Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserves £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
<b>Balance at 31 March 2015 carried forward</b>	7,450	41,454	14,534	153	63,591	31,109	94,700
<b><u>Movement in Reserves during 2015-16</u></b>							
Total Comprehensive Income and (Expenditure)	(2,956)				(2,956)	50,309	47,353
Adjustments between accounting basis & funding basis under regulations (Note 4)	6,569		3,818	30	10,417	(10,417)	-
Transfers to Earmarked Reserves (Note 27)	(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>

	Council Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserves £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
<b>Balance at 31 March 2016 carried forward</b>	7,604	44,913	18,352	183	71,052	71,001	142,053
<b><u>Movement in Reserves during 2016-17</u></b>							
Total Comprehensive Income and (Expenditure)	(9,914)				(9,914)	6,724	(3,190)
Adjustments between accounting basis & funding basis under regulations (Note 4)	16,516		3,012	-	19,528	(19,528)	-
Transfers to Earmarked Reserves (Note 27)	(6,246)	6,246	-	-	-	-	-
<b>Increase/(Decrease) in 2016-17</b>	<b>356</b>	<b>6,246</b>	<b>3,012</b>	<b>-</b>	<b>9,614</b>	<b>(12,804)</b>	<b>(3,190)</b>
<b>Balance at 31 March 2017 carried forward</b>	<b>7,960</b>	<b>51,159</b>	<b>21,364</b>	<b>183</b>	<b>80,666</b>	<b>58,197</b>	<b>138,863</b>

## Balance Sheet

31 March 2016 restated £'000		31 March 2017 £'000	Notes
	<b>Property, Plant &amp; Equipment</b>		<b>20c</b>
377,815	Other land and buildings	379,014	
5,198	Vehicles, plant, furniture and equipment	4,605	
77,261	Infrastructure	70,047	
4,808	Community assets	5,015	
6,299	Assets under construction	4,067	
8,256	Surplus assets not held for sale	8,237	
73	<b>Heritage Assets - Civic Regalia</b>	73	
5,185	<b>Investment Property</b>	5,060	<b>21</b>
5,000	<b>Intangible Assets</b>	4,375	<b>20d</b>
2,007	<b>Long Term Investments</b>	4,003	<b>30</b>
	<b>Long Term Debtors</b>		
12	Housing Advances	8	
133	Finance Leases	-	
<b>492,047</b>	<b>Long Term Assets</b>	<b>484,504</b>	
14,543	Short Term Investments	26,572	<b>30</b>
4,035	Assets held for sale	1,730	<b>23</b>
419	Inventories	513	
27,346	Short Term Debtors	29,467	<b>22</b>
7,182	Cash and Cash Equivalents	1,664	<b>30</b>
<b>53,525</b>	<b>Current Assets</b>	<b>59,946</b>	
(960)	Short Term Borrowing	(952)	<b>30</b>
(32,772)	Short Term Creditors	(27,310)	<b>24</b>
(1,118)	Provisions due in 1 year	(1,214)	
<b>(34,850)</b>	<b>Current Liabilities</b>	<b>(29,476)</b>	
(2,362)	Provisions due after 1 year	(2,451)	<b>25</b>
(97,434)	Long Term Borrowing	(97,432)	<b>30</b>
	<b>Other Long Term Liabilities</b>		
(21,759)	PFI & Other Long Term Liabilities	(21,064)	<b>26</b>
(245,270)	Net pensions liability	(252,450)	<b>29</b>
(1,844)	Capital Grants Receipts in Advance	(2,714)	<b>20h</b>
<b>(368,669)</b>	<b>Long Term Liabilities</b>	<b>(376,111)</b>	
<b>142,053</b>	<b>Net Assets</b>	<b>138,863</b>	
	<b>Usable reserves</b>		<b>27</b>
7,604	Council Fund	7,960	
44,913	Earmarked reserves	51,159	<b>27b</b>
18,352	Capital Receipts Reserve	21,364	<b>27a</b>
183	Capital Grants Unapplied	183	
	<b>Unusable Reserves</b>		<b>28</b>
127,291	Revaluation Reserve	124,703	<b>28a</b>
(245,270)	Pensions Reserve	(252,450)	<b>28b</b>
192,078	Capital Adjustment Account	189,468	<b>28c</b>
(739)	Financial Instruments Adjustment Account	(731)	<b>28d</b>
(2,359)	Short-term Accumulating Compensated Absences Account	(2,793)	<b>28e</b>
<b>142,053</b>	<b>Total Reserves</b>	<b>138,863</b>	

## Cash Flow Statement

2015-16 £'000		2016-17 £'000	Notes
2,956	Net (surplus)/deficit on the Provision of Services	9,914	
(28,969)	Adjustments to net deficit on the provision of services for non-cash movements	(31,442)	33
17,582	Adjustments for Items included in the net deficit on the provision of services that are investing and financing activities	11,778	
<b>(8,431)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(9,750)</b>	34
23,081	Investing Activities	22,614	35
(15,259)	Financing Activities	(7,346)	36
<b>(609)</b>	<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>	<b>5,518</b>	
(6,573)	Cash & Cash Equivalent at the beginning of the Reporting Period	(7,182)	
<b>(7,182)</b>	<b>Cash &amp; Cash Equivalent at the end of the Reporting Period</b>	<b>(1,664)</b>	

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

# **Notes to the Financial Statements**

## Contents for Notes to the Financial Statements

Note		Page Number
1	Accounting Standards Issued, Not Adopted	71
2	Critical Judgements in Applying Accounting Policies	71
3	Assumptions Made about the Future and Other Major Sources of Estimation	71
	<b>Notes to the Movement in Reserves Statement</b>	
4	Adjustments between Accounting Basis and Funding Basis Under Regulations	73
	<b>Comprehensive Income and Expenditure Statement</b>	
5	Precepts and levies	76
6	Revenue Support Grant	76
7	Government Grants	77
8	Council tax	77
9	National Non-Domestic Rates (NNDR)	78
10	Leases	78
11	Private Finance Initiative (PFI)	79
12	Section 33 NHS (Wales) Act 2006	80
13	Officers' Remuneration	80
14	Members' Allowances	83
15	External Audit Costs	83
16	Associates, Subsidiaries, Joint Ventures and Joint Operations	83
17	Related Party Transactions	85
18	Notes to the Expenditure and Funding Analysis	87
19	Expenditure and Income analysed by nature	89
	<b>Notes to the Balance Sheet</b>	
20	Non-current Assets	90
21	Investment Properties	95
22	Short term Debtors	95
23	Assets Held for Sale	95
24	Short term Creditors	96
25	Provisions	96
26	PFI and Other Long Term Liabilities	97
27	Usable Reserves	97
28	Unusable Reserves	102
29	Pensions liabilities, IAS 19 disclosures	105
30	Financial Instruments Disclosures	112
31	Post Balance Sheet Events	121
32	Contingent Liabilities	121
	<b>Notes to Cash Flow</b>	
33	Cash Flow Statement - Adjustments for Non-cash Movements	122
34	Cash Flow Statement - Operating Activities	122
35	Cash Flow Statement - Investing Activities	122
36	Cash Flow Statement - Financing Activities	123

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 (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 2016-17 Code:

- IAS 139 - Amendment to the reporting of pension fund scheme transaction costs
- IAS 140 - Amendment to the reporting of investment concentration

As their implementation is from 1 April 2017 they would not have any impact on the 2016/17 Statements.

## 2. Critical Judgements in Applying Accounting Policies

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

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

The Council is deemed to control the services provided under the outsourcing agreement for the provision of a Comprehensive School in Maesteg and also to control the residual value of the school at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the School (valued at £24.1 million) has been recognised as Property, Plant and Equipment on the Council's Balance Sheet.

The Council has a number of interests in other entities however the arrangements are not sufficiently material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information. In order to ensure compliance with the Code, a range of narrative disclosures have been made in other sections of the accounts.

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

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

The items in the Council's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

### Plant, Property and Equipment

Revaluation of the Council's assets is undertaken on a 3-year rolling programme. The value of those assets is based upon calculations and estimation techniques following the Royal Institute of Chartered Surveyors (RICS) guidance, and in accordance with IFRS. Revaluation takes account of the value and condition of the asset, relevant components and also de-recognition where appropriate.



**Depreciation of Property, Plant and Equipment**

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

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

Fair Value estimations

The Council instructed external valuers Cooke & Arkwright to provide valuations as at 31 December 2016 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 (**Level 1 inputs**), their fair value is measured using the following valuation techniques:

**Level 2 inputs:** quoted prices for similar assets or liabilities in active markets at the balance sheet date;

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

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

**Pensions Liability**

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

## 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 the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the Council Fund Balance, which is not necessarily in accordance with proper accounting practice. The Council Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit or resources that the Council is required to recover) at the end of the financial year.

#### **Capital Receipts Reserve**

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

#### **Capital Grants Unapplied**

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

The tables below detail the adjustments for 2015-16 for comparative purposes and the adjustments for 2016-17.

#### **Unusable Reserves**

This includes the Revaluation Reserve which contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment; the Pensions Reserve which absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions; the Capital Adjustment Account which absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing and acquisition, construction or enhancement of those assets under statutory provisions; the Financial Instruments Adjustment Account which absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions; and the Short-term Accumulated Compensated Absences Account which absorbs the

differences that would otherwise arise on the Council Fund Balance from accruing holiday entitlements earned but not taken in the year.

2015-16	Usable Reserves			Unusable Reserves
	Council Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000
<b>Adjustment to the Revenue Resources</b>				
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>				
Pensions costs (transferred to (or from) the Pensions Reserve)	6,590			(6,590)
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(2,893)			2,893
Holiday Pay (transferred to the Accumulated Absences Reserve)	(1,865)			1,865
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (those items are charged to the Capital Adjustment Account)	32,093		14	(32,107)
<b>Total Adjustments to Revenue Resources</b>	<b>33,925</b>	<b>-</b>	<b>14</b>	<b>(33,939)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(3,959)	3,959		
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(8,513)			8,513
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,262)			1,262
<b>Total adjustments between Revenue and Capital Resource</b>	<b>(13,734)</b>	<b>3,959</b>	<b>-</b>	<b>9,775</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure		(146)		146
Application of capital grants to finance capital expenditure	(13,606)			13,606
Cash payments in relation to deferred capital receipts	(16)		16	
Other Amounts (including mortgage payments)		5		(5)
<b>Total adjustments to Capital Reserves</b>	<b>(13,622)</b>	<b>(141)</b>	<b>16</b>	<b>13,747</b>
<b>Total Adjustments</b>	<b>6,569</b>	<b>3,818</b>	<b>30</b>	<b>(10,417)</b>

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

## 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:

2015-16 £'000		2016-17 £'000
	<b>Precepts</b>	
10,207	Police and Crime Commissioner for South Wales	10,791
1,737	Community Councils	1,909
<b>11,944</b>	<b>Sub total</b>	<b>12,700</b>
	<b>Levies</b>	
6,484	South Wales Fire and Rescue Authority	6,542
223	Coroners Service	226
96	Archive Service	93
1	Margam Crematorium Joint Committee	0
19	Swansea Bay Port Health Authority	20
<b>6,823</b>	<b>Sub total</b>	<b>6,881</b>
<b>18,767</b>	<b>Total</b>	<b>19,581</b>

### 6. Revenue Support Grant (RSG)

This is the principal source of finance towards revenue expenditure from Welsh Government with the amount receivable fixed at the start of each financial year. The amount received in 2016-17 was £145.2 million (£148.0 million for 2015-16).

## 7. Government grants

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

2015-16	Specific Grants credited to Services	2016-17
£'000		£'000
(49,536)	Housing Benefit Subsidy	(48,571)
(6,502)	DCELLS Post 16 Grant	(6,331)
(5,213)	Education Improvement Grant	(4,951)
(5,672)	Other Education & Family Support	(6,823)
(1,687)	Other Social Services & Wellbeing	(1,704)
(4,845)	Others	(5,013)
(5,816)	Supporting People	(5,816)
(401)	Sport Play & Active Wellbeing	(405)
(2,973)	Concessionary Fares Grant	(2,996)
(3,178)	Flying Start	(3,287)
(2,796)	Sustainable Waste Grant	(2,777)
(708)	Housing/Council Tax Benefit Administration	(595)
(1,478)	Communities First	(1,550)
(1,898)	Families First	(1,740)
<b>(92,703)</b>	<b>Total</b>	<b>(92,559)</b>

2015-16	Other Government Grants credited to Taxation and Non-specific Grant Income	2016-17
£'000		£'000
(13,622)	Capital Grants and Contributions	(6,486)
(1,400)	Improvement Agreement Grant	-
<b>(15,022)</b>	<b>Total</b>	<b>(6,486)</b>

<b>(107,725)</b>	<b>Total</b>	<b>(99,045)</b>
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Grant income sits within the gross income column within services except for the Improvement Agreement Grant and Capital Grants and Contributions.

## 8. Council Tax

Council Tax Income derives from charges raised according to the value of residential properties, which have been classified into ten valuation bands estimating 1 April 2005 values for this specific purpose. Charges are calculated by taking the amount of income required for Bridgend County Borough Council, each Community Council and the Police and Crime Commissioner for South Wales and dividing this by the Council Tax base. The Council Tax base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts – 51,916.19 dwellings for 2016-17 (51,071.48 in 2015-16). The average amount for a Band D property is £1,542.40 in 2016-17 (£1,482.94 in 2015-16 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	10,055	14,759	13,921	9,947	7,208	4,058	1,383	282	88

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

2015-16 £'000		2016-17 £'000
(77,487)	Council Tax Collectable	(81,049)
	Less:	
1,737	Payable to Community Councils	1,909
10,207	Payable to Police and Crime Commissioner for South Wales	10,791
(386)	Provision for non-payment of Council Tax (decrease)	(1,084)
<b>(65,929)</b>	<b>Net Proceeds from Council Tax</b>	<b>(69,433)</b>

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

NNDR is organised on a national basis. The Welsh Government specifies the rate in the pound to be charged and, subject to the effects of transition arrangements, local businesses pay rates calculated by multiplying their rateable value by the rate in the pound. This was 48.6p in 2016-17 (48.2p in 2015-16). 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 £42.142 million in 2016-17 (£40.274 million in 2015-16).

## 10. Leases

### Council as a Lessee

#### Operating Leases

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

31 March 2016 £'000		31 March 2017 £'000
(787)	Not later than one year	(768)
(2,021)	Later than one year	(1,943)
(7,583)	Later than five years	(7,026)
<b>(10,391)</b>	<b>Total</b>	<b>(9,737)</b>

Expenditure charged in the year to the Service areas was £0.843 million made up of minimum lease payments of £0.299 million and £0.545 million for contingent rents (£0.851 million in 2015-16 made up of £0.404 million minimum lease payments and £0.447 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 2016 £'000		31 March 2017 £'000
48	Not later than one year	88
120	Later than one year	139
800	Later than five years	875
<b>968</b>	<b>Total</b>	<b>1,102</b>

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

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

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

2015-16 £'000	Unitary Charge	2016-17 £'000
636	Service Charge Element	638
1,434	Interest Element	1,395
513	Finance Lease Liability	552
<b>2,583</b>	<b>Total</b>	<b>2,585</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	2017-18 £'000	2018-19 to 2022-23 £'000	2023-24 to 2027-28 £'000	2028-29 to 2032-33 £'000	2033-34 to 2033-34 £'000
Service Charge Element	502	2,511	2,511	2,511	495
Interest Element	1,352	5,997	4,313	1,872	14
Finance Lease Liability	595	3,737	5,421	7,862	620
<b>Total</b>	<b>2,449</b>	<b>12,245</b>	<b>12,245</b>	<b>12,245</b>	<b>1,129</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 2017, the balance on the PFI equalisation earmarked reserve is £3.949 million (£3.706 million as at 31 March 2016).



## 12. Pooled Fund Arrangements under Section 33 NHS (Wales) Act 2006

There are some formal pooled budget arrangements between the Council and Abertawe Bro Morgannwg University Local Health Board under Section 33 NHS (Wales) Act 2006 and a pooled fund arrangement between 3 Councils for the delivery of an Integrated Family Support Service under s166-169 Social Services Wellbeing (Wales) Act 2014. The Integrated Family Support Service pooled arrangement commenced in August 2016.

2015-16			Partner	Purpose of Partnership	2016-17		
Gross Income Of Partnership £'000	Gross Expenditure of Partnership £'000	Council's Contribution £'000			Gross Income Of Partnership £'000	Gross Expenditure of Partnership £'000	Council's Contribution £'000
(615)	615	328	Abertawe Bro-Morgannwg University Health Board	Provision of day opportunities for people recovering from mental health problems.	(596)	596	318
(2,654)	2,625	569	Rhondda Cynon Taff CBC Merthyr Tydfil CBC Cwm Taf LHB Abertawe Bro Morgannwg University Health Board	Provision of specified community equipment for service users to enable them to continue to live in their own homes. Rhondda Cynon Taf are the lead partner	(2,645)	2,574	629
(4,414)	4,414	2,346	Abertawe Bro-Morgannwg University Health Board	Provision of integrated community support services	(4,595)	4,595	2,473
			Neath Port Talbot CBC, City and County of Swansea Council	Provision of an Integrated Family Support Service	(825)	825	275

## 13. Officers' Remuneration

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

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

The ratio for Bridgend is 6.64 (2015-16: 6.64) and median salary is £19,939 (2015-16: £19,742), i.e. the Remuneration of the Chief Executive is 6.64 times more than the median remuneration of the Council's employees.

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

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

2015-16 including Redundancy Costs	Remuneration Band	Number of Employees				
		Movement in Bandings	2016-17 inc Redundancy Costs	2016-17 exc Redundancy Costs (Note 1)	Number of Teachers inc in Figures exc Redundancy (Note 1)	Number of Non-Teachers inc in Figures exc Redundancy (Note 1)
23	£60,000 - £64,999	(4)	19	17	16	1
19	£65,000 - £69,999	(6)	13	12	12	-
5	£70,000 - £74,999	1	6	4	4	-
7	£75,000 - £79,999	1	8	6	1	5
9	£80,000 - £84,999	(3)	6	5	3	2
2	£85,000 - £89,999	(1)	1	1	1	-
4	£90,000 - £94,999	(3)	1	-	-	-
1	£95,000 - £99,999	1	2	1	1	-
8	£100,000 - £104,999	(6)	2	1	-	1
-	£105,000 - £109,999	6	6	4	1	3
1	£110,000 - £114,999	(1)	-	-	-	-
2	£115,000 - £119,999	(1)	1	1	1	-
-	£120,000 - £124,999	1	1	-	-	-
-	£125,000 - £129,999	-	-	-	-	-
1	£130,000 - £134,999	-	1	1	-	1
-	£135,000 - £139,999	1	1	-	-	-
1	£160,000 - £164,999	(1)	-	-	-	-
<b>83</b>		<b>(15)</b>	<b>68</b>	<b>53</b>	<b>40</b>	<b>13</b>

**Note 1:** There are 53 individuals with remuneration of £60,000 or more, including:-

- a) 40 Headteachers and Deputy Headteachers, and
- b) 13 Senior Managers of the Council, including the Senior Officers shown in Disclosure 3 below, and Heads of Service.

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

Job Title	Salary		Pension Contributions		Total Remuneration including Pension Contributions	
	16-17	15-16	16-17	15-16	16-17	15-16
	£	£	£	£	£	£
Chief Executive Officer & Head of Paid Service (Note 1)	132,402	131,091	28,202	27,529	160,604	158,620
Corporate Director - Education and Family Support (Note 4)	105,109	102,355	22,388	21,494	127,497	123,849
Interim Corporate Director - Education and Family Support (Note 4)	3,238	-	690	-	3,928	-
Corporate Director - Communities	105,109	104,068	22,388	21,854	127,497	125,922
Corporate Director - Social Service & Wellbeing	105,109	102,355	22,388	21,494	127,497	123,849
Corporate Director - Resources & s151 Officer (Note 5)	2,650	104,068	862	21,854	3,512	125,922
Head of Finance - s151 Officer (Note 5)	78,700	-	16,763	-	95,463	-
Corporate Director - Operational and Partnership Services (Note 6)	100,227	96,002	12,714	20,160	112,941	116,162

**Notes**

Note 1: The Chief Executive Officer's salary excludes payment for Returning Officer Duties. These amounted to £21,769 for a Parliamentary By-Election, two Welsh Assembly elections, two Police and Crime Commissioner elections and the European Referendum.

Note 2: Pension Contributions relate to actual payments made.

Note 3: 'Expenses' and 'Benefits in Kind' have been adjusted so that they exclude non-taxable reimbursements

Note 4: The Corporate Director – Education and Family Support has been seconded to Welsh Government and an interim Director has been appointed to cover this role. Costs recovered from the Welsh Government during 2016-17 totalled £12,373.

Note 5: The Corporate Director – Resources left the Council in April 2016 and the Head of Finance assumed the role of s.151 Officer and member of the Corporate Management Board.

Note 6: The Corporate Director Operational and Partnership Services was created as part of a management restructure in April 2016. It replaced the role of the Assistant Chief Executive Legal and Regulatory Services.

**Disclosure 4: Table on Exit Packages**

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

Exit Package Cost Band (including Special Payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	16-17	15-16	16-17	15-16	16-17	15-16	16-17	15-16
£0 - £20,000	12	38	20	31	32	69	302,137	604,894
£20,001 - £40,000	4	11	4	41	8	52	247,684	1,458,778
£40,001 - £60,000	2	10	4	9	6	19	305,452	953,031
£60,001 - £80,000	3	1	-	2	3	3	198,796	204,767
£80,001 - £100,000	1	1	-	2	1	3	93,884	266,552
£100,001 - £120,000	-	-	2	-	2	-	217,963	-
£120,001 - £140,000	-	-	-	1	-	1	-	139,431
	<b>22</b>	<b>61</b>	<b>30</b>	<b>86</b>	<b>52</b>	<b>147</b>	<b>1,365,916</b>	<b>3,627,453</b>

In addition to the above there were payments during 2016/17 of £296,682 relating to 34 exit packages approved in 2015-16.

#### 14. 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.

2015-16 £'000		2016-17 £'000
544	Basic Salary (all Members)	526
508	Senior Salary	521
37	Civic Salary	42
<b>1,089</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.

#### 15. External audit costs

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

2015-16 £'000		2016-17 £'000
196	Financial Statement Audit	200
97	Performance Audit	97
<b>293</b>	<b>External Audit Services</b>	<b>297</b>
47	Grant Claims and Returns	62
<b>340</b>	<b>Total</b>	<b>359</b>

#### 16. 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 2016-17 the Council was charged £1,178,601 (2015-16: £867,435) 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 2016-17, the Council contributed to the Joint Committee an amount of £92,540 (£95,436 in 2015-16). 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. During the year Bridgend CBC made a contribution of £25,000 to the Crematorium. 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 CBC contribution to Margam Crematorium for 2016-17 was £439 (2015-16 – £1,312). 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. 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 CBC contribution to the joint arrangement for the year was £654,157 (2015-16 - £692,350).

**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 2016-17 the contribution to the joint service by Bridgend CBC was £274,854 (2015-16 - £278,973).

**Joint Adoption Service**

The Joint Adoption Service is between Bridgend CBC, Neath Port Talbot CBC and City and County of Swansea. Bridgend's contribution to the service in 2016-17 was £824,789 (2015-16 - £593,512)

**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 established in 2015-16. Bridgend CBC contribution to the joint service was £1,823,700 (2015-16 - £1,761,998)

**Shared Internal Audit Service**

Bridgend CBC and the Vale of Glamorgan CBC operate a joint Internal Audit Service. Bridgend CBC contribution to this joint service was £305,107 (2015-16 - £344,977)

**Joint Vehicle Maintenance Service**

Bridgend CBC and South Wales Police occupy joint premises for the delivery of their vehicle maintenance services. The contribution from Bridgend CBC to South Wales Police for the joint facility for 2016-17 was £93,223 (2015-16 – £110,773)

**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 £286,942 (2015-16 - £366,621)

**Civil Parking Enforcement**

Bridgend provides Civil Parking Enforcement for both Bridgend CBC and Vale of Glamorgan CBC. The cost of providing the service on behalf of the Vale of Glamorgan CBC are fully recharged to them, the total cost being £197,966 (2015-16 - £174,180).

**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 12 to the accounts.

**Cardiff Capital Region City Deal (CCRCD)**

Bridgend is a partner of the Joint Committee for CCRCD which consists of 10 Partner Authorities: Blaenau Gwent; Caerphilly; Cardiff; Merthyr Tydfil; Monmouthshire; Newport; Rhondda-Cynon-Taf; Torfaen and the Vale of Glamorgan. CCRCD commenced during 2016-17 and Bridgend's contribution for the year was £16,899. During the year the total expenditure of the partnership was £179,177.

**17. 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 6 and 7 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 2016-17 is shown in Note 14. Grants were made to organisations whose senior management included Members including Bridgend County Borough Citizens Advice Bureau £247,046 (£190,339 in 2015-16) and Bridgend Association of Voluntary Organisations £95,370 in 2016-17 (£164,147 in 2015-16 (restated)). In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Other payments made to organisations where members declared interests totalled £179,345. One Member did not provide a Related Party disclosure by the completion of the audit.

**Chief Officers**

During 2016-17 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 2016-17 the Council was charged £1,178,601 (2015-16: £867,435) in respect of goods, services and capital works. The Corporate Director – Social Services and Wellbeing was an Associate Board Member of Abertawe Bro Morgannwg University Health Board. The Council and the Health Board have a range of formal arrangements as set out in note 12 – Section 33 NHS (Wales) Act 2006.

The Head of Regeneration, Development and Property Services is a Board Member for Bridgend College and also a Director of the newly formed Bridgend Business Improvement District (BID). During 2016-17 the value of payments to the College totalled £194,850 (2015-16: £152,290). The

Council acts as the collector of Business Rates on behalf of the Business Improvement District and transfers those monies to the company. The Council has no business transactions with the BID Company. No Directors received any remuneration for these roles.

### **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 2016-17, the Council contributed to the Joint Committee an amount of £92,540 (£95,436 in 2015-16). 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. Financial statements for this Joint Committee are available on the Bridgend CBC website ([www.bridgend.gov.uk](http://www.bridgend.gov.uk)).

#### **Margam Crematorium**

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

#### **County Borough Supplies**

County Borough Supplies ceased trading on 31 March 2016. Until this time it was administered by the Council and supplied 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 12. It also pays a management fee to the Awen Trust for cultural related services which is a not for profit organisation. The Board of Awen Trust has 3 Members on its Board.

**18. Note to the Expenditure and Funding Statement**

<b>Adjustments between Funding and Accounting Basis 2015-16</b>				
Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statements amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£'000	£'000	£'000	£'000
Education and Family Support	(7,827)	799	1,351	(5,677)
Social Services & Wellbeing	762	651	(265)	1,148
Communities	(12,516)	295	(906)	(13,127)
Operational & Partnership Services	(1,190)	217	(1,160)	(2,133)
Chief Executives	-	86	(49)	37
Central Services	5,709	(188)	8,552	14,073
<b>Net cost of services</b>	<b>(15,062)</b>	<b>1,860</b>	<b>7,523</b>	<b>(5,679)</b>
Other income and expenditure from the Expenditure and Funding Analysis	7,060	(8,450)	3,959	2,569
<b>Difference between Council Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(8,002)</b>	<b>(6,590)</b>	<b>11,482</b>	<b>(3,110)</b>



Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statements amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£'000	£'000	£'000	£'000
Education and Family Support	(4,902)	(241)	(2,889)	(8,032)
Social Services & Wellbeing	(177)	(185)	(1,816)	(2,178)
Communities	(13,187)	(78)	(2,034)	(15,299)
Operational & Partnership Services	(652)	(62)	(1,167)	(1,881)
Chief Executives	-	(24)	(38)	(62)
Central Services	8,776	(500)	12,990	21,266
<b>Net cost of services</b>	<b>(10,142)</b>	<b>(1,090)</b>	<b>5,046</b>	<b>(6,186)</b>
Other income and expenditure from the Expenditure and Funding Analysis	(1,324)	(8,050)	5,290	(4,084)
<b>Difference between Council Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(11,466)</b>	<b>(9,140)</b>	<b>10,336</b>	<b>(10,270)</b>

### Note 1 - Adjustments for Capital Purposes

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

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

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

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

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

**Note 3 - Other Differences**

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

- For financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

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

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

2015-16 £'000		2016-17 £'000
	<b>Expenditure</b>	
171,886	Employee expenses	174,030
211,245	Other services expenses	212,340
26,341	Depreciation, amortisation, impairment	24,009
14,499	Interest payments	14,086
18,767	Precepts and levies	19,581
2,181	Loss on disposal of assets	1,050
<b>444,919</b>	<b>Total expenditure</b>	<b>445,096</b>
	<b>Income</b>	
(62,528)	Fees, charges and other service income	(63,036)
(117,761)	Income from council tax, non-domestic rates	(123,191)
(259,689)	Government grants and contributions	(248,013)
(903)	Interest and investment income	(942)
(1,082)	Other income	-
<b>(441,963)</b>	<b>Total income</b>	<b>(435,182)</b>
<b>2,956</b>	<b>(Surplus) or Deficit on the provision of services</b>	<b>9,914</b>

## Notes to the Balance Sheet

### 20. Non-current Assets

#### a) Capital commitments

As at 31 March 2017 the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2017/18 and future years of approximately £18.074m. Similar commitments at 31 March 2016 were £3.651m. The major budgeted commitments are:

2015-16 £'000		2016-17 £'000
3,350	Vibrant and Viable Places	-
-	- Garw Valley South Primary Provision	9,160
-	- Brynmenyn Primary School	7,176
-	- Civic Offices External Envelope	1,012
<b>3,350</b>	<b>Total</b>	<b>17,348</b>

#### b) Notes on Non-current Assets

##### Voluntary-aided & Voluntary-controlled Schools

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

#### c) Non-current Assets valuation

Non-current Assets are included in the Balance Sheet on the valuation basis set out in the Statement of Accounting Policies. All assets are valued on a rolling 3-year basis as at 31 December with a review to 31 March to confirmed no significant changes in value during that period. These valuations were by Council Surveyors in accordance with the Statements of Asset Valuation, Practice and Guidance Notes of the Royal Institution of Chartered Surveyors for non-investment assets, investment assets being valued independently by Cooke & Arkwright .

Summary of Property, Plant & Equipment (PPE)	Other Land and Buildings £'000	Vehicle, Plant and Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE Assets £'000	PFI Assets Included in PPE £'000
<b>Cost or Valuation</b>								
At 1 April 2016	386,768	7,744	205,946	4,845	8,256	6,300	<b>619,859</b>	24,142
<b>Additions</b>	3,661	832	3,561	-	-	5,827	<b>13,881</b>	-
Accumulated Depreciation and Impairment written out to GCA	(4,423)	-	-	-	-	-	<b>(4,423)</b>	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4,152	-	-	-	766	-	<b>4,918</b>	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	462	-	-	7	(14)	-	<b>455</b>	-
Derecognition - Disposals	(3,739)	(4)	-	-	(70)	-	<b>(3,813)</b>	-
Assets reclassified (to)/from Held for Sale	(430)	-	-	200	(1,863)	-	<b>(2,093)</b>	-
Assets reclassified (to)/from Investment Property	-	-	-	-	45	-	<b>45</b>	-
Other Movements in Cost or Valuation	6,930	-	-	-	1,130	(8,059)	<b>1</b>	-
<b>At 31 March 2017</b>	<b>393,381</b>	<b>8,572</b>	<b>209,507</b>	<b>5,052</b>	<b>8,250</b>	<b>4,068</b>	<b>628,830</b>	<b>24,142</b>
<b>Accumulated Depreciation and Impairments</b>								
At 1 April 2016	(8,953)	(2,546)	(128,685)	(37)	-	(1)	<b>(140,222)</b>	(4)
Depreciation Charge for the year	(10,362)	(1,303)	(10,654)	-	(1)	-	<b>(22,320)</b>	(927)
Accumulated Depreciation and Impairment written out to the surplus / deficit on the provision of services	4,423	-	-	-	-	-	<b>4,423</b>	-
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	(154)	-	-	-	-	-	<b>(154)</b>	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(1,255)	(119)	(121)	-	-	-	<b>(1,495)</b>	-
Derecognition - other	-	-	-	-	-	-	-	-
Derecognition - disposals	1,922	1	-	-	-	-	<b>1,923</b>	-
Other Movements	12	-	-	-	(12)	-	-	-
<b>At 31 March 2017</b>	<b>(14,367)</b>	<b>(3,967)</b>	<b>(139,460)</b>	<b>(37)</b>	<b>(13)</b>	<b>(1)</b>	<b>(157,845)</b>	<b>(931)</b>
<b>NBV as at 1 April 2016</b>	<b>377,815</b>	<b>5,198</b>	<b>77,261</b>	<b>4,808</b>	<b>8,256</b>	<b>6,299</b>	<b>479,637</b>	<b>24,138</b>
<b>NBV as at 31 March 2017</b>	<b>379,014</b>	<b>4,605</b>	<b>70,047</b>	<b>5,015</b>	<b>8,237</b>	<b>4,067</b>	<b>470,985</b>	<b>23,211</b>

Summary of Property, Plant & Equipment (PPE)	Other Land and Buildings £'000	Vehicle, Plant and Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE Assets £'000	PFI Assets Included In PPE £'000
<b>Cost or Valuation</b>								
At 1 April 2015	364,373	6,660	201,351	4,845	9,906	16,456	<b>603,591</b>	23,948
Additions	4,362	2,305	4,595	142	-	8,597	<b>20,001</b>	-
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>	-
<b>At 31 March 2016</b>	<b>386,768</b>	<b>7,744</b>	<b>205,946</b>	<b>4,845</b>	<b>8,256</b>	<b>6,300</b>	<b>619,859</b>	<b>24,142</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)
Depreciation Charge for the year	(9,936)	(1,194)	(10,477)	-	(90)	-	<b>(21,697)</b>	(807)
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>At 31 March 2016</b>	<b>(8,953)</b>	<b>(2,546)</b>	<b>(128,685)</b>	<b>(37)</b>	<b>-</b>	<b>(1)</b>	<b>(140,222)</b>	<b>(4)</b>
<b>NBV as at 1 April 2015</b>	<b>354,330</b>	<b>4,087</b>	<b>83,373</b>	<b>4,808</b>	<b>9,767</b>	<b>15,848</b>	<b>472,213</b>	<b>23,347</b>
<b>NBV as at 31 March 2016</b>	<b>377,815</b>	<b>5,198</b>	<b>77,261</b>	<b>4,808</b>	<b>8,256</b>	<b>6,299</b>	<b>479,637</b>	<b>24,138</b>

## d) Intangible Assets.

The Intangible asset refers to the Wales Community Care Information System, WCCIS.

Intangible Assets	Intangibles £'000
<b>Cost or Valuation</b>	
At 1 April 2016	5,480
<b>At 31 March 2017</b>	<b>5,480</b>
<b>Accumulated Depreciation and Impairments</b>	
At 1 April 2016	(480)
Depreciation Charge for the year	(625)
<b>At 31 March 2017</b>	<b>(1,105)</b>
<b>NBV as at 1 April 2016</b>	<b>5,000</b>
<b>NBV as at 31 March 2017</b>	<b>4,375</b>

Intangible Assets	Intangibles £'000
<b>Cost or Valuation</b>	
At 1 April 2015	3,840
Additions	1,640
<b>At 31 March 2016</b>	<b>5,480</b>
<b>Accumulated Depreciation and Impairments</b>	
At 1 April 2015	-
Depreciation Charge for the year	(480)
<b>At 31 March 2016</b>	<b>(480)</b>
<b>NBV as at 1 April 2015</b>	<b>3,840</b>
<b>NBV as at 31 March 2016</b>	<b>5,000</b>

e) Sources of finance for Capital Expenditure

2015-16 £'000		2016-17 £'000
(7,084)	Loans	(3,914)
(12,001)	Government grants	(9,568)
(146)	Capital receipts	(2,285)
(1,262)	Revenue contribution	(2,105)
(124)	Healthy Living Contract Capital Liability	-
(5,682)	Other contributions	(527)
<b>(26,299)</b>	<b>Total</b>	<b>(18,399)</b>

f) Revenue Expenditure Funded from Capital under Statute

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

2015-16 £'000		2016-17 £'000
4,658	Revenue Expenditure Funded from Capital under Statute	4,518
(3,948)	Grants and Contributions	(3,736)
<b>710</b>	<b>Total</b>	<b>782</b>

g) Capital financing requirement and the financing of capital expenditure

2015-16 £'000	Capital Financing Requirement	2016-17 £'000
176,010	Opening Capital Financing Requirement	174,706
	Adjustment to Capital Financing Requirement Unsupported Borrowing	
-	Reversal	(259)
	Adjustment to Capital Financing Requirement Unsupported Borrowing	
-	MRP Reversal	13
<b>176,010</b>	<b>Amended Opening Capital Financing Requirement</b>	<b>174,460</b>
	<b>Capital Investment</b>	
21,517	Property, Plant and Equipment	13,881
4,658	Revenue Expenditure Funded from Capital under Statute	4,518
124	Healthy Living Contract Capital Expenditure	-
	<b>Sources of Finance</b>	
(17,681)	Grants & Contributions	(10,095)
(146)	Capital receipts applied	(2,285)
(1,262)	Revenue Contributions	(2,105)
(5,169)	Minimum Revenue Provision	(5,123)
(1,646)	Unsupported Borrowing MRP	(4,534)
(1,086)	Healthy Living Contract MRP	-
(51)	Innovation Centre MRP	(55)
(49)	Crematorium MRP	(50)
(513)	PFI School MRP	(552)
<b>174,706</b>	<b>Closing Capital Financing Requirement</b>	<b>168,060</b>
	<b>Explanation for Movements in Year</b>	
(1,306)	Decrease in Underlying Need to Borrow (supported by government financial assistance)	(1,259)
1,528	Increase/(Decrease) in Underlying Need to Borrow (unsupported by government financial assistance)	(4,534)
(1,013)	Assets acquired under finance leases	(55)
(513)	Assets acquired under PFI Contract	(552)
<b>(1,304)</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(6,400)</b>

h) Capital Grants Received in Advance

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

2015-16 £'000		2016-17 £'000
(1,844)	Developers' Contributions - capital element	(2,714)
<b>(1,844)</b>	<b>Total</b>	<b>(2,714)</b>

## 21. Investment Properties

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

2015-16 £'000		2016-17 £'000
4,103	<b>Balance at 1 April</b>	5,185
-	- Transferred to Surplus Assets	(45)
-	- Disposals	(80)
1,082	Net gain / (loss) from fair value adjustments	-
<b>5,185</b>	<b>Balance as at 31 March</b>	<b>5,060</b>

## 22. 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:

2015-16 £'000		2016-17 £'000
12,177	Central Government Bodies	9,844
4,468	Other Local Authorities	4,717
809	NHS Bodies	246
9,892	Other Entities and Individuals	14,660
<b>27,346</b>	<b>Balance as at 31 March</b>	<b>29,467</b>

The Council collects NNDR payments on behalf of Welsh Government. As at the 31 March 2017, the Council had paid over more cash than it collected, this excess was included in the Balance Sheet as a debtor of £1.414 million. The equivalent for 2015-16 was a debtor of £0.882 million which represented monies not yet paid over by Welsh Government.

## 23. Assets Held for Sale

2015-16 £'000		2016-17 £'000
7,478	Balance at 1 April	4,035
488	Assets newly classified as held for sale: Property, Plant & Equipment	2,293
	Assets declassified as held for resale: Property, Plant & Equipment	(200)
(1,069)	Revaluation Gain/(Loss)	
(2,862)	Assets Sold	(4,398)
<b>4,035</b>	<b>Balance as at 31 March</b>	<b>1,730</b>



**24. Short Term Creditors**

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

2015-16 £'000		2016-17 £'000
(5,832)	Central Government Bodies	(4,199)
(4,998)	Other Local Authorities	(4,491)
(338)	NHS Bodies	(121)
(21,604)	Other Entities and Individuals	(18,499)
<b>(32,772)</b>	<b>Balance as at 31 March</b>	<b>(27,310)</b>

**25. Provisions**

The Council has two provisions as detailed below:

2015-16 £'000		Expenditure £'000	Increase/ (Decrease ) £'000	2016-17 £'000	< 1 yr £'000	> 1 yr £'000
3,145	Insurance (BCBC)	(711)	666	3,100	649	2,451
335	Carbon Reduction Commitment	(340)	273	268	268	-
-	Other provisions	-	297	297	297	-
<b>3,480</b>	<b>Balance as at 31 March</b>	<b>(1,051)</b>	<b>1,236</b>	<b>3,665</b>	<b>1,214</b>	<b>2,451</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 2016-17 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 2016-17. The payment will be made with the retrospective purchase of allowances in the summer 2017.

**26. PFI and Other Long Term Liabilities**

2015-16 £'000		Additions in Year £'000	Reduction in year £'000	Moved to Short Term Creditors £'000	2016-17 £'000
18,235	Maesteg School PFI Lease Liability			(595)	17,640
664	Innovation Centre Financial Liability			(60)	604
400	Waste Contract			(50)	350
60	Escrow (Football Club)	10			70
2,400	Welsh Government Loan - Llynfi Valley				2,400
<b>21,759</b>	<b>Balance as at 31 March</b>	<b>10</b>	<b>-</b>	<b>(705)</b>	<b>21,064</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 2016-17, the amount written down was £552,000 and £595,000 has been transferred to Short Term Creditors leaving an outstanding long term liability of £17.640 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 2016-17 was £55,000 and £60,000 was transferred to Short Term Creditors resulting in a long term financial liability of £0.604 million at 31 March 2017.

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.

**27. 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.

2015-16 £'000		2016-17 £'000
14,534	Balance at 1st April	18,352
3,959	Capital Receipts Received	5,293
5	Mortgage repayments (Council Fund)	4
(146)	Receipts used to finance capital expenditure	(2,285)
<b>18,352</b>	<b>Balance as at 31st March</b>	<b>21,364</b>

**b) Earmarked Reserves**

The Earmarked Reserves in the Balance Sheet as at 31 March 2017 are detailed below:

Opening Balance 2016-17 £'000	Reserve	Movement during 2016-17		Closing Balance 2016-17 £'000
		Additions/ Re- classification £'000	Drawdown by Directorates £'000	
<b>7,604</b>	<b>Council Fund</b>	<b>356</b>		<b>7,960</b>
	<b>Corporate Reserves:</b>			
1,491	Asset Management Plan	155	(384)	<b>1,262</b>
356	Building Maintenance Reserve	442	(80)	<b>718</b>
631	Capital feasibility fund	(194)	(188)	<b>249</b>
5,833	Capital Programme Contribution	6,193	(646)	<b>11,380</b>
1,950	Change Management	-	(362)	<b>1,588</b>
103	DDA Emergency Works	200	(121)	<b>182</b>
2,500	Digital Transformation	-	(564)	<b>1,936</b>
715	ICT & Finance Systems	710	(157)	<b>1,268</b>
2,035	Insurance reserve	670	(370)	<b>2,335</b>
10,874	Major Claims Reserve	(2,080)	(343)	<b>8,451</b>
	MTFS Budget Contingency	1,528	(528)	<b>1,000</b>
234	Property Disposal Strategy	56	(152)	<b>138</b>
-	Public Realm Reserve	200	-54	<b>146</b>
5,625	Service Reconfiguration	2,536	(58)	<b>8,103</b>
92	Waste Management Contract	-	(88)	<b>4</b>
500	Welfare Reform Bill	-	-	<b>500</b>
<b>32,939</b>	<b>Total Corporate Reserves</b>	<b>10,416</b>	<b>(4,095)</b>	<b>39,260</b>
	<b>Directorate Reserves:</b>			
471	Car Parking Strategy*	(208)	(88)	<b>175</b>
31	Community Safety Reserve	-	-	<b>31</b>
1,331	Directorate Issues*	198	(878)	<b>651</b>
48	Donations Reserves Account	2	-	<b>50</b>
	Human Resources Reserve	25	-	<b>25</b>
-	Local Development Plan IT System	20	-	<b>20</b>
824	Looked After Children	1,000	(788)	<b>1,036</b>
66	Partnership Reserves	-	-	<b>66</b>
76	Porthcawl Regeneration	188	(14)	<b>250</b>
-	Property Reserve	250	-	<b>250</b>
-	Safe Routes to Schools	200	(29)	<b>171</b>
285	School Projects Reserve	168	(22)	<b>431</b>
-	Waste Awareness Reserve	250	-	<b>250</b>
26	Webcasting Reserve	-	(20)	<b>6</b>
1,409	Wellbeing Projects	-	(529)	<b>880</b>
<b>4,567</b>	<b>Total Directorate Reserves</b>	<b>2,093</b>	<b>(2,368)</b>	<b>4,292</b>
<b>2,154</b>	<b>Delegated Schools Balance</b>	<b>-</b>	<b>(1,288)</b>	<b>866</b>
<b>39,660</b>	<b>Total Reserves excluding Equalisation Reserves</b>	<b>12,509</b>	<b>(7,751)</b>	<b>44,418</b>
	<b>Equalisation and Grant Reserves</b>			
-	IFRS Grants	841	-	<b>841</b>
152	Civil Parking Enforcement*	22	-	<b>174</b>
12	Building Control Reserve	3	-	<b>15</b>
201	Election costs	-	-	<b>201</b>
692	Highways Reserve	140	-	<b>832</b>
141	Local Development Plan	55	-	<b>196</b>
3,706	Maesteg School PFI Equalisation	243	-	<b>3,949</b>
349	Special Regeneration Fund*	184	-	<b>533</b>
<b>5,253</b>	<b>Total Directorate Reserves</b>	<b>1,488</b>	<b>-</b>	<b>6,741</b>
<b>44,913</b>	<b>TOTAL EXCLUDING COUNCIL FUND</b>	<b>13,997</b>	<b>(7,751)</b>	<b>51,159</b>
<b>52,517</b>	<b>TOTAL INCLUDING COUNCIL FUND</b>	<b>14,353</b>	<b>(7,751)</b>	<b>59,119</b>

\* There are a couple of changes to the 2015-16 balances where previously grouped reserves have been separated out as shown in the table:

Reserve	Original Opening Balance 2015-16 £'000	Reallocation £'000	Amended Opening Balance 2015-16 £'000
<b>Directorate Reserves:</b>			
Car Parking Strategy*	623	(152)	471
Directorate Issues*	1,367	(36)	1,331
<b>Equalisation and Grant Reserves</b>			
Special Regeneration Fund*	313	36	349
Civil Parking Enforcement*	-	152	152
<b>Total Equalisation Reserve</b>	<b>2,303</b>	<b>-</b>	<b>2,303</b>

### Council Fund

The transfer to the Council Fund for 2016-17 was £0.356 million. This increased the balance on the Fund to £7.960 million at the 31 March 2017 (£7.604 million at 31 March 2016).

### Other Earmarked Reserves

The transfer to Earmarked Balances excluding the Council Fund Balance was £6.246 million in 2016-17 (transfer to Balances of £3.459 million in 2015-16). This was made up of additions to reserves of £12.509 million from Corporate budgets and £1.488 million additions from Directorate budgets and £7.751 million money transferred into the Comprehensive Income and Expenditure Statement to match expenditure within the year. An overview of each earmarked reserve is explained below:-

#### Corporate Reserves

##### Asset Management Plan

This has been established to meet the on-going costs of condition surveys and supports the demolition of asset programme.

##### Building Maintenance Reserve

This reserve is for planned maintenance expenditure on the Council's buildings.

##### Capital Feasibility Fund

This fund has been established to fund studies for proposed capital projects.

##### Capital Programme Contribution

This earmarked reserve has been set up as a revenue contribution to the capital programme, to enable schemes to be progressed more quickly to alleviate pressure on the revenue budget and accelerate the realisation of capital receipts.

##### Change Management

This reserve will meet potential costs associated with corporate capacity requirements to facilitate and progress planned developments linked to achieving budget reductions in the Medium Term Financial Strategy and the Bridgend Change Programme.

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.

Digital Transformation & ICT Reserve

These two reserves will fund the Digital Transformation of the Council supporting channel shift together with the costs of planned system developments from 2017-18 to 2018-19. It includes developments including the roll out of the cashless catering system.

Insurance Reserve

This reserve is based on the assessment for potential future liabilities including any residual payments from claims relating to the Municipal Mutual Insurance Limited.

Major Claims Earmarked Reserve

This reserve has been created to mainly cover the deficit on the pension fund, major capital contractual claims and mitigate against potential other claims against the Council.

MTFS Budget Contingency

In accordance with MTFS Principle 12, an earmarked reserve was established to provide additional capacity for discretionary use by the Chief Finance Officer to manage inescapable problems with delivery of MTFS savings.

Property Disposal Strategy

This reserve will cover legal, surveying and marketing costs associated with planned disposals to generate capital receipts for the Council

Public Realm Reserve

This reserve will be used for works on highways and other public realm maintenance or renovations of playgrounds for example.

Service Reconfiguration / Severance Costs

This reserve has been established to meet potential costs relating to service remodelling and consequential severance costs as well as service reconfiguration such as the Extra Care provision as outlined in the MTFS 2016-17.

Waste Management Contract

This earmarked reserve is to facilitate the procurement of the next waste collection contract with the current contract expiring in 2017. The small balance will be fully utilised in 2017-18.

Welfare Reform Bill

This reserve has been established to fund the potential impact of increases in demand for services resulting from the Welfare Reform Bill.

**Directorate Reserves**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.

Directorate Issues

This reserve relates to specific Directorate issues anticipated in 2017-18 together with some carried forward amounts from 2016-17. Examples include enhancement to school kitchens and a management information system for Catering, an officer to support the roll out of eProcurement within the Council and support for the Childrens' Advocacy Service.

Donations Reserves

This reserve has been established from various donations over a number of years and will be used on future expenditure in accordance with the original intentions.

Human Resources Reserve

This reserve is to cover the cost of a new module on the Payroll System and the scanning of existing records.

Local Development Plan IT System

This reserve is to purchase specialist software for use in compiling population statistics to inform housing provision and to allow improved public facing access in order to compile representations to the forthcoming Local Development Plan (LDP) review.

Looked After Children Reserve

This reserve has been established to provide for the continuing pressures over the Medium Term Financial Strategy on the Looked After Children budget within Education and Family Support Services.

Partnership Reserves

This reserve will be utilised in 2017-18 for partnership working within the Council.

Porthcawl Regeneration

This reserve has been established to fund up front revenue costs associated with the proposed regeneration of Porthcawl.

Safe Routes to Schools Reserve

This reserve has been created to ensure that there are safe routes to schools following Learner Transport changes.

School Projects Reserve

This reserve covers both school's future projects expenditure and also the associated financing costs of any capital borrowing.

Waste Awareness Reserve

This reserve is to providing funding to promote the changes to the waste management contract and support for the customer contact centre.

Webcasting Reserve

This will be used to continue the programme of broadcasting certain Committee Meetings on the Council's web-site.

Wellbeing Projects

This has been established to allow one off injections of financial resources into service areas to facilitate change/development linked with the Health Service.

## Delegated School Balances

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

### Analysis of Delegated Schools Balance

2015-16 Closing Balance £'000	School Types	Nos in Category	2016-17 Budget £'000	2016-17 Spend £'000	2016-17 Closing Balance £'000
1,532	Primary Schools	50	45,369	44,903	466
162	Secondary Schools	9	41,776	41,927	(151)
460	Special Schools	2	8,285	7,735	550
<b>2,154</b>	<b>Total</b>	<b>61</b>	<b>95,430</b>	<b>94,565</b>	<b>865</b>

*The 2015-16 Closing Balance figure is included within the 2016-17 Budget. This accounting treatment of including the prior year's closing balance in the current year's budget applies solely to Schools and does not apply in any other area of the accounts.*

## Equalisation and Grant Reserves

### IFRS Grant Accounting Reserves

Under proper accounting practice, all grants and contributions should be analysed to see whether there are specific conditions attached to them. When the conditions are actually satisfied the grant is credited to the Comprehensive Income and Expenditure Statement regardless of whether the actual expenditure has been incurred. In these cases the Council can decide to transfer the grant monies to an earmarked reserve to fund future expenditure. In 2016-17, there was £841,000 of new International Financial Reporting Standards (IFRS) Grants that have been transferred to earmarked reserves to ensure the funding is protected in accordance with the original terms and conditions of the grant or contribution. Similarly monies from commuted sums have been placed into a Highways Reserve and income from Civil Parking Enforcement is now also as a specific earmarked reserve.

### Equalisation of Spend Reserves

These reserves ensure that expenditure that is incurred in a particular future year is smoothed over the period of the MTFs. These include the costs of elections, the Special Regeneration Fund, the preparation of the Local Development Plan and the Building Control Earmarked Reserves.

### Maesteg PFI Equalisation Reserve

As outlined in note 11 above, there is a need for an Equalisation Fund for the Unitary Charges received from Welsh Government for the Maesteg PFI School.

## 28. 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.

2015-16			2016-17	
£'000	£'000		£'000	£'000
	115,916	<b>Balance at 1 April</b>		127,291
19,280		Upward Revaluation of Assets	8,705	
(3,299)		Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services	(3,942)	
	<b>15,981</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>4,763</b>
(2,464)		Difference between fair value depreciation and historical cost depreciation	(3,341)	
(2,142)		Accumulated gains on assets sold or scrapped	(4,010)	
	(4,606)	Amount written off to the Capital Adjustment Account		(7,351)
	<b>127,291</b>	<b>Balance as at 31 March</b>		<b>124,703</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.

2015-16 £'000		2016-17 £'000
(273,010)	<b>Balance at 1 April</b>	(245,270)
34,330	Actuarial gains or losses on pensions assets and liabilities	1,960
(26,600)	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	(26,140)
20,010	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	17,000
<b>(245,270)</b>	<b>Balance as at 31 March</b>	<b>(252,450)</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 though there were no material adjustments in 2016-17.

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.

2015-16			2016-17	
£'000	£'000		£'000	£'000
	196,059	<b>Balance at 1 April</b>		<b>192,078</b>
		<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :</b>		
(23,087)		Charges for depreciation and impairment of non-current assets	(22,945)	
(3,259)		Revaluation losses on Property, Plant and Equipment	(1,064)	
(710)		Revenue Expenditure funded from Capital Under Statute	(782)	
(5)		Other amounts including Mortgage Payments	(4)	
(3,998)		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	(2,333)	
	(31,059)			(27,128)
	2,464	Adjusting amounts written out to the Revaluation Reserve		3,341
	<b>(28,595)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(23,787)</b>
		<b>Capital financing applied in the year:</b>		
146		Use of the Capital Receipts Reserve to finance capital expenditure	2,285	
13,610		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that has been applied to capital financing	6,486	
8,514		Statutory provision for the financing of capital investment charged against the Council Fund	10,301	
1,262		Capital expenditure charged against the Council Fund	2,105	
	<b>23,532</b>			<b>21,177</b>
	1,082	Movement in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement		-
	<b>192,078</b>	<b>Balance as at 31 March</b>		<b>189,468</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.

2015-16 £'000			2016-17 £'000	
(3,632)		<b>Balance at 1 April</b>		(739)
76		Premiums / Discounts Adjustments		-
7		Loans / Investments Adjustments		8
2,810		Premiums Paid		-
<b>(739)</b>		<b>Balance as at 31 March</b>		<b>(731)</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.

2015-16			2016-17	
£'000	£'000		£'000	£'000
	(4,224)	<b>Balance at 1 April</b>		(2,359)
4,224		Settlement or cancellation of accrual made at the end of the preceding year	2,359	
(2,359)		Amounts accrued at the end of the current year	(2,793)	
		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		(434)
	1,865			
	<b>(2,359)</b>	<b>Balance as at 31 March</b>		<b>(2,793)</b>

## 29. 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 2016-17 include information provided by the pension administrators, Rhondda Cynon Taff CBC and Aon Hewitt Associates Limited as the pension's actuary.

### **Transactions Relating to Post-employment Benefits**

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

Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total	Comprehensive Income & Expenditure Statement	Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total
£m	£m	£m	£m		£m	£m	£m	£m
2015-16	2015-16	2015-16	2015-16	Cost of Services :	2016-17	2016-17	2016-17	2016-17
17.56	0.00	0.00	<b>17.56</b>	<b>Service cost comprising:</b>	17.59	0.00	0.00	<b>17.59</b>
0.59	0.00	0.00	<b>0.59</b>	current service cost	0.50	0.00	0.00	<b>0.50</b>
0.00	0.00	0.00	<b>0.00</b>	past service costs	0.00	0.00	0.00	<b>0.00</b>
				(gain)/loss from settlements				
				<b>Financing &amp; Investment</b>				
				<b>Income &amp; Expenditure :-</b>				
8.05	0.25	0.15	<b>8.45</b>	Net interest expense	7.65	0.25	0.15	<b>8.05</b>
				<b>Total Post Employment</b>				
				<b>Benefit Charged to the</b>				
				<b>Surplus or Deficit on the</b>				
<b>26.20</b>	<b>0.25</b>	<b>0.15</b>	<b>26.60</b>	<b>Provision of Services</b>	<b>25.74</b>	<b>0.25</b>	<b>0.15</b>	<b>26.14</b>
				<b>Other Post Employment</b>				
				<i>Remeasurements of the net</i>				
				<i>defined benefit liability</i>				
				<i>comprising:</i>				
(1.54)	0.00	0.00	<b>(1.54)</b>	Return on plan assets (excluding	(62.39)	0.00	0.00	<b>(62.39)</b>
				the amount included in the net				
				interest expense)				
(26.08)	(0.26)	(0.15)	<b>(26.49)</b>	Actuarial (gains) / losses due to	138.41	0.67	0.38	<b>139.46</b>
				changes in financial assumptions				
0.00	0.00	0.00	<b>0.00</b>	Actuarial (gains) / losses due to	(28.69)	(0.20)	(0.12)	<b>(29.01)</b>
				changes in demographic				
(6.08)	(0.14)	(0.08)	<b>(6.30)</b>	assumptions	(49.93)	(0.06)	(0.03)	<b>(50.02)</b>
				Actuarial (gains) / losses due to				
				liability experience				
				<b>Total Post-employment</b>				
				<b>Benefits charged to the</b>				
				<b>Comprehensive Income and</b>				
<b>(33.70)</b>	<b>(0.40)</b>	<b>(0.23)</b>	<b>(34.33)</b>	<b>Expenditure Statement</b>	<b>(2.60)</b>	<b>0.41</b>	<b>0.23</b>	<b>(1.96)</b>
				<b>Movement in Reserves</b>				
				<b>Statement:-</b>				
(26.20)	(0.25)	(0.15)	<b>(26.60)</b>	Reversal of net charges made for	(25.74)	(0.25)	(0.15)	<b>(26.14)</b>
				retirement benefits in accordance				
				with IAS 19				
				<b>Actual amount charged against</b>				
				<b>the Council Fund Balance for</b>				
				<b>pensions in the year</b>				
19.09	0.49	0.43	<b>20.01</b>	Employers' Contributions payable	16.12	0.48	0.40	<b>17.00</b>
				to the scheme				
(21.98)	(0.49)	(0.43)	<b>(22.90)</b>	Retirement Benefits Paid Out	(22.03)	(0.48)	(0.40)	<b>(22.91)</b>

### Pensions Assets and Liabilities Recognised in the Balance Sheet

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

Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total		Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total
£m 2015-16	£m 2015-16	£m 2015-16	£m 2015-16		£m 2016-17	£m 2016-17	£m 2016-17	£m 2016-17
689.16	7.63	4.56	<b>701.35</b>	Present value of defined benefit obligation	772.59	7.81	4.54	<b>784.94</b>
(456.08)	0.00	0.00	<b>(456.08)</b>	Fair Value of Plan Assets	(532.49)	0.00	0.00	<b>(532.49)</b>
<b>233.08</b>	<b>7.63</b>	<b>4.56</b>	<b>245.27</b>	<b>Net liability arising from defined benefit obligation</b>	<b>240.10</b>	<b>7.81</b>	<b>4.54</b>	<b>252.45</b>

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

£m 2015-16		£m 2016-17
438.85	<b>Opening fair value of scheme assets at 1 April</b>	456.08
14.03	Interest income on assets	15.49
	Remeasurement gain/(loss):	
	The return on plan assets, excluding the amount included in the net	
1.54	interest expense	62.39
19.09	Contributions by Employer	16.12
4.55	Contributions by Participants	4.44
(21.98)	Net Benefits Paid Out	(22.03)
<b>456.08</b>	<b>Balance as at 31 March</b>	<b>532.49</b>

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

Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total		Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total
£m	£m	£m	£m		£m	£m	£m	£m
2015-16	2015-16	2015-16	2015-16		2016-17	2016-17	2016-17	2016-17
698.52	8.27	5.07	711.86	<b>Opening balance at 1 April</b>	689.16	7.63	4.56	701.35
17.56	0.00	0.00	17.56	Current Service Cost	17.59	0.00	0.00	17.59
22.08	0.25	0.15	22.48	Interest Cost	23.14	0.25	0.15	23.54
4.55	0.00	0.00	4.55	Contributions from scheme participants	4.44	0.00	0.00	4.44
0.00	0.00	0.00	0.00	Remeasurement (gains) and losses:	0.00	0.00	0.00	0.00
(26.08)	(0.26)	(0.15)	(26.49)	Actuarial gains / losses arising from changes in financial assumptions	138.41	0.67	0.38	139.46
0.00	0.00	0.00	0.00	Actuarial gains / losses arising from changes in demographic assumptions	(28.69)	(0.20)	(0.12)	(29.01)
(6.08)	(0.14)	(0.08)	(6.30)	Actuarial gains / losses arising from changes in liability experience	(49.93)	(0.06)	(0.03)	(50.02)
0.59	0.00	0.00	0.59	Past Service Cost	0.50	0.00	0.00	0.50
(21.98)	(0.49)	(0.43)	(22.90)	Benefits Paid	(22.03)	(0.48)	(0.40)	(22.91)
0.00	0.00	0.00	0.00	Liabilities extinguished on settlements	0.00	0.00	0.00	0.00
<b>689.16</b>	<b>7.63</b>	<b>4.56</b>	<b>701.35</b>	<b>Balance as at 31 March</b>	<b>772.59</b>	<b>7.81</b>	<b>4.54</b>	<b>784.94</b>

## Local Government Pension Scheme assets comprised:

Fair Value of Scheme Assets 2015-16 £m	Asset Split 2015-16 %		Fair Value of Scheme Assets 2016-17 £m	Asset Split 2016-17 %
15.826	3.47	<b>Cash and cash equivalents</b>	11.036	2.07
		<b>Equity Instruments:</b> <i>by industry type (FTSE Sector)</i>		
8.483	1.86	Oil & Gas	9.928	1.86
6.111	1.34	Basic Materials	13.559	2.55
37.034	8.12	Industrials	49.307	9.26
38.539	8.45	Consumer Goods	50.380	9.46
25.586	5.61	Health Care	31.902	5.99
49.393	10.83	Consumer Services	49.669	9.33
2.052	0.45	Telecommunications	1.615	0.30
4.834	1.06	Utilities	2.916	0.55
58.013	12.72	Financials	64.845	12.18
31.060	6.81	Technology	50.835	9.55
0.000	0.00	Real Estate	0.608	0.11
54.047	11.85	Pooled Equity Investment Vehicles	64.564	12.12
<b>315.152</b>	<b>69.10</b>	<b>Sub-total equity</b>	<b>390.128</b>	<b>73.26</b>
		<b>Bonds:</b> <i>By Sector</i>		
50.351	11.04	Corporate	53.845	10.11
44.787	9.82	Government	47.223	8.87
<b>95.138</b>	<b>20.86</b>	<b>Sub-total bonds</b>	<b>101.068</b>	<b>18.98</b>
		<b>Property:</b> <i>By Type</i>		
7.525	1.65	Retail	7.686	1.44
3.785	0.83	Office	4.085	0.77
6.932	1.52	Industrial	6.959	1.31
11.722	2.57	Other Commercial	11.528	2.17
<b>29.964</b>	<b>6.57</b>	<b>Sub-total property</b>	<b>30.258</b>	<b>5.69</b>
<b>456.080</b>	<b>100.00</b>	<b>Total assets</b>	<b>532.490</b>	<b>100.00</b>

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

Both the Local Government Pension Scheme (LGPS) and discretionary benefits liabilities have been estimated by Aon Hewitt, an independent firm of actuaries, in accordance with IAS 19.

The significant assumptions used by the Actuary were:

2015-16 % pa		2016-17 % pa
3.40	Discount rate	2.60
1.80	Rate of pension increases	2.00
3.30	Rate of salary increases	3.25
Years		Years
	<i>Mortality Assumptions:</i>	
	Longevity at 65 for current pensioners :-	
23.10	Men	22.80
26.00	Women	24.90
	Longevity at 65 for future pensioners :-	
25.30	Men	25.00
28.40	Women	27.20

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

Increase in Assumption 2015-16 £m	Decrease in Assumption 2015-16 £m		Increase in Assumption 2016-17 £m	Decrease in Assumption 2016-17 £m
(13.17)	13.42	Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(14.08)	14.34
2.89	(2.86)	Rate of increase in salaries (increase or decrease by 0.1%)	2.81	(2.79)
10.51	(10.33)	Rate of increase in pensions (increase or decrease by 0.1%)	11.50	(11.31)
17.51	(17.55)	Longevity (increase or decrease in 1 year)	22.98	(22.83)

### Impact on the Council's Cash Flows

The funded nature of the LGPS requires the Employer and its employees to pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets. The Actuary will be carrying out the next Actuarial Valuation as at 31 March 2019. The current Employer's contribution rate to achieve a funding level of 100% of scheme liabilities will be reviewed at this point. Consequently, whilst there is a significant shortfall (liability) between the benefits earned by past and current employees and the resources the Council has set aside to meet them, the statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.



The expected employer's contributions to the Local Government Pension Scheme for the accounting period ending 31 March 2018 are:-

	2017-18 £m
Local Government Pension Scheme	29.18
LGPS Unfunded	0.20
Teachers Unfunded	0.11
<b>Total</b>	<b>29.49</b>

The weighted average duration of the defined benefit obligation for the scheme members is 18.4 years, which is the same as for 2015-16.

#### Teachers

In 2016-17, the Council paid £8.1 million (£7.6 million for 2015-16) to the Teachers Pensions Agency in respect of teachers' pension costs. The increase was as a result of the continued impact of an increase in the employer's contribution rate in 2015-16. In addition, the Council is responsible for all pension payments relating to added years awarded, together with the related increases. In 2016-17, these amounted to £0.451 million (£0.5 million for 2015-16).

### 30. Financial Instruments Disclosures

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

#### Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments, or a contractual right to receive cash or another financial assets, or an obligation to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. 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 Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

Short term Investments and Cash and Cash Equivalents (included in Current Assets) in the Balance Sheet are detailed below:

31 March 2016		31 March 2017
Balance Sheet £'000	Short Term Investments and Cash and Cash Equivalents	Balance Sheet £'000
14,543	Short Term Investments (< 1 year)*	26,572
<b>14,543</b>	<b>Total Short Term Investments</b>	<b>26,572</b>
9,502	Cash & Cash Equivalents (Deposits)	3,250
(2,320)	Cash in Hand/Overdrawn	(1,586)
<b>7,182</b>	<b>Total Cash &amp; Cash Equivalents</b>	<b>1,664</b>
5,771	Short Term Trade Receivables (Debtors)	7,713
<b>27,496</b>	<b>Total Current Financial Assets</b>	<b>35,949</b>

\*The total short term investments include £10,334 representing accrued interest in long term investments in addition to short term interest of £62,044. The £7.713 million Trade Receivables

(Debtor) figure above is for goods and services delivered and an age debt analysis of these trade debtors is shown below in the Credit Risk section. This figure is included in the Short Term Debtors figure of £29.370 million in the balance sheet as debtors that do not meet the definition of a financial liability, Note 22 provides more detailed information of the total short term debtors figure.

International Financial Reporting Standard (IFRS) 13 Fair Value defines the fair value of a financial asset as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair values only need to be disclosed for the Council's long term financial assets as the fair value of our short-term instruments, including trade receivables, are assumed to approximate to the carrying amount, so fair values have not been disclosed above. There are 3 levels in the fair value hierarchy for calculations, however due to the type of financial assets the Council hold the only level applicable at 31 March 2017 is level 2, where the fair value is calculated from inputs other than quoted prices that are observable for the asset – this is interest rates or yields for similar instruments.

There were two new long term investments in 2016-17 both for 4 years totalling £4 million and the Long Term Investment figures in the balance sheet is £4.003 million (£2.007 million at 31 March 2016). The Fair Value (Level 2) is £4.037 million which has been calculated by discounting at the market rate for a similar instrument with equivalent remaining term to maturity on 31 March 2017.

31 March 2016			Fair Value Level	31 March 2017	
Balance Sheet £'000	Fair Value £'000			Balance Sheet £'000	Fair Value £'000
2,007	2,011	Long Term Investments	2	4,000	4,037

## Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council. 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 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:

31 March 2016 £'000	Short Term Borrowing & Other Short Term Liabilities	31 March 2017 £'000
(278)	Accrued Interest Long Term Loans	(272)
(57)	Escrow (Bocam Park) Short Term	(60)
(229)	Escrow (Wind Farms) Short Term	(230)
(346)	Education/Social Services Trust Funds	(340)
(50)	Other Trust Funds	(50)
<b>(960)</b>	<b>Short Term Borrowing</b>	<b>(952)</b>
(5,103)	Short Term Trade Payables (Creditors)	(5,245)
(1,176)	Other Short Term Financial Liabilities (Creditors)	(404)
<b>(7,239)</b>	<b>Total Current Financial Liabilities</b>	<b>(6,601)</b>

The short term Trade Payables (Creditors) figure £5.245 million relates to trade payables for goods and services received. 45% of this is not overdue for payment and 55% is due within 6 months. The other short term financial liabilities figure of £0.407 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 2016-17 is made up as follows:-

31 March 2016 £'000	Short Term Liability relating to Other Long Term Liabilities	31 March 2017 £'000
(552)	Maesteg School PFI Lease Liability	(595)
(55)	Innovation Centre Financial Liability	(60)
(50)	Waste Contract (MREC)	(50)
<b>(657)</b>	<b>Total</b>	<b>(705)</b>

The £5.245 million, £0.407 million and £0.705 million shown in the two tables above are all included in the Short Term Creditors Balance Sheet figure of £27.213 million which also includes creditors that do not meet the definition of a financial liability so is not detailed here. Note 24 provides more detailed information of the total short term creditors figure.

Under IFRS 13 the fair value of a financial liability is defined as the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values only need to be disclosed for the Council's long term financial liabilities as the fair value of our short-term instruments including trade payables are assumed to approximate to the carrying amount so fair values have not been disclosed above. There are 3 levels in the fair value hierarchy for calculations, however due to the type of financial liabilities the Council holds the only level applicable to the Council at 31 March 2017 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 2017, which provides an estimate of the value of payments in the future in today's terms, using the following methods and assumptions:

- The fair value of Public Works Loan Board (PWLB) have been discounted at the market rates for local authority loans of the same remaining term to maturity at the 31 March.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lender's options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.

- The fair value of other long term financial liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA rated corporate bond yield.

The long term borrowing figure in the balance sheet of £97.432 million is made up as follows:

31 March 2016				Fair Value Level	31 March 2017		
Principal Sum Outstanding £'000	Balance Sheet £'000	Fair Value £'000			Principal Sum Outstanding £'000	Balance Sheet £'000	Fair Value £'000
(77,617)	(77,617)	(103,678)	PWLB (long term)	2	(77,617)	(77,617)	(115,604)
<b>(77,617)</b>	<b>(77,617)</b>	<b>(103,678)</b>	<b>Total PWLB debt</b>		<b>(77,617)</b>	<b>(77,617)</b>	<b>(115,604)</b>
(19,250)	(19,817)	(29,878)	LOBO's	2	(19,250)	(19,815)	(33,208)
<b>(19,250)</b>	<b>(19,817)</b>	<b>(29,878)</b>	<b>Total Market Loans</b>		<b>(19,250)</b>	<b>(19,815)</b>	<b>(33,208)</b>
<b>(96,867)</b>	<b>(97,434)</b>	<b>(133,556)</b>	<b>Total Long Term Borrowing</b>		<b>(96,867)</b>	<b>(97,432)</b>	<b>(148,812)</b>

PFI and other long term liabilities figure in the balance sheet of £21.064 million are detailed below:

31 March 2016		Other Long Term Liabilities	Fair Value Level	31 March 2017	
Balance Sheet £'000	Fair Value £'000			Balance Sheet £'000	Fair Value £'000
(18,235)	(26,499)	Maesteg PFI Lease Liability	2	(17,640)	(26,854)
(664)	(961)	Innovation Centre Financial Liability	2	(604)	(887)
(400)	(406)	Waste Contract (MREC)	2	(350)	(378)
(60)	(60)	Escrow ( Football Club)	Cost	(70)	(70)
(2,400)	(2,400)	Llynfi	Cost	(2,400)	(2,400)
<b>(21,759)</b>	<b>(30,326)</b>	<b>Total Other Long Term Liabilities</b>		<b>(21,064)</b>	<b>(30,589)</b>

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

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

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

31 March 2016 Gross Assets (Liabilities) £000	Offsetting of Financial Assets and Liabilities	31 March 2017 Gross Assets (Liabilities) £000
1,974	Bank Accounts in Credit	1,920
<b>1,974</b>	<b>Total Financial Assets</b>	<b>1,920</b>
(2,229)	Bank Overdrafts	(2,012)
<b>(2,229)</b>	<b>Total Financial Liabilities</b>	<b>(2,012)</b>
<b>(255)</b>	<b>Net Position on Balance Sheet</b>	<b>(92)</b>

### Financial Instruments – Gains and Losses

The gains and losses recognized in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

31 March 2016				31 March 2017		
Financial Liabilities Amortised Cost £'000	Financial Assets Loans & Receivables £'000	Total £'000		Financial Liabilities Amortised Cost £'000	Financial Assets Loans & Receivables £'000	Total £'000
6,049	-	6,049	Interest Expense	6,036	-	6,036
<b>6,049</b>	-	<b>6,049</b>	<b>Interest Payable and similar charges</b>	<b>6,036</b>	-	<b>6,036</b>
-	(903)	(903)	Interest Income	-	(942)	(942)
-	<b>(903)</b>	<b>(903)</b>	<b>Interest and Investment Income</b>	-	<b>(942)</b>	<b>(942)</b>
<b>6,049</b>	<b>(903)</b>	<b>5,146</b>	<b>Net (gain)/loss for the year</b>	<b>6,036</b>	<b>(942)</b>	<b>5,094</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 10 March 2016 accepted the Treasury Management Strategy 2016-17 and the Treasury Management and Prudential Indicators.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Welsh Government's Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek the highest rate of return consistent with the proper levels of security and liquidity so as to achieve a suitable balance between risk and return or cost. The Council also conducts a mid-year review of its treasury management policies, practices and activities and any revisions of the Investment Strategy to enable increased flexibility in an ever changing financial market and investment opportunities available will be approved by Council. Actual performance is also reported annually to Members in the form of the Annual Treasury Management Outturn Report which is reviewed by Audit Committee.

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

- **Credit risk** – the possibility that 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. 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 its Investment Strategy.

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.

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. The counterparty limits were constantly reviewed and where market conditions dictated, the limit was dropped. No breaches of the Council's counterparty criteria occurred during 2016-17 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 2017 totalled £33.75 million as detailed below and shown in the balance sheet as Long Term Investments (£4.003 million), Short Term Investments (£26.572 million) and included within Cash and Cash Equivalents (£3.250 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 2017 that this was likely to crystallise. The table below summarises the credit risk exposures of the Council's investment portfolio by credit rating (based on the lowest long term rating) and the remaining time to maturity:

Counterparty Category	Credit Rating	Instant Access Deposit Accounts	Notice Period Deposit Account	Deposits Maturing Within 1 Month	Deposits Maturing Within 2 to 3 Months	Deposits Maturing Within 4 to 6 Months	Deposits Maturing Within 7 Months to 1 Year	Deposits Maturing Within 3 to 4 Years	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Bank	AA-	2,250							2,250
Bank	A	1,000	2,000		2,000	1,000			6,000
Local Authorities	AA				5,000		2,000		7,000
Local Authorities unrated					2,000	4,500	2,000	4,000	12,500
Building Societies	A			4,000					4,000
Building Societies unrated				1,000	1,000				2,000
<b>Total</b>		<b>3,250</b>	<b>2,000</b>	<b>5,000</b>	<b>10,000</b>	<b>5,500</b>	<b>4,000</b>	<b>4,000</b>	<b>33,750</b>

As at 31 March 2016 the credit risk exposures were:

Counterparty Category	Credit Rating	Instant Access Deposit Accounts	Notice Period Deposit Account	Deposits Maturing Within 1 Month	Deposits Maturing Within 2 to 3 Months	Deposits Maturing Within 4 to 6 Months	Deposits Maturing Within 7 Months to 1 Year	Deposits Maturing Within 1 to 2 Years	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Bank	AA-	500							500
Bank	A	1,000	2,000						3,000
Local Authorities	AA						2,000		2,000
Local Authorities unrated				10,000	5,500		2,000	2,000	19,500
Building Societies	A								-
Building Societies unrated					1,000				1,000
<b>Total</b>		<b>1,500</b>	<b>2,000</b>	<b>10,000</b>	<b>6,500</b>	<b>-</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 are recognised as short term, however, £4.883 million of the £7.713 million balance (shown above in financial assets) is past its due date for payment. The past due but not impaired amount can be analysed by age as shown in the table below:

31 March 2016 £'000	Trade Debtors Past Due but not impaired	31 March 2017 £'000
923	Less than three months	3,169
582	Three to six months	679
343	Six months to one year	279
541	More than one year	756
<b>2,389</b>	<b>Total</b>	<b>4,883</b>

**Liquidity risk**

The Council manages its liquidity risk through its cash-flow management to ensure that cash is available when required. It has ready access to instant access deposit accounts, overdraft facilities and borrowing from the Money Markets or other local authorities to cover any day to day cash flow need. In addition the Public Works Loan Board (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.

<b>Maturity structure of fixed rate borrowing</b>	<b>Upper Limit % 2016-17</b>	<b>Lower Limit 2016-17</b>	<b>Actual % 31 March 2017</b>	<b>Principal Outstanding £'000 31 March 2017</b>
Less than one year	50	-	-	-
Between 1 and 2 years	25	-	-	-
Between 2 and 5 years	50	-	-	-
Between 5 and 10 years	60	-	12.47	12,079
More than ten years	100	40	67.66	65,538
Uncertain date *	-	-	19.87	19,250
<b>Total</b>			<b>100.00</b>	<b>96,867</b>

Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing all financial instruments therefore including longer term financial liabilities as they mature. The following table details the maturity of all the Council's financial liabilities based on the balance sheet value and includes all trade creditors and other creditors classed as financial liabilities which are due to be paid in less than a year.

<b>31 March 2016 £'000</b>	<b>Maturity Analysis Financial Liabilities</b>	<b>31 March 2017 £'000</b>
(7,897)	Less than one year	(7,310)
(705)	Between one and two years	(756)
(4,878)	Between two and five years	(5,078)
(14,510)	Between five and ten years	(17,575)
(79,282)	More than ten years	(75,271)
(19,817)	Uncertain date*	(19,815)
<b>(127,089)</b>	<b>Total Financial Liabilities</b>	<b>(125,805)</b>

\* The £19.250 million (19.87%) and £19.815 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 24 July 2017) 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 2017-18 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 foreign exchange risk (loss arising from movements in exchange rates) as borrowing and investments are only carried out in sterling. Price risk (financial gains or losses arising from movement in the prices of financial instruments) is also not applicable to the Council as, whilst the Council's Annual Investment Strategy allows investments in instruments such as bank certificates of deposit and Government Bonds, the Council currently invests in instruments where the sum returned on maturity is the same as the initial amount invested. Therefore only interest rate risk is applicable which is detailed below.

### Interest rate risk

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

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

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

	Upper Limit TMS 2016-17  £m	Revised Projection TMS 2017-18  £m	Actual Principal Outstanding 31 March 2017 £m
Total Projected Principal Outstanding on Borrowing	96.87	96.87	96.87
Total Projected Principal Outstanding on Investments(including cash/cash equivalents deposits)	12.00	30.00	33.75
<b>Net Principal Outstanding</b>	<b>84.87</b>	<b>66.87</b>	<b>63.12</b>
Fixed interest rates (net principal) exposure	140.00	140.00	49.12
Variable interest rates (net principal) exposure	50.00	50.00	14.00

The Council's investments classed as 'loans and receivables' and loans borrowed are not carried at fair value on the balance sheet, so changes in their fair value will not impact on the Comprehensive Income and Expenditure Statement, however, changes in interest payable and receivable on variable rate borrowings and investments does and will be posted to the Surplus or Deficit on the Provision of Services. The Council monitors market and forecast interest rates within the year to adjust exposures appropriately, to allow any adverse changes to be accommodated. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposure to losses. According to this strategy, at 31 March 2017, if there had been a 1% change in interest rates with all other variables held constant, the financial effect would be approximately:

	Estimated £'000 + 1%	Estimated £'000 -1%
Interest payable on variable rate borrowings	132	0
Interest receivable on variable rate investments	(229)	229
<b>Impact on Surplus or Deficit on Provision of Services</b>	<b>(97)</b>	<b>229</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.

### 31. Post Balance Sheet Events

There are no Post Balance Sheet Events.

### 32. 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 2017, 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.

Halo Leisure, Bridgend County Borough Council's Leisure Services Partner, is an admitted body to the Rhondda Cynon Taf Local Government Pension Fund. A formal admission agreement is in place between the Council and Halo Leisure, a registered Charity and Social Enterprise, which governs the relationship and the financial terms of participation.

For employees who were previously employed by Bridgend CBC and have been transferred to Halo Leisure, the admission agreement states that at the point of transfer any accrued pension liabilities relating to the members scheme membership prior to the commencement date is assumed to be 100% funded. Halo Leisure will only be responsible for the increase in liabilities from the commencement date with the Council acting as guarantor for the previously accrued liabilities at the point of transfer.

Similarly Awen Cultural Trust is also an admitted body to the Rhondda Cynon Taf Government Pension Fund with the same arrangements as for Halo Leisure. The Council is acting as guarantor for any accrued pension liabilities at the point of transfer of Bridgend CBC staff to the Trust.

## Notes to the Cash Flow Statement

### 33. Adjustments for Non-Cash Movements

2015-16 £'000		2016-17 £'000
(26,342)	Depreciation & Impairment of Assets	(24,009)
10,071	Movement in Stock, Debtors & Creditors	8,234
(6,590)	Pension Fund Adjustments	(9,140)
(1,056)	Provisions	(185)
(6,140)	Disposal of Non Current Asset	(6,342)
1,082	Changes in Fair Value of Investment Property	-
6	Other non cash movements	-
<b>(28,969)</b>	<b>Adjustments to net deficit on the provision of services for non-cash movements</b>	<b>(31,442)</b>

### 34. Operating Activities

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

2015-16 £'000		2016-17 £'000
(13,599)	Cash Flow on Revenue Activities	(14,859)
4,545	Interest Paid	4,578
1,503	Interest element of finance lease and PFI rental payments	1,460
(880)	Interest Received	(929)
<b>(8,431)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(9,750)</b>

### 35. Investing Activities

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

2015-16 £'000		2016-17 £'000
21,517	Purchase of Property, Plant and Equipment and Investment Property	13,881
5,523	Purchase / (Proceeds) from Short Term Investments	14,025
(3,959)	Proceeds from sale of Property, Plant and Equipment and Investment Property	(5,292)
<b>23,081</b>	<b>Net Cash Flows from Investing Activities</b>	<b>22,614</b>

**36. Financing Activities**

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

2015-16 £'000		2016-17 £'000
(3,971)	Cash Receipts of short and long term borrowing	(10,200)
(15,598)	Other Receipts from financing activities	(7,356)
1,500	Repayments of short and long term borrowing	10,210
2,810	Repayment of Premiums on loans	-
<b>(15,259)</b>	<b>Net Cash Flows from Financing Activities</b>	<b>(7,346)</b>

# **Independent Auditor's Report to the Members of the Audit Committee of Bridgend County Borough Council**

I have audited the accounting statements and related notes of Bridgend County Borough Council for the year ended 31 March 2017 under the Public Audit (Wales) Act 2004. Bridgend County Borough Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement. The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 based on International Financial Reporting Standards (IFRSs).

## **Respective responsibilities of the responsible financial officer and the Auditor General for Wales**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 26, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

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

## **Scope of the audit of the accounting statements**

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

In addition, I read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

## **Opinion on the accounting statements of Bridgend County Borough Council**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Bridgend County Borough Council as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

## **Opinion on other matters**

In my opinion, the information contained in the Narrative Report is consistent with the accounting statements and related notes.

**Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit;
- the Governance Statement does not reflect compliance with guidance.

**Certificate of completion of audit**

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

**For and on behalf of  
Huw Vaughan Thomas  
Auditor General for Wales  
24 Cathedral Road  
Cardiff CF11 9LJ  
29 September 2017**

*The maintenance and integrity of Bridgend County Borough Council's website is the responsibility of the Accounting Officer/Client Officer; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.*

## Glossary Of Terms

**Accrual**

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

**Actuary**

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

**Amortisation**

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

**Audit**

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

**Balance Sheet**

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

**Budget**

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

**Capital expenditure**

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

**Capital Adjustment Account**

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

**Capital receipt**

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

**Cash flow Statement**

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

**Comprehensive Income and Expenditure Statement**

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

**Contingent liabilities**

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

**Corporate and Democratic Core (CDC)**

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

**Creditor**

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

**Current assets**

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

**Current liabilities**

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

**Debtor**

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

**Delegated schools balances**

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

**Depreciation**

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

**Earmarked reserves**

These are reserves set aside for a specific purpose.

**Escrow account**

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

**Expenditure and Funding Statement**

This statement brings together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the Council Fund.

**Financial Year**

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

**Finance leases**

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

**Government grants**

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

**International Financial Reporting Standard (IFRS)**

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

**Inventories**

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

**Leasing**

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

**Liability**

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



**Minimum Revenue Provision (MRP)**

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

**Movement in Reserves Statement (MIRS)**

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

**National Non-Domestic Rates (NNDR)**

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

**Net Realisable Value**

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

**Non Distributable Costs (NDC)**

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

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

**Open Market Value in Existing Use (OMVEU)**

OMVEU is a basis for valuation of fixed assets.

**Operating assets**

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

**Operating leases**

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

**Post balance sheet events**

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

**Precepts**

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

**Prior year adjustment**

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

**Provision**

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

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

**Public Works Loan Board (PWLB)**

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

**Related party transactions**

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

**Revaluation Reserve**

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

**Revenue account**

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

**Service Reporting Code of Practice (SerCOP)**

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

**Temporary borrowing or investment**

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

**Trust fund**

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

**Work in progress (WIP)**

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