

APPENDIX A

Statement of Accounts

Published subject to audit

Bridgend County Borough Council • 2018-19

**Bridgend County Borough Council
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Narrative Report

“ One council, working together to improve lives ”

1. Bridgend as a place

Bridgend is conveniently situated between Wales' Capital Cardiff to the East and Swansea to the West, approximately 20 miles from each. Nestled just south of the M4 corridor, with easy access from both major cities, bounded by the Bristol Channel to the South, it is at the heart of the South Wales industrial and coastal belt. Bridgend as a County Borough is home to over 140,000 and continues to grow. The Borough's towns are undergoing redevelopment and a number of historic buildings and the town centres have been rejuvenated over recent years. To the North is the residential town of Maesteg, to the South West is the coastal town of Porthcawl and the East Pencoed. Bridgend is one of 22 Councils in Wales, and accounts for just approximately 4.5% of the Principality's population.



Population	144,300
Land area	98.5 square miles
Households	61,484
Council employees	4,279 (full time equivalent)
Businesses	4,160
Councillors	54

- Welsh Government funding is falling year-on-year, and made up 55% of core funding in 2018-19 (55% in 2017-18)
- The Council manages an asset base, excluding the road network, of £535 million to deliver its services
- The Council employs over 5,700 staff both full- and part-time, to deliver a wide range of services including education, social care, highways maintenance and economic development.
- An increasingly ageing population will continue to place pressure on the Council's budget in years to come

The Council has agreed a principle of focusing diminishing resources on communities and individuals with the greatest need. It has identified three priorities that are intended to improve the quality of life of people in the county while significantly changing the nature of the Council:



These three priorities are the Council's well-being objectives under the Well-being of Future Generations (Wales) Act 2015 and set out the Council's contribution towards meeting the Act's seven national goals:

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

2. Governance

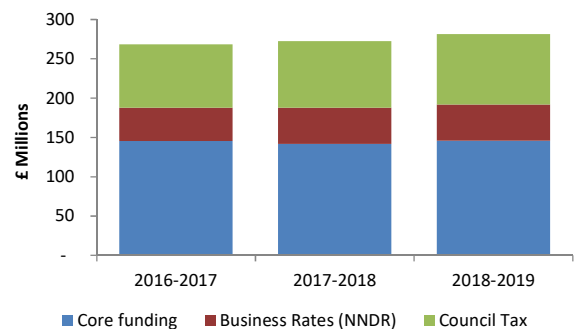
The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. This includes ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government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

3. Financial Performance

Financial context of the Council

The Council:

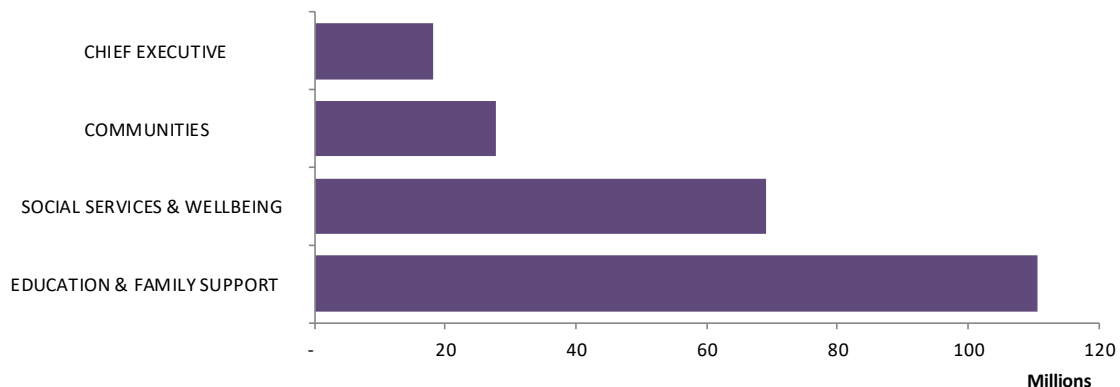
- Manages cash-flows and assets in excess of £726 million
- Holds £535 million of long-term assets, including £527 million of operational assets for delivering services, £4 million of long-term investments and £4 million of intangible assets
- Generates £35 million of fees, internal and external charges and other service income used to deliver services



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

Council Spending

Council spending by Directorate was within 99.81% of budget for all departments reflecting sound financial management and budgetary control. The table below shows the net spend by service Directorate.



The Council achieved an underspend in the year of £0.429 million, or 0.19% of its net budget. This demonstrates its sound financial management throughout the year and its commitment to ensuring it does not spend beyond its means. The Council's outturn report for the year can be found on the Council's website.

4. Addressing future challenges

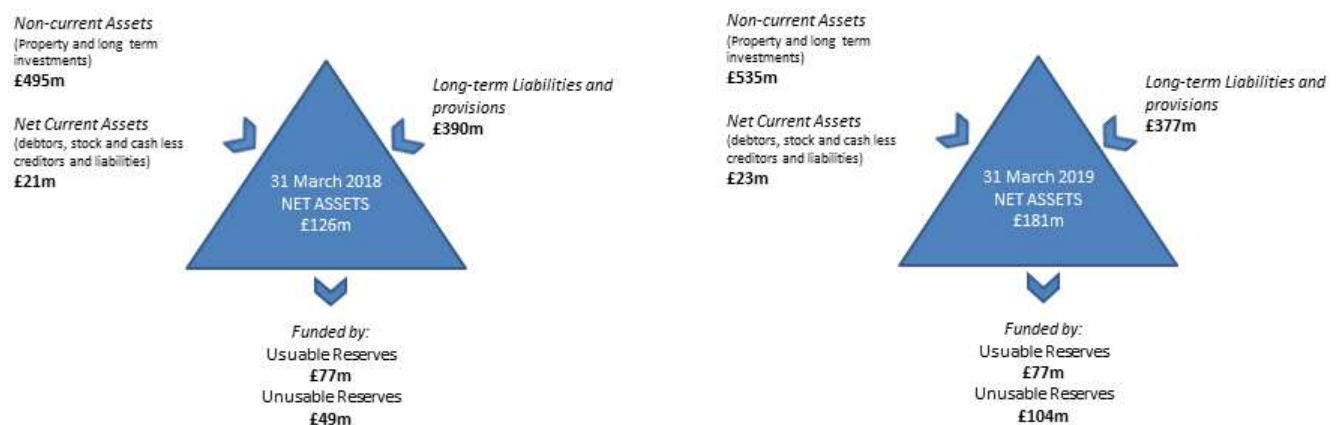
The Council faces significant challenges moving forward. These include demographic pressures, such as an ageing population and an increasing number of young people with complex disabilities living into adulthood and adding progressively to the demand for care. In addition to this there are inflationary pressures arising from specific contractual commitments and significant increases in staffing costs arising not only from the increase in the national living wage but also the agreed two-year deal for local government workers, along with significant increases in employers' contributions for teachers' pensions. Whilst the Welsh Government settlement for Bridgend for 2019-20 is a decrease of 0.1%, the impact of new responsibilities on the Council in respect of increased capital limits on residential care, targeted relief to support local businesses and homelessness prevention means that the true position for Bridgend is a reduction of 0.61% year-on-year. No indications have been provided by the Welsh Government in respect of the settlement for Councils in 2020-21 which makes forward planning very difficult, especially in the post-Brexit years.

Whilst the Council continues to face increasing pressures on its budget, it has approved a balanced budget for 2019-20.

The uncertainty regarding the UK's exit from Europe will inevitably create challenges for the Council and the communities it supports over the forthcoming months and years. The Council continues to work with its partners to prepare as best it can for Brexit and the UK's departure from the European Union. The Council has established a project board chaired by the Chief Executive with representatives from each Council department. The board is reviewing all council services, and a 'risk register' has been developed and regularly updated to ensure that contingency plans are in place. Businesses, residents, staff and elected members are regularly updated, and the council is raising awareness of the EU Settlement Scheme. The Council will continue to work alongside partners to obtain answers on important issues such as how post-Brexit funding will be delivered.

5. Financial position

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



Borrowing

The Council has long term borrowing outstanding as at 31 March 2019 of £97.412 million. This is a mixture of Public Works Loan Board (PWLB) of £77.617 million and Lender's Option Borrower's Option (LOBOs) of £19.795 million, to finance capital expenditure. More detail in relation to borrowing is



Ysgol Gynradd Gymraeg Calon Y Cymoedd

Significant schemes completed during the year included Betws and Pencoed Primary schools, with Ysgol Gynradd Gymraeg Calon Y Cymoedd becoming operational. These schemes have been supported by the Welsh Governments 21st Century Schools Programme and will deliver high level facilities for the education of children in the Borough. The Council, in partnership with Linc Cymru, saw the completion and opening of an Extra Care scheme in Bridgend to support older people to continue to live independently within their community.

The capital programme includes a number of new and existing projects which will help to support a successful economy including significant new investment in highways and footways to encourage use of local services, development in town centres, including regeneration in Porthcawl and development of Enterprise Hubs. These supplement existing schemes such as the Cardiff Capital Region City Deal (CCRCD) investment which will be targeted to focus on raising economic prosperity, increasing job prospects and improving digital and transport connectivity. The opening of a second Extra Care scheme is due during 2019 and there remains a significant investment in Disabled Facilities Grants to enable people to live as independently as possible in their own homes.

7. Accounts preparation

These accounts have been produced in line with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2018-19, which is underpinned by International Financial Reporting Standards (IFRS). The most significant change to the Accounting Standards that affects these accounts is the application of IFRS9 – Financial Instruments.

The accounts consist of the following financial statements:

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.

The Comprehensive Income & Expenditure Statement (CIES)

This records all of the Council's income and expenditure 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, which may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

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' - those that can be used to fund expenditure or reduce local taxation - and 'unusable' reserves, which must be set aside for specific purposes. Unusable reserves would include unrealised gains and losses (such as the Revaluation Reserve), where amounts would only become available if the assets are sold, and reserves that reflect

'adjustments between accounting basis and funding under regulations'. The surplus or deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance for council tax setting purposes. The Net Increase/Decrease line shows the statutory Council Fund balance movements in the year following those adjustments.

Balance Sheet

This records a snapshot of the Council's assets, liabilities, cash balances and reserves at the year-end date. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

Cash Flow Statement

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

Notes to the Accounts

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

Annual Governance Statement

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

The Statement of Responsibilities for the Statement of Accounts

The Council's responsibilities

The Council is required to:

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

The Chief Financial Officer's Responsibilities

The Chief Financial 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 Chief Financial 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 Chief Financial 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.

Chief Financial 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 2019 and of its income and expenditure for the year ended 31 March 2019

Signed:



28 May 2019



Financial Statements

Comprehensive Income and Expenditure Statement

2017-18 re-stated					2018-19				Notes
Gross Expenditure £'000	Govt Grants £'000	Other Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Govt Grants £'000	Other Income £'000	Net Expenditure £'000	
149,807	(23,977)	(8,242)	117,588	Education and Family Support	136,823	(26,415)	(9,223)	101,185	
92,348	(6,199)	(16,336)	69,813	Social Services and Wellbeing	97,274	(5,531)	(16,336)	75,407	
56,339	(7,923)	(7,091)	41,325	Communities	51,062	(7,105)	(6,069)	37,888	
26,994	(9,257)	(1,667)	16,070	Operational and Partnership Services	-	-	-	-	
54,341	(49,338)	(915)	4,088	Chief Executives and Finance	79,310	(55,580)	(2,439)	21,291	
18,352	-	(948)	17,404	Central Services	22,553	-	(1,642)	20,911	
398,181	(96,694)	(35,199)	266,288	Cost Of Services	387,022	(94,631)	(35,709)	256,682	
				Other Operating Expenditure					
13,567			13,567	Precepts payable	14,945			14,945	7
6,968			6,968	Levies payable	7,070			7,070	7
1,815			1,815	(Gain) / loss on disposal of non current assets	276			276	
22,350	-	-	22,350	Other Operating Expenditure	22,291	-	-	22,291	
				Financing and Investment Income and Expenditure					
4,567			4,567	Interest payable on debt	4,550			4,550	31
60			60	Interest element of finance leases (lessee)	54			54	31
1,352			1,352	Interest payable on PFI unitary payments	1,306			1,306	13
6,350			6,350	Net Interest on Net Defined Benefit Liability	6,760			6,760	30
		(959)	(959)	Investment Income & Other Interest Receivable			(1,012)	(1,012)	31
		(350)	(350)	Changes in fair value of investment properties			(275)	(275)	31
12,329	-	(1,309)	11,020	Financing and Investment Income and Expenditure	12,670	-	(1,287)	11,383	
				Taxation and Non-Specific Grant Income					
	(141,610)		(141,610)	Revenue Support Grant		(145,780)		(145,780)	8
		(45,888)	(45,888)	National Non Domestic Rates			(45,680)	(45,680)	9
		(84,617)	(84,617)	Council Tax			(90,018)	(90,018)	10
	(13,024)		(13,024)	Recognised capital grants and contributions		(9,494)		(9,494)	11
-	(154,634)	(130,505)	(285,139)	Taxation and Non-Specific Grant Income	-	(155,274)	(135,698)	(290,972)	
				(Surplus) or Deficit on Provision of Services					
432,860	(251,328)	(167,013)	14,519	(Surplus) or deficit on revaluation of Property, Plant and Equipment	421,983	(249,905)	(172,694)	(616)	
4,580		(10,830)	(10,830)	Impairment losses on non-current assets charged to the Revaluation reserve	5,546		(33,337)	(33,337)	
4,360			4,360	Actuarial (gains) / losses on pension liabilities			(26,320)	(26,320)	30
			(1,890)	Other Comprehensive (Income) and Expenditure				(54,111)	
			12,629	Total Comprehensive (Income) and Expenditure				(54,727)	

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

	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
Balance at 31 March 2018 brought forward	8,347	48,075	21,161	288	77,871	48,363	126,234
<u>Movement in Reserves during 2018-19</u>							
Total Comprehensive (Income) and Expenditure	616				616	54,111	54,727
Adjustments between accounting basis & funding basis under regulations (Note 20)	118		(3,239)	1,194	(1,927)	1,927	-
Transfers to Earmarked Reserves (Note 28)	(305)	305			-		
Increase/(Decrease) in 2018-19	429	305	(3,239)	1,194	(1,311)	56,038	54,727
Balance at 31 March 2019 carried forward	8,776	48,380	17,922	1,482	76,560	104,401	180,961

Balance Sheet

31 March 2018 £'000		31 March 2019 £'000	Notes
	Property, Plant & Equipment		21c
381,032	Other Land and Buildings	431,022	
4,732	Vehicles, Plant, Furniture and Equipment	5,078	
63,702	Infrastructure	65,147	
4,914	Community Assets	4,912	
7,739	Assets under Construction	662	
15,128	Surplus Assets not Held for Sale	15,769	
220	Heritage Assets	220	
4,360	Investment Property	4,635	22
4,109	Intangible Assets	3,593	21d
9,010	Long Term Investments	4,011	31
1	Long Term Debtors	-	
494,947	Long Term Assets	535,049	
20,084	Short Term Investments	20,054	31
5,961	Assets Held for Sale	4,321	24
583	Inventories	725	
31,058	Short Term Debtors	32,300	23
88	Cash and Cash Equivalents	1,051	
57,774	Current Assets	58,451	
(2,623)	Short Term Borrowing	(2,551)	31
(32,254)	Short Term Creditors	(31,509)	25
(1,979)	Provisions due in 1 year	(1,763)	26
(36,856)	Current Liabilities	(35,823)	
(2,222)	Provisions due after 1 year	(4,473)	26
(97,421)	Long Term Borrowing	(97,412)	31
(20,267)	Other Long Term Liabilities		
	PFI & Other Long Term Liabilities	(17,054)	27
(268,620)	Net Pensions Liability	(255,270)	30
(1,101)	Capital Receipts in Advance	(2,507)	
(389,631)	Long Term Liabilities	(376,716)	
126,234	Net Assets	180,961	
	Usable reserves		28
8,347	Council Fund	8,776	
48,075	Earmarked reserves	48,380	28b
21,161	Capital Receipts Reserve	17,922	28a
288	Capital Grants Unapplied	1,482	
	Unusable Reserves		29
126,378	Revaluation Reserve	149,612	29a
(268,620)	Pensions Reserve	(255,270)	29b
194,640	Capital Adjustment Account	213,664	29c
(723)	Financial Instruments Adjustment Account	(715)	
(3,312)	Short-term Accumulating Compensated Absences Account	(2,890)	
126,234	Total Reserves	180,961	

Cash Flow Statement

2017-18 £'000		2018-19 £'000	Notes
14,519	Net (surplus)/deficit on the Provision of Services	(616)	
(41,329)	Adjustments to net deficit on the provision of services for non-cash movements	(15,470)	34
13,598	Adjustments for Items included in the net deficit on the provision of services that are investing and financing activities	11,378	
(13,212)	Net Cash Flows from Operating Activities	(4,708)	35
27,861	Investing Activities	14,565	36
(13,073)	Financing Activities	(10,820)	37
1,576	Net (Increase) / Decrease in Cash & Cash Equivalents	(963)	
(1,664)	Cash & Cash Equivalent at the beginning of the Reporting	(88)	
(88)	Cash & Cash Equivalent at the end of the Reporting Period	(1,051)	

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

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1. Accounting Policies

1.1 General principles

The Statement of Accounts summarises the Council's transactions for the 2018-19 financial year and its position at the year end of 31 March 2019. 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) 2018-19 and the *Service Reporting Code of Practice 2018-19* supported by International Financial Reporting Standards (IFRS).

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

1.2 Standards that have been issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 (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 2018-19 Code:

Standard	Effective date	Further details
IFRS 16 Leases	2020-21	IFRS16 will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (with an exception for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.
Amendments to IAS 40 – Investment Property: Transfers of Investment Property	2019-20	The amendment provides clarification on whether a property under construction or development that was previously classified as inventory could be transferred to investment property when there was an evident change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. The Council does not consider this will impact on its current accounting practice.
Annual Improvements to IFRS Standards 2014-2016 Cycle	2019-20	This provides amendments to three International Financial Reporting Standards (IFRSs) as a result of the IASB's annual improvements project, namely IFRS 1 – First-time adoption of IFRS, IFRS 12 – Disclosure of Interests in Other Entities, and IAS 28 – Investments in Associates and Joint Ventures. The Council does not consider these amendments will have an impact on the accounts.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	2019-20	This provides clarification for accounting for transactions that include receipt or payment of advance consideration in a foreign currency. The Council does not receive or make such payments and therefore this change will not have an impact.
IFRIC 23 Uncertainty over Income Tax Treatments	2019-20	IFRIC 23 applies to all aspects of income tax accounting where there is uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Council does not consider that there will be any impact in its accounting treatment as a result of changes to IFRIC 23.

Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation	2019-20	The main changes to IFRS 9 are related to financial assets with prepayment features with negative compensation. This is where a loan may be repaid by the borrower at a discount. The Council does not have any such arrangements and therefore this change will have no effect on the accounts.
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As their implementation is for financial years starting after 1 April 2019 they would not have any impact on the 2018-19 Statements.

1.3 Accruals of income and expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories 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.
- Investment income and 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 be impaired, the balance of debtors is written down by the difference between the carrying amount and revised future cash flows and a charge made for the impairment to revenue.

1.4 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.5 Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, employee and retirement benefits and are 'Unusable' reserves as set out in Note 29 to the accounts.

1.6 Government grants and contributions

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

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

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

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

Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

1.7 Employee benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

The *Teachers' Pension Scheme*, administered by Teachers' Pensions on behalf of the Department for Education (DfE). The arrangements for this scheme mean that liabilities for benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme and no liability for future payment of benefits is recognised in the Balance Sheet. The Education and Family Support line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The *Local Government Pension Scheme* - other employees are entitled to be members of the Rhondda Cynon Taf County Borough Council Pension Fund. The Local Government Scheme is accounted for as a defined benefit scheme:

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

debits for the cash paid to the pension fund and pensioners any amounts payable to the fund but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

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

1.8 VAT

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

1.9 Overheads and Support Services

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

1.10 Intangible Assets

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

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

1.11 Property, Plant and Equipment

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

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

Measurement

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

- **Land and buildings** – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- **Non-specialised operational properties** – existing use value (EUV)

- **Specialised operational properties (such as schools)** – depreciated replacement cost (DRC)
- **Vehicles, plant and equipment** – depreciated historical cost
- **Community assets** – historical cost
- **Assets under construction** – historical cost (until they become operational)
- **Infrastructure assets** – depreciated historical cost
- **Surplus assets and investment properties** – fair value
- **Assets held for sale** – lower of carrying amount and fair value less costs of sale

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

Revaluations

Assets included in the Balance Sheet at fair value or current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value or current value at the year-end. Revaluations of the Council's property assets are undertaken on a 3 year rolling programme basis. Revaluation gains since 1 April 2007 only are recognised in the Revaluation Reserve, the date of its inception. Previous revaluation gains have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where there have been previous revaluation gains against the asset held in the Revaluation Reserve, any subsequent loss is firstly written out against the accumulated Revaluation Reserve with any balance being charged against the Comprehensive Income and Expenditure Statement.

Depreciation

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

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

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

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

Infrastructure - Roads	Straight line depreciation on estimated remaining life	15 years
Infrastructure - Other	Straight line depreciation on estimated remaining life	1 - 30 years

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

Componentisation

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

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The criteria for recognising assets as being held for sale are:

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

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

1.12 Heritage Assets

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical worth. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. The Council recognises its Civic Regalia and a number of paintings in the Balance Sheet at insurance value. The value of the paintings were added to the Balance Sheet during 2017-18 based on an insurance valuation carried out by professional valuers during the year. According to the Code there is no prescribed minimum period between valuations and the Council does not intend to revalue its Heritage Assets in the near future unless there is evidence of impairment such as physical deterioration or damage, or doubts to their authenticity arise.

1.13 Charges to revenue for non-current assets

Services are debited with the following amounts to record the real cost of holding non-current 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. The Council revised its MRP policy during the year to move from a reducing balance charge of 4% per annum to a straight line charge over 45 years. This ensures that the costs of supported capital expenditure are spread more evenly over the lifetime of assets, and that the debt is fully extinguished within forty-five years instead of leaving a residual debt balance well beyond this timescale. This has had the effect of reducing the MRP charged to revenue in the current year.

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

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

1.15 Leases

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

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

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

The Council as a Lessee

Operating Leases

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

The Council as a Lessor

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.16 Financial Instruments

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

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash-flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified at amortised cost as they are held solely for payment of principal and interest.

Financial Assets held at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value, which is normally the transaction cost. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) represent investment and interest income receivable. For the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued investment and interest income).

Any gains or losses that arise on derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Council recognises expected credit losses on all its financial assets held at amortised cost, either on a 12 month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assumed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

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, this means that the amount presented in the Balance Sheet is the outstanding principal repayable together with any accrued interest and interest charged to the Comprehensive Income and Expenditure Statement for the year according to the loan agreement.

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

The Council does not hold any financial assets or liabilities at Fair Value, however it is required to provide fair value information as appropriate. The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs – unobservable inputs.

1.17 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.

1.18 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.

1.19 Joint Arrangements

The Council is part of a number of joint arrangements including the Joint Committee for the Cardiff Capital Region City Deal (CCRCDD) which consists of 10 Partner Authorities: Blaenau Gwent; Caerphilly; Cardiff; Merthyr Tydfil; Monmouthshire; Newport; Rhondda-Cynon-Taf; Torfaen; the Vale of Glamorgan and Bridgend. The Joint Committee has been established to oversee delivery of a range of programmes designed to increase connectivity and to improve physical and digital infrastructure. The contributions to the Joint Committee are classified as Revenue Expenditure Funded from Capital Under Statute (REFCUS). The Council has not consolidated the assets or liabilities of the Joint Committee. The Council continues to have administrative responsibilities for Coychurch Crematorium and independent financial statements continue to be prepared and reviewed for this joint committee. The activities of these joint arrangements are excluded from the Council's single entity financial statements on the basis of materiality of both assets and population.

1.20 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. Council Tax Income is shown gross in the Comprehensive Income and Expenditure Statement with any amounts allocated as a result of the Council Tax Reduction Scheme recognised as an expense within net costs of services.

1.21 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.

1.22 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.

1.23 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.

1.24 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 annually 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: based on most recent valuations, adjusted if necessary through 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 net Cost of Services and result in a gain for the Council Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance. The gains and

losses are therefore reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.25 Local Authority Schools

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

2. Critical Judgements in Applying Accounting Policies

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

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

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

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

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

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

The items in the Council's Balance Sheet at 31 March 2019 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 2018 for all of the Council's investment portfolio and these were valued in line with IFRS13.

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

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

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

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

Pensions Liability

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

4. Expenditure and Funding Analysis

2017-18				2018-19		
Net Expenditure Chargeable to the Council Fund	Adjustments between the Funding and Accounting Basis & transfers to Earmarked Reserves (Note 5)	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the Council Fund	Adjustments between the Funding and Accounting Basis & transfers to Earmarked Reserves (Note 5)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
108,387	(9,199)	117,586	Education and Family Support	110,544	9,359	101,185
66,281	(3,533)	69,814	Social Services & Wellbeing	69,136	(6,271)	75,407
25,271	(16,055)	41,326	Communities Operational & Partnership Services	27,822	(10,066)	37,888
14,259	(1,811)	16,070	Chief Executives	-	-	-
3,746	(342)	4,088	Central Services	18,065	(3,226)	21,291
29,635	12,231	17,404		29,865	8,954	20,911
247,579	(18,709)	266,288	Net Cost Of Services	255,432	(1,250)	256,682
(247,966)	3,803	(251,769)	Other income and Expenditure	(255,861)	1,437	(257,298)
(387)	(14,906)	14,519	Surplus or Deficit	(429)	187	(616)
7,960			Opening Council Fund Balance	8,347		
387			Surplus or (Deficit) on Council Fund for year	429		
8,347			Closing Council Fund Balance as at 31 March	8,776		

5. Note to the Expenditure and Funding Analysis

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

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

Adjustments between Funding and Accounting Basis 2018-19				
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	11,208	(2,481)	632	9,359
Social Services & Wellbeing	(2,560)	(1,947)	(1,764)	(6,271)
Communities	(7,943)	(875)	(1,248)	(10,066)
Operational & Partnership Services	-	-	-	-
Chief Executives	(962)	(907)	(1,357)	(3,226)
Central Services	3,184	-	5,770	8,954
Net cost of services	2,927	(6,210)	2,033	(1,250)
Other income and expenditure from the Expenditure and Funding Analysis	9,494	(6,760)	(1,297)	1,437
Difference between Council Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	12,421	(12,970)	736	187

Note 1 - Adjustments for Capital Purposes

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

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

Note 2 - Net Change for the Pensions Adjustments

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

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

Note 3 - Other Differences

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

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

6. Expenditure and Income Analysed by Nature

This table sets out how the funding to the Council has been used in providing services in line with generally accepted accounting practices. This will include cash and non-cash transactions including accounting adjustments in line with International Financial Reporting Standards. **A segmental analysis of fees, charges and other service income is presented on the face of the Comprehensive Income and Expenditure Statement.**

2017-18 £'000		2018-19 £'000
	Expenditure	
180,687	Employee expenses	184,342
209,767	Other services expenses	198,758
24,451	Depreciation, amortisation, impairment	3,922
12,329	Interest payments	12,670
20,535	Precepts and levies	22,015
1,816	Loss on disposal of assets	276
449,585	Total expenditure	421,983
	Income	
(51,924)	Fees, charges and other service income	(35,709)
(130,505)	Income from council tax, non-domestic rates	(135,698)
(251,328)	Government grants and contributions	(249,905)
(959)	Investment Income and other Interest Receivable	(1,012)
(350)	Other income	(275)
(435,066)	Total income	(422,599)
14,519	(Surplus) or Deficit on the provision of services	(616)

Notes to the Comprehensive Income and Expenditure Statement

7. Precepts and levies

Precepts are the amounts paid to non-billing authorities (e.g. community councils) so that they can cover their expenses. Levies are the amounts payable when services are operated over areas covering more than one Council, either on a joint service basis, where one Council administers the service where other Councils contribute to the costs, or by external bodies who levy on the appropriate Councils. The amounts paid were as follows:

2017-18 £'000		2018-19 £'000
	Precepts	
11,514	Police and Crime Commissioner for South Wales	12,450
2,053	Community Councils	2,495
13,567	Total Precepts	14,945
	Levies	
6,603	South Wales Fire and Rescue Authority	6,689
255	Coroners Service	271
92	Archive Service	92
18	Swansea Bay Port Authority	18
6,968	Total Levies	7,070
20,535	Total Precepts and Levies	22,015

8. Revenue Support Grant (RSG)

This is the principal source of finance towards revenue expenditure from Welsh Government with the amount receivable fixed at the start of each financial year. The amount received in 2018-19 was £145.78 million (£141.61 million for 2017-18).

9. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Government (WG) specifies the rate in the pound to be charged and, subject to the effects of transition arrangements, local businesses pay rates calculated by multiplying their rateable value by the rate in the pound. This was 51.4p in 2018-19 (49.9p in 2017-18). The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by WG. WG then redistributes the sums payable back into local authorities on the basis of a fixed amount per head of population.

The Council receives a contribution from the NNDR pool direct. The income from this is reflected separately in the Comprehensive Income and Expenditure Statement. This amount was £45.680 million in 2018-19 (£45.888 million in 2017-18).

10. Council Tax

Council Tax Income derives from charges raised according to the value of residential properties, which have been classified into ten valuation bands estimating 1 April 2005 values for this specific purpose. Charges are calculated by taking the amount of income required for Bridgend County Borough Council, each Community Council and the Police and Crime Commissioner for South Wales and dividing this by the Council Tax base. The Council Tax base is the total number of properties in each band adjusted by

a proportion to convert the number to a Band D equivalent and adjusted for discounts – 53,315.53 dwellings for 2018-19 (52,759.01 in 2017-18). The average amount for a Band D property is £1,675.82 in 2018-19 (£1,592.58 in 2017-18 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	29	10,134	14,846	14,068	10,472	7,441	4,174	1,398	280	90

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

2017-18 £'000		2018-19 £'000
(84,617)	Council Tax Collectable	(90,018)
	Less:	
2,053	Payable to Community Councils	2,495
11,514	Payable to Police and Crime Commissioner for South Wales	12,450
403	Provision for non-payment of Council Tax increase/(decrease)	290
(70,647)	Net Proceeds from Council Tax	(74,783)

11. Grants

In addition to the Revenue Support Grant, the Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement. 2017-18 has been restated to separately identify the Pupil Deprivation Grant.

2017-18 Re-stated £'000	Specific Grants credited to Services	2018-19 £'000
(47,980)	Housing Benefit Subsidy	(46,357)
(6,446)	Post 16 Grant	(6,022)
(5,142)	Education Improvement Grant	(4,921)
(4,239)	Pupil Development Grant	(4,549)
(3,366)	Other Education & Family Support	(5,837)
(4,828)	Other Social Services & Wellbeing	(3,140)
(3,592)	Others	(3,323)
(5,816)	Supporting People	(6,074)
(445)	Sport Play & Active Wellbeing	(929)
(2,699)	Concessionary Fares Grant	(2,931)
(3,301)	Flying Start	(3,227)
(2,650)	Sustainable Waste Grant	(781)
(545)	Housing/Council Tax Benefit Administration	(576)
(995)	Communities First	-
(1,690)	Families First	(1,858)
(2,379)	General Capital Grant	(2,394)
(581)	Other Capital Grants	(1,712)
(96,694)	Total	(94,631)

2017-18 £'000	Other Government Grants credited to Taxation and Non-specific Grant Income	2018-19 £'000
(13,024)	Capital Grants and Contributions	(9,494)
(13,024)	Total	(9,494)

(109,718)	Total	(104,125)
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12. LeasesCouncil as a LesseeOperating Leases

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

2017-18 £'000		2018-19 £'000
(692)	Not later than one year	(704)
(1,698)	Later than one year but less than five years	(1,794)
(6,756)	Later than five years	(7,094)
(9,146)	Total	(9,592)

Expenditure charged in the year to the Service areas was £0.747 million made up of minimum lease payments of £0.153 million and £0.594 million for contingent rents (£0.776 million in 2017-18 made up of £0.232 million minimum lease payments and £0.544 million contingent rents).

Council as a Lessor

Operating Leases

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

2017-18 £'000		2018-19 £'000
105	Not later than one year	99
139	Later than one year but less than five years	159
849	Later than five years	1,719
1,093	Total	1,977

13. Private Finance Initiative (PFI)

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

2017-18 £'000	Unitary Charge	2018-19 £'000
660	Service Charge Element	682
1,352	Interest Element	1,306
595	Finance Lease Liability	641
2,607	Total	2,629

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	2019-20	2020-21 to	2025-26 to	2030-31 to	TOTAL
	£'000	2024-25 £'000	2029-30 £'000	2033-34 £'000	
Service Charge Element	502	2,511	2,511	2,002	7,526
Interest Element	1,257	5,397	3,444	792	10,890
Finance Lease Liability	690	4,337	6,290	5,683	17,000
Total	2,449	12,245	12,245	8,477	35,416

14. Pooled Fund Arrangements

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

2017-18			Partner	Purpose of Partnership	2018-19		
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
(560)	560	280	Abertawe Bro-Morgannwg University Health Board	Provision of day opportunities for people recovering from mental health problems.	(600)	600	300
(2,646)	2,734	609	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	(2,831)	2,712	594
(4,730)	4,730	2,595	Abertawe Bro-Morgannwg University Health Board	Provision of integrated community support services	(4,930)	4,930	2,678
(657)	657	198	Neath Port Talbot CBC, City and County of Swansea Council	Provision of an Integrated Family Support Service	(632)	632	163

15. Officers' Remuneration

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

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

The ratio of the remuneration of the Chief Executive to the median remuneration of all the body's employees was 6.64 (2017-18: 6.64). The median salary of all employees was £20,541 (2017-18: £20,138), i.e. the Remuneration of the Chief Executive was 6.64 times more than the median remuneration of the Council's employees.

Disclosure 2 – Table of Officers' Remuneration over £60,000

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

2017-18 including Redundancy Costs	Remuneration Band	Number of Employees				
		Movement in Bandings	2018-19 inc Redundancy Costs (Note 1)	2018-19 exc Redundancy Costs (Note 2)	Number of Teachers inc in Figures exc Redundancy (Note 2)	Number of Non-Teachers inc in Figures exc Redundancy (Note 2)
22	£60,000 - £64,999	10	32	27	23	4
11	£65,000 - £69,999	1	12	12	12	-
4	£70,000 - £74,999	2	6	4	3	1
7	£75,000 - £79,999	(3)	4	3	3	-
9	£80,000 - £84,999	1	10	8	3	5
1	£85,000 - £89,999	5	6	2	2	-
2	£90,000 - £94,999	3	5	2	2	-
-	£95,000 - £99,999	1	1	1	1	-
2	£100,000 - £104,999	(1)	1	1	-	1
2	£105,000 - £109,999	1	3	3	1	2
1	£110,000 - £114,999	-	1	1	-	1
1	£125,000 - £129,999	(1)	-	-	-	-
1	£130,000 - £134,999	(1)	-	-	-	-
-	£145,000 - £149,999	1	1	-	-	-
-	£195,000 - £199,999	1	1	-	-	-
-	£225,000 - £229,999	1	1	-	-	-
-	£245,000 - £249,999	1	1	-	-	-
2	£335,000 - £339,999	(2)	-	-	-	-
65		20	85	64	50	14

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

Note 2: These are officers still in post, of which there are 64 individuals with remuneration of £60,000 or more, including:-

- a) 50 Headteachers and Deputy Headteachers, and
 b) 14 Senior Managers of the Council, including the Senior Officers shown in Disclosure 3 below, and Heads of Service.

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

Job Title	Salary		Pension Contributions (note 1)		Total Remuneration including Pension Contributions	
	18-19	17-18	18-19	17-18	18-19	17-18
	£	£	£	£	£	£
Chief Executive Officer & Head of Paid Service (Note 2)	104,500	133,726	22,259	28,484	126,759	162,210
Interim Chief Executive Officer & Head of Paid Service (Note 3)	29,766	-	6,340	-	36,106	-
Corporate Director - Education and Family Support (Note 4)	105,982	184,220	22,574	39,239	128,556	223,459
Corporate Director - Communities (Note 5)	82,959	106,160	17,670	22,612	100,629	128,772
Corporate Director - Operational and Partnership Services (Note 6)	122,108	103,682	147,424	22,084	-	125,766
Corporate Director - Social Service & Wellbeing	108,283	106,160	23,064	22,612	131,347	128,772
Head of Finance - s151 Officer (Note 7)	-	61,562	-	13,113	-	74,675
Head of Legal and Regulatory Services (Note 8)	56,503	-	11,588	-	68,091	-
Head of Performance and Partnership Services (Note 9)	59,923	-	12,764	-	72,687	-
Head of Operations - Communities (Note 10)	20,708	-	4,411	-	25,119	-

Notes

- Note 1 No ‘Expenses’ or ‘Benefits in kind’ were paid in the year. Pension Contributions relate to actual payments made.
- Note 2 The Chief Executive left the Council on 6 January 2019. Their salary excludes payment for Election Duties which amounted to £960 for 6 Town and Community Council Elections
- Note 3 The Corporate Director – Communities was appointed as Interim Chief Executive on a temporary basis from 7 January 2019.
- Note 4 The Corporate Director – Education and Family Support left the Council on 7 January 2018. The interim Corporate Director – Education and Family Support appointed to cover the post was appointed to Corporate Director on 31 August 2018. During 2017-18 the Corporate Director was seconded to Welsh Government, costs being recovered from Welsh Government of £109,327.
- Note 5 The Corporate Director – Communities was appointed to Interim Chief Executive on 7 January 2019. The Corporate Director – Communities was vacant from that date to the end of the financial year.
- Note 6 The Corporate Director – Operational and Partnership Services was made redundant on 6 July 2018. The salary and pension figures include redundancy costs and associated pension costs, which had been accrued in the 31 March 2018 accounts.
- Note 7 The Head of Finance left the Council on 2 January 2018. An interim Head of Finance and s.151 Officer was appointed under a contractual arrangement with the Welsh Local Government Association. The costs incurred in this arrangement during the year were £104,129 (2017-18: £26,355)
- Note 8 The Head of Legal and Regulatory Services assumed the role of Monitoring Officer following the departure of the Corporate Director – Operational and Partnership Services with a direct report to the Chief Executive. Only costs since the post reported directly to the Chief Executive have been included.

- Note 9 Following the departure of the Corporate Director – Operational and Partnership Services, the Head of Performance and Partnership Services reported directly to the Chief Executive and only costs since the post reported directly to the Chief Executive have been included
- Note 10 Following the appointment to Interim Chief Executive of the Corporate Director – Communities, the Head of Operations – Communities was appointed on 1 January 2019, reporting directly to the Chief Executive.

Disclosure 4 – Table on Exit Packages

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

Exit Package Cost Band (including Special Payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	18-19	17-18	18-19	17-18	18-19	17-18	18-19	17-18
	£	£	£	£	£	£	£	£
£0 - £20,000	27	13	29	24	56	37	688,996	324,861
£20,001 - £40,000	30	4	16	18	46	22	1,307,493	576,770
£40,001 - £60,000	14	6	1	4	15	10	723,537	478,481
£60,001 - £80,000	4	1	1	1	5	2	329,394	125,264
£80,001 - £100,000	2	-	-	-	2	-	178,584	-
£100,001 - £150,000	1	-	-	-	1	-	141,821	-
£150,001 - £200,000	1	-	1	-	2	-	352,557	-
£200,001 - £250,000	-	1	-	-	-	1	-	233,281
£250,001 - £300,000	-	1	-	-	-	1	-	254,462
	79	26	48	47	127	73	3,722,382	1,993,119

16. Members' allowances

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

2017-18 £'000		2018-19 £'000
573	Basic Salary (all Members)	557
465	Senior Salary	481
25	Civic Salary	46
1,063	Total	1,084

Full details of the 'salary' arrangements are available on the Council's website, and details of all Member earnings are also published annually on the Council's website.

17. External audit costs

In 2018-19 Bridgend County Borough Council incurred the following fees relating to external audit and inspection. Of the amount incurred, £Nil (2017-18 - £5,083) was claimed against grants:

2017-18 £'000		2018-19 £'000
194	Financial Statement Audit	194
97	Performance Audit	97
291	External Audit Services	291
78	Grant Claims and Returns	54
369	Total	345

18. Participation in Joint Committees and Joint Arrangements

The Council participated in a number of Joint Committees and Joint Arrangements during the year. The amounts contributed by the Council are set out below.

	2017-18 £'000	2018-19 £'000
Cardiff Capital Region City Deal (CCRCD)	2,285	1,257
Central South Consortium Joint Education Service	621	606
Integrated Family Support Service (IFSS)	198	163
Joint Adoption Service	949	949
Shared Regulatory Service	1,621	1,505
Shared Internal Audit Service	251	205
Western Bay Youth Justice and Early Intervention Service	275	287
Civil Parking Enforcement	213	185
Glamorgan Archives	92	92
Coychurch Crematorium	-	-
Margam Crematorium	-	-
Total	6,505	5,249

19. Related Party Transactions

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

Welsh Government

Welsh Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates; provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills). Grants received from government departments are set out in Notes 8 and 9 above.

Members

Members of the Council have direct control over the Council's financial and operating policies. Members' external interests are maintained in a register, which is available for inspection on the Council's website. The total of members' allowances paid in 2018-19 is shown in Note 16. Payments made to organisations whose senior management included Members included Care and Repair (Bridgend) £1,365,954 (no interests were declared in 2017-18), Bridgend County Borough Citizens Advice Bureau £226,709 (£224,415 in 2017-18) and Bridgend Association of Voluntary Organisations £92,322 in 2018-19 (£104,500 in 2017-18). 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 £293,576 (£426,230 in 2017-18).

Chief Officers

During 2018-19 the Corporate Director – Communities sat on the Board of Capita Glamorgan Consultancy Ltd until 4 July 2018 and the Head of Adult Social Care from that date. The Council owns 14.7% of the shares of the company and holds voting rights to this value on the Board. During 2018-19 the Council was charged £1,146,732 (2017-18: £1,038,722) in respect of goods, services and capital works. In addition the Corporate Director sat on the Board of CSC Foundry Ltd, a special purpose vehicle which is a wholly owned subsidiary of the City Deal Joint Committee. Details of the payments made to the Cardiff Capital Region City Deal are included in note 18 to the accounts. The Corporate Director – Social Services and Wellbeing was an Associate Board Member of Abertawe Bro-Morgannwg University Health Board. The Council and the Health Board have a range of formal pooled funding arrangements as set out in note 14 – Section 33 NHS (Wales) Act 2006.

The Head of Regeneration, Development and Property Services was a Board Member for Bridgend College and also a Director of the newly formed Bridgend Business Improvement District (BID). During 2018-19 the value of payments to the College totalled £344,569 (2017-18: £295,640). The Council acts as the collector of Business Rates on behalf of the Business Improvement District and transfers those monies to the company. The Council has no business transactions with the BID Company. No Directors received any remuneration for these roles.

Other Joint Committees

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

Glamorgan Archives Joint Committee

The Glamorgan Record Office is managed and administered by the Glamorgan Archives Joint Committee under powers conferred by the Local Government (Wales) Act 1994.

Coychurch Crematorium

Coychurch Crematorium is subject to the control of a Joint Committee of Members from Bridgend CBC, Rhondda Cynon Taf CBC and the Vale of Glamorgan CBC. Financial statements for this Joint Committee are available on the Bridgend CBC website (www.bridgend.gov.uk).

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)

Other Public Bodies

The Council has a number of pooled budget arrangements with Abertawe Bro-Morgannwg University Health Board as detailed in Note 14. It also pays a management fee to the Awen Trust for cultural related services which is a not for profit organisation. The amount paid in 2018-19 was £3,231,354 (2017-18: £3,226,540). The Board of Awen Trust has two Members and a Member's family member as Director.

Notes to the Movement in Reserves Statement

20. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

Council Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

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.

The tables below detail the adjustments for 2017-18 for comparative purposes and the adjustments for 2018-19.

2018-19	Usable Reserves			Unusable Reserves
	Council Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000
Adjustment to the Revenue Resources				
<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)	12,970			(12,970)
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(8)			8
Holiday Pay (transferred to the Accumulated Absences Reserve)	(422)			422
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)	7,836			(7,836)
Total Adjustments to Revenue Resources	20,376	-	-	(20,376)
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,884)	1,884		
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(4,958)			4,958
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(3,922)			3,922
Total adjustments between Revenue and Capital Resource	(10,764)	1,884	-	8,880
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		(5,123)		5,123
Application of capital grants to finance capital expenditure	(9,494)			9,494
Cash payments in relation to deferred capital			1,194	(1,194)
Total adjustments to Capital Reserves	(9,494)	(5,123)	1,194	13,423
Total Adjustments	118	(3,239)	1,194	1,927

2017-18	Usable Reserves			Unusable Reserves
	Council Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000
Adjustment to the Revenue Resources				
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>				
Pensions costs (transferred to (or from) the Pensions Reserve)	11,810			(11,810)
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(8)			8
Holiday Pay (transferred to the Accumulated Absences Reserve)	519			(519)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (those items are charged to the Capital Adjustment Account)	30,199			(30,199)
Total Adjustments to Revenue Resources	42,520	-	-	(42,520)
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(573)	573		
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(7,179)			7,179
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(9,922)			9,922
Total adjustments between Revenue and Capital Resource	(17,674)	573	-	17,101
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		(783)		783
Application of capital grants to finance capital expenditure	(13,024)			13,024
Cash payments in relation to deferred capital			105	(105)
Other Amounts (including mortgage payments)		7		(7)
Total adjustments to Capital Reserves	(13,024)	(776)	105	13,695
Total Adjustments	11,822	(203)	105	(11,724)

Notes to the Balance Sheet

21. Non-current Assets

a) Capital commitments

As at 31 March 2019 the Council do not have any material capital commitments.

Restated 2017-18 £'000		2018-19 £'000
3,890	Garw Valley South Primary Provision	-
4,248	Pencoed Primary School	-
8,138	Total	-

b) Notes on Non-current Assets

Voluntary-aided & Voluntary-controlled Schools

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

c) Non-current Assets valuation

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

Summary of Property, Plant & Equipment (PPE)	Other Land and Buildings £'000	Vehicle, Plant and Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE Assets £'000	PFI Assets Included in PPE £'000
Cost or Valuation								
At 1 April 2018	399,145	9,364	214,177	4,951	15,130	7,739	650,506	24,142
Additions	3,391	1,530	7,457	-	-	9,062	21,440	-
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	(19,352)	(1,123)	-	-	(502)	-	(20,977)	(2,783)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	27,497	352	-	(2)	(56)	-	27,791	1,258
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	16,595	-	-	-	(807)	-	15,788	251
Derecognition - Disposals	(234)	(532)	-	-	(100)	-	(866)	-
Assets reclassified (to)/from Held for Sale	(195)						(195)	-
Other Movements in Cost or Valuation	13,850				2,289	(16,139)	-	-
At 31 March 2019	440,697	9,591	221,634	4,949	15,954	662	693,487	22,868
Accumulated Depreciation and Impairments								
At 1 April 2018	(18,113)	(4,632)	(150,475)	(37)	(2)	-	(173,259)	(1,858)
Depreciation Charge for the year	(10,947)	(1,530)	(5,878)	-	(55)	-	(18,410)	(928)
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	19,352	1,123			502		20,977	2,783
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(612)		(134)				(746)	-
Derecognition - disposals	15	526					541	-
Other Movements	630				(630)		-	-
At 31 March 2019	(9,675)	(4,513)	(156,487)	(37)	(185)	-	(170,897)	(3)
NBV as at 1 April 2018	381,032	4,732	63,702	4,914	15,128	7,739	477,247	22,284
NBV as at 31 March 2019	431,022	5,078	65,147	4,912	15,769	662	522,590	22,865

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
Cost or Valuation								
At 1 April 2017	393,381	8,572	209,507	5,052	8,250	4,068	628,830	24,142
Additions	3,148	1,705	4,934	-	3,520	16,496	29,803	-
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	(6,949)	-	-	-	(12)	-	(6,961)	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,153	-	-	2	946	-	6,101	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(454)	-	-	(42)	174	-	(322)	-
Derecognition - Disposals	(2,601)	(503)	-	-	-	-	(3,104)	-
Assets reclassified (to)/from Held for Sale	(2,101)	-	-	-	(2,380)	-	(4,481)	-
Assets reclassified (to)/from Investment Property	850	-	-	-	200	-	1,050	-
Other Movements in Cost or Valuation	8,718	(410)	(264)	(61)	4,432	(12,825)	(410)	-
At 31 March 2018	399,145	9,364	214,177	4,951	15,130	7,739	650,506	24,142
Accumulated Depreciation and Impairments								
At 1 April 2017	(14,367)	(3,967)	(139,460)	(37)	(13)	(1)	(157,845)	(931)
Depreciation Charge for the year	(10,900)	(1,075)	(10,788)	-	(1)	-	(22,764)	(927)
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	6,949	-	-	-	12	-	6,961	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(376)	(56)	(227)	-	-	-	(659)	-
Derecognition - other	-	-	-	-	-	-	-	-
Derecognition - disposals	581	384	-	-	-	-	965	-
Other Movements	-	82	-	-	-	1	83	-
At 31 March 2018	(18,113)	(4,632)	(150,475)	(37)	(2)	-	(173,259)	(1,858)
NBV as at 1 April 2017	379,014	4,605	70,047	5,015	8,237	4,067	470,985	23,211
NBV as at 31 March 2018	381,032	4,732	63,702	4,914	15,128	7,739	477,247	22,284

d) Intangible Assets.

The Intangible asset refers to the Wales Community Care Information System, WCCIS. As at 31 March 2019 the remaining life of the asset was 4 years.

Intangible Assets	£'000
Cost or Valuation	
At 1 April 2018	6,003
Additions	37
At 31 March 2019	6,040
Accumulated Depreciation and Impairments	
At 1 April 2018	(1,894)
Depreciation Charge for the year	(553)
At 31 March 2019	(2,447)
NBV as at 1 April 2018	4,109
NBV as at 31 March 2019	3,593

Intangible Assets	£'000
Cost or Valuation	
At 1 April 2017	5,480
Additions	113
Other Movements in Cost or Valuation	410
At 31 March 2018	6,003
Accumulated Depreciation and Impairments	
At 1 April 2017	(1,105)
Depreciation Charge for the year	(707)
Other Movements	(82)
At 31 March 2018	(1,894)
NBV as at 1 April 2017	4,375
NBV as at 31 March 2018	4,109

e) Sources of finance for Capital Expenditure

2017-18 £'000		2018-19 £'000
(9,853)	Loans	(6,163)
(14,212)	Government grants	(12,037)
(180)	Capital receipts	(5,123)
(9,922)	Revenue contribution	(3,922)
(2,417)	Other contributions	(369)
(36,584)	Total	(27,614)

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. 2018-19 also included a contribution of £1.162 million by the Council to the Cardiff Capital Regional City Deal.

2017-18 £'000		2018-19 £'000
6,669	Revenue Expenditure Funded from Capital under Statute	6,137
(2,960)	Grants and Contributions	(4,106)
3,709	Total	2,031

g) Capital financing requirement and the financing of capital expenditure

2017-18 £'000	Capital Financing Requirement	2018-19 £'000
168,060	Opening Capital Financing Requirement	170,880
750	Adjustment to Capital Financing Requirement Reversal	-
(25)	Adjustment to Capital Financing Requirement MRP Reversal	-
(603)	Innovation Centre Prior Year Adjustment	-
168,182	Amended Opening Capital Financing Requirement	170,880
	Capital Investment	
29,916	Property, Plant and Equipment and Intangible Assets	21,477
6,669	Revenue Expenditure Funded from Capital under Statute	6,137
	Sources of Finance	
(16,631)	Grants & Contributions	(12,407)
(180)	Capital receipts applied	(5,123)
(9,922)	Revenue Contributions	(3,922)
(5,056)	Minimum Revenue Provision	(2,858)
(1,364)	Unsupported Borrowing MRP	(1,459)
(60)	Innovation Centre MRP	-
(79)	Crematorium MRP	-
(595)	PFI School MRP	(641)
170,880	Closing Capital Financing Requirement	172,084
	Explanation for Movements in Year	
(1,830)	Increase/(Decrease) in Underlying Need to Borrow (supported by government financial assistance)	1,077
5,305	Increase/(Decrease) in Underlying Need to Borrow (unsupported by government financial assistance)	768
(60)	Assets acquired under finance leases	-
(595)	Assets acquired under PFI Contract	(641)
2,820	Increase/(Decrease) in Capital Financing Requirement	1,204

22. Investment Properties

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

2017-18 £'000		2018-19 £'000
5,060	Balance at 1 April	4,360
(1,050)	Transferred to Property, Plant and Equipment	-
350	Net gain / (loss) from fair value adjustments	275
4,360	Balance as at 31 March	4,635

23. Short Term Debtors

This represents the monies owed to the Council after making provision for debts that might not be recovered and are analysed as follows:

2017-18 £'000 restated		2018-19 £'000
7,592	Trade Receivables	7,016
1,881	Prepayments	2,582
21,585	Other Receivable Amounts	22,702
31,058	Balance as at 31 March	32,300

The Council collects NNDR payments on behalf of Welsh Government. As at the 31 March 2019, the Council had paid over more cash than it collected, this excess was included in the Balance Sheet as a debtor of £1.385 million. The equivalent for 2017-18 was a debtor of £0.154 million.

24. Assets Held for Sale

2017-18 £'000		2018-19 £'000
1,730	Balance at 1 April	5,961
4,661	Assets newly classified as held for sale: Property, Plant & Equipment	195
(180)	Assets declassified as held for resale: Property, Plant & Equipment	
	Revaluation Gain/(Loss)	
(250)	Assets Sold	(1,835)
5,961	Balance as at 31 March	4,321

25. Short Term Creditors

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

2017-18 £'000 retated		2018-19 £'000
(3,705)	Trade Payables	(5,131)
(28,550)	Other Payables	(26,378)
(32,255)	Balance as at 31 March	(31,509)

26. Provisions

The Council has provisions as detailed below:

	Insurance £'000	Carbon Reduction Commitment £'000	Other Provisions £'000	Total £'000
Balance at 1 April 2018	2,888	253	1,060	4,201
Additional provisions made in 2018-19	2,870	242	-	3,112
Amounts used in 2018-19	(482)	(253)	(342)	(1,077)
Balance at 31 March 2019	5,276	242	718	6,236
Provisions < 1 yr	804	242	717	1,763
Provisions > 1 yr	4,473	-	-	4,473
Balance at 31 March 2019	5,277	242	717	6,236

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 2018-19 for Employer's Liability, Public Liability and Property. However the actual cost of individual claims and the timing of payments is uncertain. The Council also has an earmarked reserve for Insurance which acts as an additional buffer amount to the fund, over and above the total outstanding liability, to allow for unexpected events, worse than anticipated deterioration in the current reserves and higher than anticipated future losses both in frequency and cost.

Carbon Reduction Commitment Energy Efficiency Scheme

This provision represents the obligation to purchase Carbon Reduction Commitment (CRC) Allowances in relation to carbon dioxide emissions incurred during 2018-19. The payment will be made with the retrospective purchase of allowances in 2019. This scheme ceased on 31 March 2019.

Other Provisions

This provision is to provide for the value of potential future compensation payments arising from on-going litigation.

27. PFI and Other Long Term Liabilities

2017-18 £'000		Movement in year £'000	Moved to Short Term Creditors £'000	2018-19 £'000
17,000	Maesteg School PFI Lease	-	(690)	16,310
537	Innovation Centre	-	(90)	447
300	Waste Contract	-	(50)	250
30	Escrow	17	-	47
2,400	Welsh Government Loan - Llynfi Valley	(154)	(2,246)	-
20,267	Balance as at 31 March	(137)	(3,076)	17,054

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 2018-19, the amount written down was £640,000 and £690,000 has been transferred to Short Term Creditors leaving an outstanding long term liability of £16.3 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 2018-19 was £66,000 and £90,000 was transferred to Short Term Creditors resulting in a long term financial liability of £0.447 million at 31 March 2019.

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

The long term Escrow liability represents a fund that will be maintained and increased to allow for the future reinstatement to playing fields at Bridgend College – Pencoed.

28. Usable Reserves

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

a) Useable Capital Receipts Reserve

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

2017-18 £'000		2018-19 £'000
21,364	Balance at 1st April	21,161
573	Capital Receipts Received	1,884
7	Mortgage Repayments (Council Fund)	-
(180)	Receipts Used to Finance Capital Expenditure	(5,123)
(603)	Prior Year Adjustment	-
21,161	Balance as at 31 March	17,922

b) Earmarked Reserves

The Earmarked Reserves in the Balance Sheet as at 31 March 2019 are detailed below:

Opening Balance 2017-18 £'000	Reserve	Movement during 2018-19		Closing Balance 2018-19 £'000
		Additions/ Re- classification £'000	Drawdown by Directorates £'000	
8,347	Council Fund	429	-	8,776
	Corporate Reserves:			
12,082	Capital Programme Contribution	6,102	(4,112)	14,072
8,022	Major Claims Reserve	786	(3,534)	5,274
7,957	Service Reconfiguration	-	(2,383)	5,574
11,094	Other Corporate Reserves	5,918	(4,929)	12,083
39,155	Total Corporate Reserves	12,806	(14,958)	37,003
	Other Reserves:			
4,565	Directorate Reserves	3,093	(1,763)	5,895
1,088	City Deal Reserve	812	-	1,900
5,653	Total Directorate Reserves	3,905	(1,763)	7,795
360	Delegated Schools Balance	254	-	614
45,168	Total Reserves excluding Equalisation Reserves	16,965	(16,721)	45,412
2,907	Equalisation and Grant Reserves	805	(744)	2,968
48,075	TOTAL EXCLUDING COUNCIL FUND	17,770	(17,465)	48,380
56,422	TOTAL INCLUDING COUNCIL FUND	18,199	(17,465)	57,156

Council Fund

The transfer to the Council Fund for 2018-19 was £0.429 million. This increased the balance on the Fund to £8.776 million at 31 March 2019 (£8.347 million at 31 March 2018).

Other Earmarked Reserves

The transfer to Earmarked Balances excluding the Council Fund Balance was a net increase of £0.305 million in 2018-19 (net reduction of £3.084 million in 2017-18). An overview of each earmarked reserve is explained below.

Corporate Reserves

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.

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.

Service Reconfiguration / Severance Costs

This reserve has been established to meet potential costs relating to service remodelling and consequential severance costs.

Directorate ReservesCity Deal Reserve

This reserve is to provide the necessary funding for the Council's capital contribution to the Cardiff City Region City Deal programme.

Directorate Issues

This reserve relates to specific Directorate issues anticipated in 2019-20 together with some carried forward amounts from 2018-19. Examples include a reserve to implement the post inspection action plan for the Youth Offending Service, the ancillary costs associated with the transition of Autistic Spectrum Disorder provision, a reserve to be used for any additional costs resulting from Brexit and support for various new apprentices within the Council.

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

2017-18 Closing Balance £'000	School Types	No's in Category	2018-19 Budget £'000	2018-19 Spend £'000	2018-19 Closing Balance £'000
261	Primary Schools	48	45,646	45,295	351
(437)	Secondary Schools	9	42,124	42,322	(198)
536	Special Schools	2	8,940	8,479	461
360	Total	59	96,710	96,096	614

The 2017-18 Closing Balance figure is included within the 2018-19 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

This includes grant reserves where 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 2018-19 there were £805,000 (2017-18 - £604,000) of new 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. In addition there are a small number of equalisation reserves that ensures 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.

29. Unusable Reserves

The following notes detail the Unusable Reserves of the Council.

a) Revaluation Reserve (RR)

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

The Revaluation Reserve contains only revaluation gains accumulated since 1 April 2007. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2017-18			2018-19	
£'000	£'000		£'000	£'000
	124,703	Balance at 1 April		126,378
10,830		Prior Year adj	(32)	
		Upward Revaluation of Assets	33,337	
(4,580)		Downward Revaluation of Assets and Impairment		
		Losses not charged to the Surplus/Deficit on the		
		Provision of Services	(5,546)	
	6,250	Surplus or deficit on revaluation of non-current		27,759
		assets not posted to the Surplus or Deficit on the		
		Provision of services		
(3,803)		Difference between fair value depreciation and historical		
(772)		cost depreciation (charged to the Capital Adjustment	(3,755)	
		Account)		
		Accumulated gains on assets sold or scrapped	(770)	
	(4,575)	Amount written off to the Capital Adjustment Account		(4,525)
	126,378	Balance as at 31 March		149,612

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.

2017-18 £'000		2018-19 £'000
(252,450)	Balance at 1 April	(268,620)
(4,360)	Actuarial gains or losses on pensions assets and liabilities	26,320
(28,360)	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	(30,410)
16,550	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	17,440
(268,620)	Balance as at 31 March	(255,270)

c) Capital Adjustment Account (CAA)

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties.

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

2017-18			2018-19	
£'000	£'000		£'000	£'000
	189,468	Balance at 1 April		194,640
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :		
(23,470)		Charges for depreciation and impairment of non-current assets	(18,964)	
(980)		Revaluation gain/(losses) on Property, Plant and Equipment	15,043	
(3,709)		Revenue Expenditure funded from Capital Under Statute	(2,031)	
(7)		Other amounts including Mortgage Payments		
(1,618)		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,357)	
	(29,784)	Adjusting amounts written out to the Revaluation Reserve		(7,309)
	3,803			3,755
	(25,981)	Net written out amount of the cost of non-current assets consumed in the year		(3,554)
		Capital financing applied in the year:		
180		Use of the Capital Receipts Reserve to finance capital expenditure	5,123	
603		Innovation Centre Prior Year Adjustment	-	
12,919		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that has been applied to capital financing	8,300	
7,179		Statutory provision for the financing of capital investment charged against the Council Fund	4,958	
9,922		Capital expenditure charged against the Council Fund	3,922	
	30,803			22,303
	350	Movement in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement		275
	194,640	Balance as at 31 March		213,664

30. Pensions liabilities, IAS 19 disclosures

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

This Council participates in the Rhondda Cynon Taf County Borough Council Pension Fund, which is administered under the Regulations governing the Local Government Pension Scheme. This is a defined benefit scheme, meaning that the Council and employees pay contributions into a fund, at a rate determined by the Fund's Actuary based on triennial actuarial valuations, which aims to balance 100% of pension liabilities with investment assets.

Further information can be found in Rhondda Cynon Taf CBC Pension Fund's Annual Report which is available upon request from the Director of Finance, Rhondda Cynon Taf County Borough Council, Bronwydd, Porth, Rhondda, Rhondda Cynon Taf.

<http://www.rctpensions.org.uk>

Any award of discretionary post-retirement benefits upon early retirement is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. No investment assets are built up to meet these pension liabilities, and cash has to be generated to meet the actual pension payments as they fall due.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields, and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the Council Fund with the amounts required by statute as described in the accounting policies note.

The disclosures required for 2018-19 include information provided by the pension administrators, Rhondda Cynon Taff CBC and Aon Hewitt Associates Limited as the pension fund scheme'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
2017-18	2017-18	2017-18	2017-18	Cost of Services :	2018-19	2018-19	2018-19	2018-19
21.84	-	-	21.84	Service cost comprising:	22.65	-	-	22.65
0.17	-	-	0.17	current service cost	1.00	-	-	1.00
-	-	-	-	past service costs	-	-	-	-
				(gain)/loss from settlements				
				Financing & Investment				
				Income & Expenditure :-				
6.04	0.20	0.11	6.35	Net interest expense	6.47	0.19	0.10	6.76
				Total Post Employment				
				Benefit Charged to the				
				Surplus or Deficit on the				
				Provision of Services				
28.05	0.20	0.11	28.36		30.12	0.19	0.10	30.41
				Other Post Employment				
				<i>Remeasurements of the net</i>				
				<i>defined benefit liability</i>				
				<i>comprising:</i>				
				Return on plan assets				
				(excluding the amount				
				included in the net interest				
(13.42)	-	-	(13.42)	expense)	(40.76)	-	-	(40.76)
				Actuarial (gains) / losses due				
				to changes in financial				
13.85	0.07	0.03	13.95	assumptions	46.24	0.19	0.07	46.50
				Actuarial (gains) / losses due				
				to changes in demographic				
-	-	-	-	assumptions	(32.89)	(0.33)	(0.20)	(33.42)
				Actuarial (gains) / losses due				
4.22	0.03	(0.42)	3.83	to liability experience	1.33	0.02	0.01	1.36
				Total Post-employment				
				Benefits charged to the				
				Comprehensive Income				
				and Expenditure Statement				
4.65	0.10	(0.39)	4.36		(26.08)	(0.12)	(0.12)	(26.32)
				Movement in Reserves				
				Statement:-				
				Reversal of net charges made				
				for retirement benefits in				
(28.05)	(0.20)	(0.11)	(28.36)	accordance with IAS 19	(30.12)	(0.19)	(0.10)	(30.41)
				Actual amount charged				
				against the Council Fund				
				Balance for pensions in the				
				year				
15.69	0.47	0.39	16.55	Employer's Contributions	16.58	0.48	0.38	17.44
(22.44)	(0.47)	(0.39)	(23.30)	payable to the scheme	(30.34)	(0.48)	(0.38)	(31.20)
				Retirement Benefits Paid Out				

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total		Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total
£m 2017-18	£m 2017-18	£m 2017-18	£m 2017-18		£m 2018-19	£m 2018-19	£m 2018-19	£m 2018-19
814.56	7.64	3.87	826.07	Present value of defined benefit obligation	847.86	7.23	3.47	858.56
(557.45)	-	-	(557.45)	Fair Value of Plan Assets	(603.29)	-	-	(603.29)
257.11	7.64	3.87	268.62	Net liability arising from defined benefit obligation	244.57	7.23	3.47	255.27

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

£m 2017-18		£m 2018-19
532.49	Opening fair value of scheme assets at 1 April	557.45
13.82	Interest income on assets	14.38
13.42	The return on plan assets, excluding the amount included in the net interest expense	40.76
15.69	Contributions by Employer	16.58
4.47	Contributions by Participants	4.46
(22.44)	Net Benefits Paid Out	(30.34)
557.45	Balance as at 31 March	603.29

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
2017-18	2017-18	2017-18	2017-18		2018-19	2018-19	2018-19	2018-19
772.59	7.81	4.54	784.94	Opening balance at 1 April	814.56	7.64	3.87	826.07
21.84	-	-	21.84	Current Service Cost	22.65	-	-	22.65
19.86	0.20	0.11	20.17	Interest Cost	20.85	0.19	0.10	21.14
4.47	-	-	4.47	Contributions from scheme participants	4.46	-	-	4.46
				Remeasurement (gains) and losses:				-
				Actuarial gains / losses arising from changes in financial assumptions	46.24	0.19	0.07	46.50
				Actuarial gains / losses arising from changes in demographic assumptions	(32.89)	(0.33)	(0.20)	-33.42
				Actuarial gains / losses arising from changes in liability experience	1.33	0.02	0.01	1.36
0.17	-	-	0.17	Past Service Cost	1.00	-	-	1.00
(22.44)	(0.47)	(0.39)	(23.30)	Benefits Paid	(30.34)	(0.48)	(0.38)	(31.20)
-	-	-	-	Liabilities extinguished on settlements	-	-	-	-
814.56	7.64	3.87	826.07	Balance as at 31 March	847.86	7.23	3.47	858.56

Local Government Pension Scheme assets comprised:

Fair Value of Scheme Assets 2017-18 £m	Asset Split 2017-18 %		Fair Value of Scheme Assets 2018-19 £m	Asset Split 2018-19 %
15.137	2.72	Cash and cash equivalents	6.80	1.13
		Equity Instruments: <i>by industry type (FTSE Sector)</i>		
11.347	2.04	Oil & Gas	3.27	0.54
12.715	2.28	Basic Materials	7.92	1.31
54.757	9.82	Industrials	26.08	4.32
49.085	8.81	Consumer Goods	37.08	6.15
32.321	5.80	Health Care	10.02	1.66
46.941	8.42	Consumer Services	0.00	0.00
1.465	0.26	Telecommunications	0.67	0.11
2.325	0.42	Utilities	0.46	0.08
74.813	13.42	Financials	24.21	4.01
56.950	10.22	Technology	8.29	1.37
0.627	0.11	Real Estate	0.00	0.00
68.536	12.28	Pooled Equity Investment Vehicles	285.68	47.35
411.882	73.88	Sub-total equity	403.67	66.91
		Bonds: <i>By Sector</i>		
52.106	9.35	Corporate	75.09	12.45
49.121	8.81	Government	72.20	11.97
101.227	18.16	Sub-total bonds	147.29	24.41
		Property: <i>By Type</i>		
6.670	1.20	Retail	7.24	1.20
4.036	0.72	Office	6.06	1.00
8.446	1.52	Industrial	13.43	2.23
10.052	1.80	Other Commercial	18.80	3.12
29.204	5.24	Sub-total property	45.53	7.55
557.450	100.00	Total assets	603.29	100.00

Basis for Estimating Assets and Liabilities

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

Both the Local Government Pension Scheme (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:

2017-18 % pa		2018-19 % pa
2.60	Discount rate	2.40
2.10	Rate of pension increases	2.20
3.35	Rate of salary increases	3.45
Years		Years
	<i>Mortality Assumptions:</i>	
	Longevity at 65 for current pensioners :-	
22.90	Men	22.20
25.00	Women	24.10
	Longevity at 65 for future pensioners :-	
25.10	Men	23.90
27.30	Women	25.90

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

Increase in Assumption 2017-18 £m	Decrease in Assumption 2017-18 £m		Increase in Assumption 2018-19 £m	Decrease in Assumption 2018-19 £m
(14.84)	15.12	Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(15.45)	15.74
2.98	(2.95)	Rate of increase in salaries (increase or decrease by 0.1%)	3.12	(3.09)
12.12	(11.92)	Rate of increase in pensions (increase or decrease by 0.1%)	12.59	(12.39)
24.53	(24.34)	Longevity (increase or decrease in 1 year)	27.41	(27.12)

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 based on information as at 31 March 2019 during 2019-

20. 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 2020 are:-

	2019-20 £m
Local Government Pension Scheme	29.80
LGPS Unfunded	0.17
Teachers Unfunded	0.08
Total	30.05

The weighted average duration of the defined benefit obligation for the scheme members is 18.4 years, which is the same as for 2017-18.

Teachers

In 2018-19, the Council paid £8.3 million (£8.15 million for 2017-18) to the Teachers Pensions Agency in respect of teachers' pension costs. In addition, the Council is responsible for all pension payments relating to added years awarded, together with the related increases. In 2018-19, these amounted to £0.5 million (£0.415 million for 2017-18).

31. Financial Instruments Disclosures

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

Financial Assets

31 March 2018					31 March 2019			
Current		Non-current			Current		Non-current	
Invest- ments £'000	Debtors £'000	Invest- ments £'000	Total £'000		Invest- ments £'000	Debtors £'000	Invest- ments £'000	Total £'000
20,172	7,654	9,010	36,836	Amortised Cost	21,105	7,016	4,011	32,132
20,172	7,654	9,010	36,836	Total financial asset	21,105	7,016	4,011	32,132
-	-	4,360	4,360	Non-financial assets	-	-	4,635	4,635
20,172	7,654	13,370	41,196	Total	21,105	7,016	8,646	36,767

The current investments figure above includes accrued income receivable for long term investments in addition to short term interest.

The £7.016m (2017-18: £7.654 million) debtors figure above relates to trade debtors for goods and services delivered and is included in the overall debtors figure of £32.3 million (2017-18: £31.058 million) included in the balance sheet. More information in relation to debtors can be found at note 23.

Financial Liabilities

31 March 2018					31 March 2019			
Current		Non-current			Current		Non-current	
Borrowings £'000	Creditors £'000	Borrowings & Other Long Term Liabilities £'000	Total £'000		Borrowings £'000	Creditors £'000	Borrowings & Other Long Term Liabilities £'000	Total £'000
(2,623)	(4,225)	(117,688)	(124,536)	Amortised Cost	(2,551)	(5,687)	(114,466)	(122,704)
(2,623)	(4,225)	(117,688)	(124,536)	Total	(2,551)	(5,687)	(114,466)	(122,704)

The current borrowings figure above includes £1.953 million of accrued interest payable for the year.

The current creditors figure of £5.687 million (2017-18: £4.225 million) relates to trade creditors for goods and services received of £5.132 million (2017-18: £3.704 million) and £0.555 million (2017-18: £0.521 million) monies held by the Council on behalf of third parties and is included in the overall creditors figure of £31.509 million (2017-18: £32.254 million) on the balance sheet. More information in relation to creditors can be found at note 25.

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.

31 March 2018 Gross Assets (Liabilities) £'000	Offsetting of Financial Assets and Liabilities	31 March 2019 Gross Assets (Liabilities) £'000
1,871	Bank Accounts in Credit	1,859
1,871	Total Financial Assets	1,859
(1,980)	Bank Overdrafts	(1,982)
(1,980)	Total Financial Liabilities	(1,982)
(109)	Net Position on Balance Sheet	(123)

Income, expense, gains and losses

The income, expense, gains and losses recognised in the Comprehensive Income and Expenditure Statement for financial instruments is shown below:

31 March 2018				31 March 2019		
Financial Liabilities Amortised Cost	Financial Assets Amortised Cost	Total		Financial Liabilities Amortised Cost	Financial Assets Amortised Cost	Total
£'000	£'000	£'000		£'000	£'000	£'000
5,979	-	5,979	Interest Expense	5,910		5,910
-	(959)	(959)	Investment Income and Other Interest Receivable	-	(1,012)	(1,012)
5,979	(959)	5,020	Net (gain)/loss for the year	5,910	(1,012)	4,898

Fair Values of Financial Assets and Liabilities that are not measured at Fair Value

The Council does not have any financial assets or liabilities that are carried at fair value. The fair values calculated for assets held at amortised cost are detailed below.

31 March 2018		Financial Assets	31 March 2019	
Carrying amount £'000	Fair Value £'000		Carrying amount £'000	Fair Value £'000
		Financial assets held at amortised cost:		
9,010	8,993	Long-term investments	4,011	4,010
9,010	8,993	Total interest revenue	4,011	4,010

The fair value of **Financial Assets** is lower than the carrying amount because the interest rate on similar investments at the balance sheet date is higher than that agreed when the investment was originally made. The fair value of financial assets is calculated on other significant observable inputs (Level 2) which is interest rates for similar instruments.

31 March 2018		Financial Liabilities	31 March 2019	
Carrying amount £'000	Fair Value £'000		Carrying amount £'000	Fair Value £'000
		Financial liabilities held at amortised cost:		
(77,617)	(111,012)	PWLB	(77,617)	(110,769)
(19,804)	(31,843)	LOBOs	(19,795)	(31,507)
(20,267)	(28,500)	PFI and other long term liabilities	(17,054)	(25,391)
(117,688)	(171,355)	Total	(114,466)	(167,667)

The fair value of **Financial Liabilities** is higher than the carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date.

The fair value of liabilities is calculated using other significant observable inputs (Level 2) as follows:

- PWLB – Public Works Loan Board – market rates for local authority loans of the same remaining term to maturity as at the Balance Sheet date

- LOBO – Lender’s Option Borrower’s Option – 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 Bermudian 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 rate.
- Other financial liabilities – discounted contractual cash flows at the appropriate AA-rated corporate bond yield.

Nature and extent of risks arising from Financial Instruments

The Council’s activities expose it to a variety of financial risks including:

- **Credit risk** – the possibility that other parties may 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 unplanned financial loss may arise for the Council as a result of changes in such measures as interest rates movements.

The Council’s overall risk management strategy is approved by Council and set out within its annual Treasury Management Strategy. The Strategy sets out the parameters for the management of risks associated with financial instruments which covers specific areas such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council’s customers. The risk is minimised through the Annual Investment Strategy included in the Council’s Treasury Management Strategy, which is available on the Council’s website via Council agenda Medium Term Financial Strategy [here](#).

The Council’s credit risk management practices are set out within the Investment Strategy. In determining whether the credit risk of financial instruments has increased since initial recognition, the Council has reviewed the creditworthiness of its investments and has concluded that there has not been a significant increase in credit risk.

The Council’s primary objective is to give priority to security and liquidity prior to consideration of yield. Counterparty limits are constantly reviewed and where market conditions dictated, limits are reduced. During the year there were no changes that required the Council to consider any investments having an increased credit risk.

Credit risk exposure

As at 31 March 2019 the Council had the following exposure to credit risk. £21.049 million of the £27.469 million investments outstanding at 31 March 2019 were invested with other Local Authorities, where an expected loss allowance is not required. For those financial assets where a 12 month expected credit loss is calculable, the calculated credit loss is £3,693. This has been calculated by reference to historic default data published by credit rating agencies as advised by our Treasury Management Advisors. Due to the immateriality of the expected credit loss, no adjustment has been made in the accounts for this.

	Credit risk rating (as used by the Council)	Gross carrying amount £'000
12 month expected credit losses	AA-	2,013
	A	3,407
	Building Society - Unrated	1,000
Simplified approach	Local Authorities - unrated	21,049
TOTAL		27,469

Council does not generally allow credit for its customers (trade debtors) such that all the trade debtors are recognised as short term, however, £4.271 million balance of debtors is past due date for payment. These are not included in the credit risk table above.

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. The Council sets limits on the maturity structure of fixed rate borrowing such that no more than 50% of loans are due to mature in any one year through careful planning of new loans taken out and (where it is beneficial to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

31 March 2018 £'000	Maturity Analysis Financial Liabilities	31 March 2019 £'000
(7,605)	Less than 1 year	(11,314)
(830)	Between 1 and 2 years	(891)
(5,277)	Between 2 and 5 years	(3,092)
(19,152)	Between 5 and 10 years	(19,410)
(31,236)	Between 10 and 20 years	(29,888)
(41,389)	More than 20 years	(41,390)
(19,804)	Uncertain date*	(19,795)
(125,293)	Total Financial Liabilities	(125,780)

* This refers to the Lender's Options Borrower's Options which may be rescheduled in advance of their maturity date of 2054, however, the Council does not anticipate this will occur due to the current low interest rates.

All trade and other payables are due to be paid in less than one year.

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.

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services 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 Surplus or Deficit on the Provision of Services will rise
- 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 asset will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investment will be posted to the Surplus or Deficit on the Provision of Services and affect the Council Fund Balance.

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 2019, if there had been a 1% change in interest rates with all other variables held constant, the financial effect would be approximately:

	Estimated £'000 + 1%	Estimated £'000 -1%
Interest payable on variable rate borrowings	133	-
Interest receivable on variable rate investments	(156)	156
Impact on Surplus or Deficit on Provision of Services	(23)	156

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.

Price risk

As the Council has not invested in instruments that are subject to price risk, such as bank certificates of deposit and Government Bonds, it is not subject to price risk.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Transition to IFRS9 Financial Instruments

The Council adopted the IFRS9 Financial Instruments accounting standard with effect from 1 April 2018. The main changes include the reclassification and re-measurement of financial assets and the earlier recognition of the impairment of financial assets. The Council has made use of the transitional provisions in IFRS9 to not restate the prior year's financial statements, the effect of the re-measurement instead shown as an additional line in the Movement in Reserves Statement.

The nature of the Council's financial instruments has meant no changes to the Council's balance sheet on transition.

32. Events after the Reporting Period

The draft Statement of Accounts was authorised for issue by the Director of Finance on 28 May 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes would be adjusted in all material respects to reflect the impact of this information. There have been no events after the balance sheet date that have required adjustment to the financial statements or notes.

33. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. As at 31 March 2019 the Council had no contingent liabilities.

Notes to the Cash Flow Statement

34. Adjustments for Non-Cash Movements

2017-18 £'000		2018-19 £'000
(24,451)	Depreciation & Impairment of Assets	(3,922)
(2,493)	Movement in Inventories, Debtors & Creditors	5,340
(11,810)	Pension Fund Adjustments	(12,970)
(536)	Provisions	(2,034)
(2,389)	Disposal of Non Current Asset	(2,159)
350	Changes in Fair Value of Investment Property	275
(41,329)	Adjustments to net deficit on the provision of services for non-cash movements	(15,470)

35. Operating Activities

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

2017-18 £'000		2018-19 £'000
(16,564)	Cash Flow on Revenue Activities	(9,577)
2,889	Interest Paid	4,549
1,412	Interest element of finance lease and PFI rental payments	1,360
(949)	Interest Received	(1,040)
(13,212)	Net Cash Flows from Operating Activities	(4,708)

36. Investing Activities

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

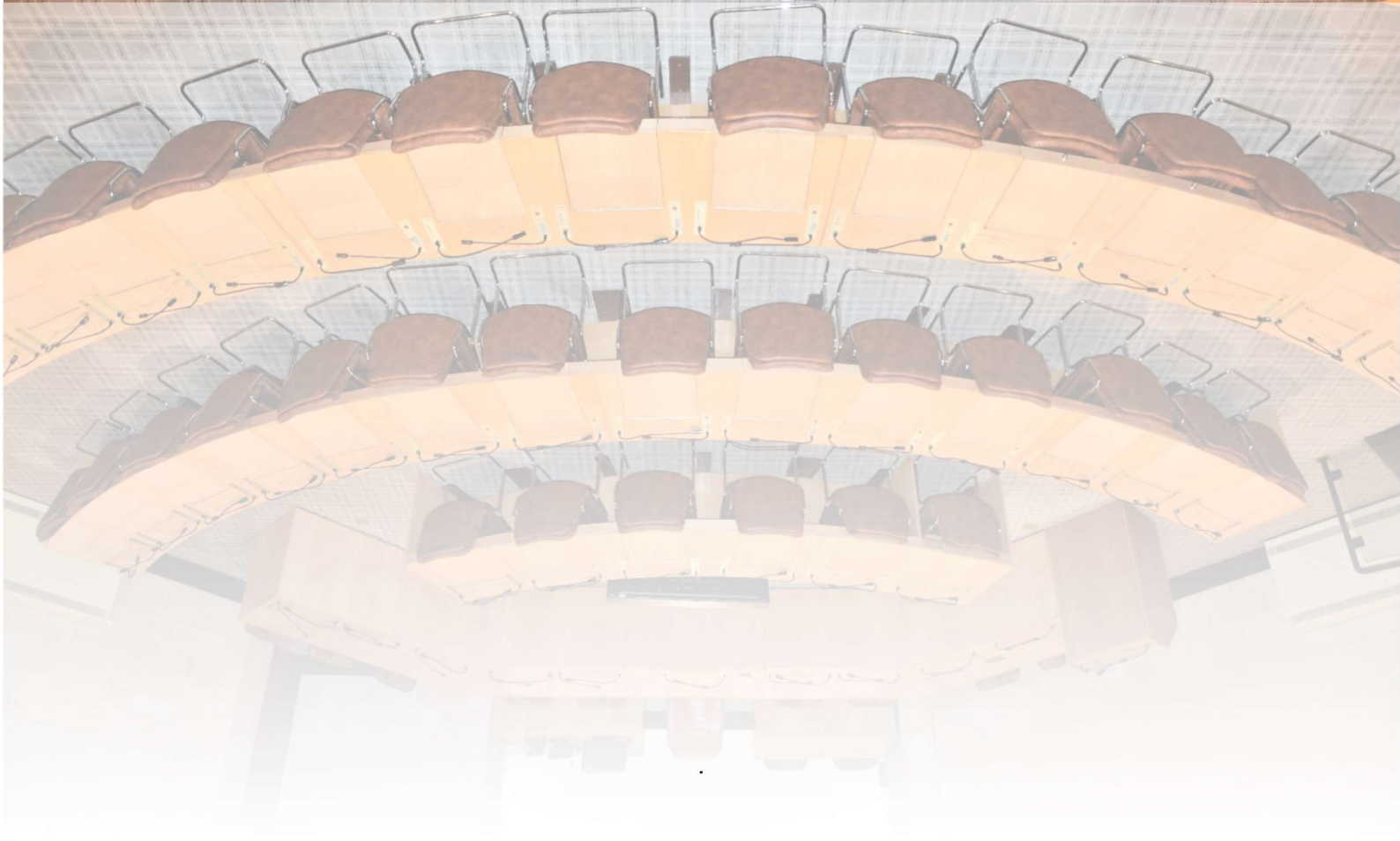
2017-18 £'000		2018-19 £'000
29,916	Purchase of Property, Plant and Equipment and Intangibles	21,477
(1,482)	Purchase / (Proceeds) from Short Term Investments	(5,028)
(573)	Proceeds from sale of Property, Plant and Equipment and Investment Property	(1,884)
27,861	Net Cash Flows from Investing Activities	14,565

37. Financing Activities

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

2017-18 £'000		2018-19 £'000
(5,660)	Cash Receipts of short and long term borrowing	(2,920)
(11,413)	Other Receipts from financing activities	(10,900)
4,000	Repayments of short and long term borrowing	3,000
(13,073)	Net Cash Flows from Financing Activities	(10,820)

**The independent auditor's report of the Auditor General for
Wales to the Members of Bridgend County Borough Council**



Annual Governance Statement

Foreword

“One Council working together to improve lives”

This is the Council’s vision as stated in the [Corporate Plan](#) for 2018-2022 reviewed for 2019-20, which also sets out what our long-term Well-being objectives are so that amongst all of the complexity of increased demand and reduced resources we can keep a clear focus on what is really important for our communities.

We want to contribute to a place where people love to live, work, study and do business, where people are qualified with the skills they need to improve their life chances and enjoy good health and independence.

It is necessary to ensure that our communities and those that use and pay for our services, those who deliver our services and our partners and suppliers have confidence in our governance arrangements. They must be assured that the way we provide our services are effectively and efficiently delivered on a consistent basis, that public money is safeguarded and properly accounted for; and that decisions are taken transparently and lawfully.

The Council also has a duty to set well-being objectives under the Future Generations (Wales) Act and the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in delivering its functions in terms of strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.

Our governance arrangements operate effectively in supporting the Council in meeting its challenges and responsibilities. Improvements are continually being made and opportunities to do so have been identified. These are being monitored during 2019-20 to ensure that the necessary improvements are made.



Mark Shepherd
Chief Executive



Cllr Huw David
Leader of the Council



Pencoeed Primary 2018

What is Corporate Governance?

Corporate governance comprises the systems, processes, culture and values by which the Council is directed and controlled, led and held to account, and how it engages with stakeholders. It is also about the way that Councillors and employees think and act.

The Governance Framework 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.

What this Statement tells you

This Statement describes the extent to which the Council has complied with its Code of Corporate Governance and the requirements of the Accounts and Audit (Wales) Regulations 2014, for the year ended 31 March 2019.

It also sets out how the Council has responded to governance issues identified during 2017-18 and actions to be undertaken during 2019-20 following an annual review of the Governance Framework.

The Statement has been prepared in accordance with the 2016 guidance: '[Delivering Good Governance in Local Government Framework](#)' produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE)

The Council's Governance Responsibilities

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.

It also has a duty 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 innovation¹.

The Council must consider the longer term impact of any decisions it makes, and should work collaboratively with other public bodies to improve wellbeing in Wales.²

As a public body the Council has to ensure it delivers sustainable economic, societal and environmental outcomes as a key focus of its governance process and structures. This is achieved by:

- behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- ensuring openness and comprehensive stakeholder engagement

The Council's Code of Corporate Governance sets out its commitment to, and responsibility for, ensuring that there is a sound system of governance in place. The [Code](#) is on the Council's website or can be obtained from the Section 151 Officer.

The Council's Code of Corporate Governance sets out the seven principles in line with the CIPFA Code.

Bridgend County Borough Council Code of Governance (2017)	
The Council's Governance Principles are based on the following:	
A	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
B	Ensuring openness and comprehensive stakeholder engagement
C	Defining outcomes in terms of sustainable economic, social and environmental benefits
D	Determining the interventions necessary to optimise the achievement of the intended outcomes
E	Developing the entity's capacity, including the capability of its leadership and the individuals within it
F	Managing risks and performance through robust internal control and strong public financial management
G	Implementing good practice in transparency, reporting, and audit to deliver effective accountability



¹ Local Government (Wales) Measure 2009

² Well-being of Future Generations (Wales) Act 2015

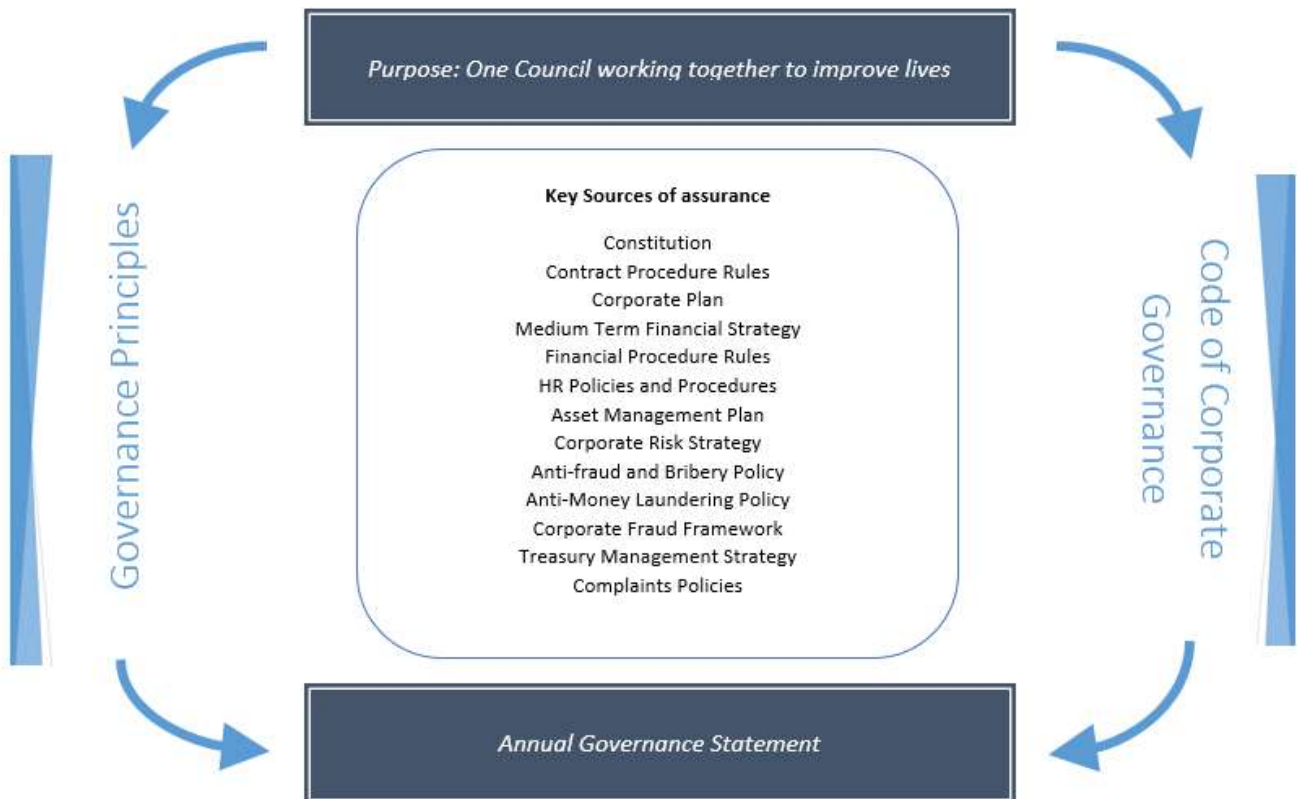
The Governance Framework

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.

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 the risk, the system of internal control is designed to identify and prioritise risks, evaluate the likelihood of those risks materialising and manage their impact.

In order to review the effectiveness of the governance framework, assurances are provided to, and challenged by, the Audit Committee, Scrutiny Committees, Council, Cabinet and Corporate Management Board as appropriate. In addition the Section 151 Officer promotes and delivers good financial management and the Monitoring Officer legal and ethical assurance.

Some of the key elements of the governance framework are highlighted below.



The Council is one of ten Councils jointly delivering the Cardiff Capital Region City Deal (CCRCD), which has in place joint Scrutiny and Cabinet to ensure governance in its implementation. The CCRCD aims to raise economic prosperity, job prospects and improve digital and transport connectivity and is a significant investment into the South Wales economy. The Council is committed to contributing to the delivery of these objectives across the region to ensure that the community and business within the Borough can benefit from this investment.

In March 2018 a Welsh Government consultation on health boundary changes for people in the area of Bridgend County Borough Council ended. The result of the consultation was that from 1st April 2019, local authority and Health Services in Bridgend and a number of local authority regional partnership arrangements would be moved from the Western Bay Region/Abertawe Bro Morgannwg University Health Board (ABMU) to the Cwm Taf Region.

During 2018-19 the Council has adopted a structured approach to the disaggregation of regional services, which has required close working with a range of partners to ensure that where regional funding supports integrated services, such services are accounted for between Western Bay, ABMU Health Board and Bridgend County Borough Council. In planning for the changes to regional boundaries a Transition Programme was established including, at various levels, officers from the two Health Boards, the Council and the third sector. The overarching Board and associated work streams set the governance structure that supported the Transition Programme. The Council's representation is as follows:

- Joint Transition Board: the Leader/Cabinet Member for Social Services and Wellbeing and the Chief Executive/Corporate Director, Social Services and Wellbeing
- Joint Transition Programme Group: Corporate Director, Social Services and Wellbeing
- Work Streams: all relevant service areas within Bridgend County Borough Council are linked in to their counterparts in the various work streams

From 1st April 2019 the governance structure for the new partnership arrangements will be through the Cwm Taf Morgannwg Regional Programme Board.



The Corporate Plan

The Corporate Plan 2018-22, agreed in February 2018, sets out the Council’s vision: **‘One Council working together to improve lives’**. The Plan defines the Council’s three priorities – also known as our Well-being objectives – that sets out how the Council intends to deliver them. The Council defines its purpose to ‘contribute to a place where people love to live, work, study and do business, where people are qualified with the skills they need to improve their life chances and enjoy good health and independence’.



Underpinning the Council’s Corporate Plan and throughout its decisions-making process, the principles of the Well-being of Future Generations (Wales) Act 2015 are applied.

Long-term: thinking of future generations and of our natural resources.

Prevention: stop problems arising – don’t create new problems.

Integration and collaboration: with colleagues and partners. Ensure decisions are joined up across services and work more closely with partners in the public, private and third sectors.

Involvement: consult and involved local people in planning and delivering services.

Welsh language – Wales has two official languages, Welsh and English, and services and information should be equally available in both. The Council’s internal business language is English, but all the services and information we provide for local people will be equally available in either language.

The Corporate Plan identifies a number of key principles which underpin its Well-being objectives and has adopted a set of values that represent what the Council stands for and influences how it works.



Bridgend Council's Well-being objectives	
Supporting a successful economy Helping people to become more self-reliant Smarter use of resources	
Key Principles	Values
<p>Where ever possible the Council will support communities and people to create their own solutions and reduce dependency on the Council</p> <p>The Council will focus diminishing resources on communities and individuals with the greatest need</p> <p>The Council will use good information from service users and communities to inform its decisions</p> <p>The Council will encourage and develop capacity amongst the third sector to identify and respond to local needs</p> <p>The Council will not let uncertainty over the future of public services prevent meaningful and pragmatic collaboration with other public sector bodies</p> <p>The Council will work as one Council and discourage different parts of the organisation from developing multiple processes or unnecessarily different approaches</p> <p>The Council will transform the organisation and many of its services and in so doing will deliver financial budget reductions as well as improvements</p>	<p>Fair – taking into account everyone's needs and situations</p> <p>Ambitious – always trying to improve what we do and aiming for excellence</p> <p>Citizen-focused – remembering that we are here to serve our local community</p> <p>Efficient – delivering services that are value for money</p>

Assessing Performance

The Councils' performance is reported in its Annual Report, its annual self-evaluation of progress against the Council's Corporate Plan.

The Wales Audit Office, our External Auditor, assesses the Council's arrangements for delivering continuous improvement and subsequent performance, the results of which are published in their Annual Improvement Report. For 2017-18 they reported that 'the Auditor General believes that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2018-19'. Whilst there will always be areas where improvements can be made, the Auditor General made no formal recommendations, which demonstrates the commitment of the Council to continuous improvement.



External Assessments of Performance

The Council is also inspected by other organisations, including the Care Inspectorate Wales (CIW) and Estyn. Early in the year CIW reported on its review of the Joint Adoption Service, shared with Swansea and NeathPortTalbot Councils. Whilst some recommendations for improvement were made, and an action plan has been put in place to address these, the overall assessment of this review was that adopters and people receiving adoption support receive a good service.

In November 2018, Her Majesty's Inspectorate of Probation (HMIP) were joined by colleague inspectors from Police, Health, Social Care and Education and undertook a two-week inspection of Youth Offending Service (YOS) in Western Bay. The report has now been received and the overall rating of the Western Bay YOS was deemed inadequate. There are twelve domains within the inspection framework and nine of the twelve were rated as inadequate. One was rated as needing improvement, one was good with joint working rated as outstanding. Bridgend YOS was already planning to disaggregate from Western Bay before the inspection, due to the Council's migration to Cwm Taf Morgannwg University Health Board, which became effective on 1st April 2019. Bridgend has therefore produced an individual post-inspection action plan for improvement. This will be monitored on a fortnightly basis by the YOS Strategic Lead and Operational Manager, who will meet with the Youth Justice Board.

An Estyn inspection of Education took place at the end of March 2019, the outcome of which is due at the end of May. The Council will respond to any recommendations within a Post Inspection Action Plan. This will be monitored by the School Improvement Group.

Decision Making and Responsibilities

The Council consists of 54 elected Members, with an elected Leader and Cabinet who are supported and held to account by Scrutiny Committees. The Council's constitution sets out how the Council operates, how decisions are made and the procedures for ensuring that the Council is efficient, transparent and accountable to local people. It contains the basic rules governing the Council's business, and sets out a list of functions and decisions exercisable by officers. It also contains the rules and protocols by which the Council, Members and officers operate.



Through the Constitution, along with the Member's Code of Conduct, Standards Committee and role of internal audit, the Council operates with **integrity**, **ethical values** and within its **legal** powers.

All Council and Committee meetings' agendas, papers and minutes can be viewed on-line and all meetings are open to the public unless exempt or confidential matters are being discussed. The Council's forward work programme contains information about all matters that are likely to be the subject of a decision taken by full Council or Cabinet during the forthcoming period. They also include information regarding Scrutiny Committees. To further enhance **openness** and **comprehensive stakeholder engagement** the Council has a Citizen's Panel, which takes part in surveys on a range of issues. The Council also uses social media to promote services and engage with the public and makes information available on a range of formats to maximise the opportunity for information sharing and residents communicating with the Council.

Managing Risk

The Council faces a range of risks as would be expected from the broad range of services it delivers and activities it is engaged with. On a day-to-day basis operational risk arises from the challenge of ensuring sufficient capacity and capability to advise on, and to deliver, the key policy objectives of the Council.

The Council has developed a robust approach to the management of risk. The Corporate Risk Management Policy is aligned with Directorate Plans and the Council's performance management framework. The Council defines risk as: 'Any potential development or occurrence which, if it came to fruition, would jeopardise the Council's ability to:

- achieve its Well-being objectives
- provide services as planned
- fulfil its statutory duties, including the duty to make arrangements to secure continuous improvement.'

Risks are viewed from both a Service and Council-wide perspective which ensures the key risks are distilled in the [Corporate Risk Assessment](#). The Risk Assessment sets out how the Council is addressing these risk and the mitigating actions it will put in place to reduce them. It is regularly reviewed and challenged by both senior management and the Audit Committee. A strategic review of the management control framework, or 'health' of the Council, identified more than one risk scoring mechanism was being used, the Council has implemented a consistent risk matrix across all services.

It is not possible to eliminate all risk of failure to meet the targets in the Council's policies, aims and objectives and cannot therefore provide absolute assurance of effectiveness, but one of reasonable assurance.

Financial Management

The financial management of the Council is conducted in accordance with all relevant legislation and the Constitution. The Council has in place Financial Procedure Rules and Contract Procedure Rules, and the scheme of delegation provides the framework for financial control. The Section 151 Officer is responsible 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.

The Council's ability to deliver savings and contain its expenditure within its overall budget is well established. However, the Council faces significant challenges in the future in the face of further Government plans to cut public spending and significant uncertainty as a result of Brexit and the impacts this might have on Council services. The Council estimates that it will need to generate approximately £35 million of savings over the period 2019-20 to 2022-23. The Medium Term Financial Strategy has taken account of cost pressures and priority areas in line with the Corporate Plan, and involved extensive consultation to ensure a robust process. Given the single-year funding provided by the Welsh Government, the Council has developed detailed budgets for year on of the Strategy with indicative budgets thereafter based on a range of funding scenarios.



Consultation overview

Over the past four years, we have made budgetary savings of more than £30 million. Some of the ways we have done this include:

- cutting senior management and reducing our workforce by more than 400 employees
- transferring cultural services to Awen Cultural Trust
- reducing provision of some services like public conveniences and street cleaning

Also, we have made a wide range of investments including state-of-the-art new schools, new sea defences, and new highways improvements.

Despite the changes made to date, we still have to make a further £35 million saving by 2023, which is currently 13.5% of our net budget.

In this consultation, some of the areas we are asking you about include:

- council tax
- leisure and cultural services
- schools and education
- transport
- recycling and waste
- social services

The Council has in place robust arrangements for effective financial control through the Council's accounting procedures, key financial systems and the Financial Procedure Rules. This includes established budget planning procedures and regular budget monitoring reports to Cabinet and Scrutiny Committee, as well as detailed information to budget holders. The Council prepares its Annual Accounts as required by the Accounts and Audit (Wales) Regulations and in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

The Council follows the CIPFA Code on Treasury Management and Welsh Government's Guidance on Local Authority Investments to ensure that funds invested are secure, accessible when necessary and attract an appropriate return and any borrowings needed are in line with the Council's Treasury Management Strategy, as approved by Council.



Audit and Audit Assurances

The Council is audited externally by the Auditor General for Wales, supported by the Wales Audit Office. The objectives of this are to obtain assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; that the accounts have been prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom; and to issue an opinion thereon. They also assess our arrangements for securing economy, efficiency and effectiveness in the use of resources.

In 2018 the External Auditor gave an unqualified audit opinion on the financial statements 2017-18.

The Wales Audit Office also audit a number of grant claims and in the year completed 11 audits of grants and returns. The audit confirmed that there were generally sound working papers and all claims were certified ahead of the audit deadlines in place. One recommendation was made in relation to Housing Benefits, to continue to review the strength of the Council's arrangements for processing housing benefit claims, which the Council is in the process of doing.

The Internal Audit Service is a key means of assurance. During 2018-19 Bridgend had a joint service with the Vale of Glamorgan Council and the service operated to the Public Sector Internal Audit Standards (PSIAS). The Audit Committee approved the Internal Audit Charter for Bridgend and the Vale Audit Shared Service in April 2018. The Audit Committee also approve the Internal Audit Annual Plan and receives progress updates at every Audit Committee. The Head of Internal Audit's annual opinion as to the effectiveness of the Council's internal control environment for 2018-19 was:

'I am able to give assurance to the Audit Committee and management that the Council's control environment is generally effective in achieving the organisation's objectives'

The opinion states that, based on the work completed by the Internal Audit Shared Service for the financial year and the contribution to the Audit Plan made by the South West Audit Partnership, no significant cross-cutting control issues have been identified (other than that reported in the outturn report) that would impact on the Council's overall control environment. The weaknesses that have been identified are service specific.

The recommendations made to improve the overall control environment have been accepted and are being/will be implemented.

The Audit Committee provides independent assurance on the Council's internal control environment. It is a statutory requirement and consists of 11 Councillors and 1 Lay Member. Its main functions are:

- Review & scrutinise reports and recommendations in relation to the Council's Financial Affairs
- Review & scrutinise reports and recommendations on the appropriateness of the Council's risk management, internal control and corporate governance arrangements
- Oversee the Council's internal and external audit arrangements
- To be responsible for ensuring effective scrutiny of the Treasury Management Strategy and Policies
- To monitor the Council's Anti-Fraud and Bribery Strategy, Whistleblowing Policy and Anti-Money Laundering Policy
- To Review and approve the Council's Annual Governance Statement and the Annual Statement of Accounts
- To review and consider reports from the External Auditor and Inspectors

Of significant issue for the Internal Audit Shared Service is the continuing lack of resources and the impact this has had on delivering the 2018-19 Audit Risk Based Plan. During the whole of the year, the Shared Service has carried a high level of vacancies and as a consequence the services of the South West Audit Partnership were commissioned to help address the shortfall. 2018-19 has continued to be a challenging year for the Shared Service and as predicted, South West Audit Partnership have once again assisted with the delivery of the 2018-19 Risk Based Plan. From 1st April 2019 a new Regional Audit Shared Service was established with two more Councils joining the partnership – Rhondda Cynon Taff County Borough Council and Merthyr Tydfil County Borough Council. There will still need to be some latitude required during 2019-20 to facilitate this transitional period from all parties concerned.

During the year there were interim arrangements in place in relation to two of the key statutory officers of the Council and members of the Corporate Management Board. However, in May 2019 the Chief Executive, as Head of Paid Service, has been confirmed in post following a competitive process. This is the former Corporate Director – Communities who had been appointed on an interim basis as Chief Executive in December 2018. Also during the year there have been continued interim arrangements in place to cover the statutory position of the Council's Section 151 Officer/Head of Finance, which does cause some concern from a continuity and capacity perspective. Whilst there is little or no risk in the short term as the Statutory Officer is extremely experienced and more than capable to fulfil the role, it is important that the interim position is permanently addressed as soon as possible to ensure that the Council's corporate governance arrangements are not affected in the medium- to long-term. To help strengthen the resilience of the Finance function, a temporary Deputy Head of Finance and Section 151 Officer post was appointed in May 2019.

A strategic review of the Council was undertaken by the South West Audit Partnership with a final report issued in April 2018, which can be accessed [here](#). Five themes were reviewed:

- Governance
- Risk Management
- Commissioning and Procurement
- Programme & Project Management
- Information Management

For each of the corporate themes the strength of the management control framework in place was assessed against a benchmark model by identifying the presence or otherwise of key controls. This included the use of assurance from other sources, such as external audit, as well as internal audit reports. The overall assurance received from the strategic review with the exception of its Information Management indicated an overall **High Assurance** opinion. A follow-up audit on Information Management identified a number of areas for improvement which the Council has addressed, and provided a **Medium** assurance.

Improving Governance

The progress made on the significant issues identified in the Council's 2017-18 Annual Governance Statement is shown below:

The Council should resolve how it will embed the sustainable development principle into decision-making	Whilst elected Members undertook an interactive workshop in November 2017 they have requested further training to be arranged in relation to the Well-being of Future Generations (Wales) Act 2015 to ensure they apply sustainable development principles in all decisions they make. An e-learning package has also been developed so that officers can undertake training to support the decision-making process
The Council should clearly set out how the impact of service changes will be monitored at the point of decision, with a clear set of criteria and a detailed options appraisal process considered when producing Council's decision reports	The Council has put in place a 'Well-being of Future Generations Assessment Form' that ensures the five ways of working and the seven Well-being goals of the Well-being of Future Generations (Wales) Act 2015 are considered as part of any decision making process. Use of the form will ensure that potential impacts of service changed are identified and proposals to maximise any positive impacts, or minimise any negative impacts, are provided as appropriate
The Scrutiny Forward Work Programme is not easily accessible on the website and that the website search function for officer and member decisions was not working properly. There were no links to items pre-2014. This limits transparency and access arrangements	The Council's web-pages have been redesigned and were launched in April 2018. The website is much more focussed and easy to navigate and search. The Forward Work Programme for the Scrutiny Committees can be found under the Scrutiny Committee pages accessible from the Council's website
Concern at the vacancy rate of 50% within the Internal Audit service. Audit Committee to consider a review of resources in internal audit at a future meeting as part of setting the Internal Audit Plan	2018-19 has continued to be a challenging year for the Shared Service and as predicted, South West Audit Partnership have once again assisted with the delivery of the 2018-19 Risk Based Plan. From 1 st April 2019 a new Regional Internal Audit Shared Service was established with two more councils joining the partnership – Rhondda Cynon Taff County Borough Council and Merthyr Tydfil County Borough Council. There will still need to be some latitude required during 2019-20 to facilitate this transitional period from all parties concerned.
Concern of the ability of Internal Audit to deliver on its Audit Plan due to the lack of resources	As noted above, the Audit Plan has been substantially completed. Areas of work not undertaken during the year included: Asset Management and Youth Offending Service (which is undergoing an external inspection). The Asset Management review will be rolled forward into 2019-20
Corporate website has received 1 star rating. Work needed to upgrade and redesign website	The Corporate website has been redeveloped and was relaunched in April 2018. The development is ongoing including reviewing of 'micro-sites' that link from the Corporate website, and ensuring that all information is available bilingually to comply with the Welsh Language Act
Need to ensure that key policies and procedures are subject to a regular review process and/or in line with statutory timescales	Key policies and documents are reviewed and updated on at least an annual basis, including the Constitution, Corporate Plan, Annual Governance Statement, Treasury Management Strategy and Medium Term Financial Strategy. A number have been updated during the year including the Anti-Fraud and Bribery Policy and the Anti Money-Laundering Policy. A number of other key documents are updated on cyclical basis including the Strategic Equality Plan and Corporate Health & Safety Policy (4-yearly). However there are a number of policies that need updating in order to ensure that they are effective and relevant. These will be reviewed over the forthcoming period

Based on a review of the governance framework, the following significant issues identified in 2018-19 which will be addressed in 2019-20:

<p>Medium Term Financial Strategy – the economic uncertainty and increasing public expectations and demands facing public sector organisations continue to challenge and place pressures on the Council, impacting on its ability to deliver the required efficiencies.</p>	<p>The Council will continue to monitor external economic and fiscal information to ensure that it can respond quickly to unexpected events. This is particularly important in the post-Brexit era. Alongside this the Council will continue to transform how services are delivered and manage public expectations. All savings proposals will be closely monitored and mitigating action put in place to address any shortfalls</p>
<p>The findings from the HMIP report on Western Bay Youth Offending Service concluded that the overall rating was inadequate and that <i>‘The governance and leadership of the service are ineffective. There is no vision, understanding of purpose or the strategy to provide a high-quality personalised responsive service to children and young people.’</i></p>	<p>The Western Bay Youth Offending Service has been disaggregated and a Bridgend Youth Justice Management Board set up with senior multi-agency representation, including the Cabinet Member – Communities and the Cabinet Member – Social Services and Early Help to take forward services within Bridgend. The Council has produced a Post Inspection Action Plan in response to the full joint inspection by HM Inspectorate of Probation. This further builds upon the list of priorities that were developed on receipt of the minutes from the Ratings Panel, which was held on 18th December 2018. The Action Plan will be monitored on a fortnightly basis by the YOS Strategic Lead and Operational Manager, and the Youth Justice Board (YJB)</p>
<p>Outcome of the Estyn Inspection on Education Services</p>	<p>Once the report is published any recommendations will be incorporated within a Post Inspection Action Plan which will be monitored by the Schools Improvement Group</p>
<p>The role of the s.151 Officer is filled on an interim basis pending decisions on way forward with the post in light of the appointment of the Chief Executive</p>	<p>The Chief Executive post was appointed in May 2019 and the appointment of the s151 Officer will be sought to be filled on a permanent basis at the earliest opportunity. A temporary Deputy Head of Finance and Deputy s151 Officer has been appointed to strengthen resilience within the Finance function</p>
<p>The impact of Brexit on services and finances could place increased pressures on Council resources</p>	<p>The Council will develop a strategy and action plan to identify potential impacts to the communities it supports, and have in place preparations for any financial consequences. The Council has established an internal cross-Directorate Brexit Forum, chaired by the Chief Executive, to explore the potential impact of Brexit on service delivery along with actions to mitigate against risks. The Forum will also explore any potential opportunities that might arise from Brexit. A report was presented to Cabinet in March setting out a Brexit risk register, which will be actively monitored and updated as necessary.</p>

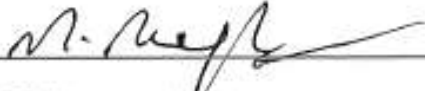
<p>The Council's scrutiny functions should seek ways to improve its focus and scrutiny activity to ensure that the Council makes the most effective use of the resources available and improve the impact of scrutiny activity³</p>	<p>Scrutiny Officers will maintain a record of the impact of scrutiny activity in order to both strengthen and learn from this in order to shape the future work of the scrutiny function. Following a recent 'Scrutiny Fit for Future?' review a report is being compiled detailing proposals to implement best practice and innovation used elsewhere. To ensure the Council's scrutiny function is as effective and comprehensive as possible the Scrutiny Chairs will meet quarterly to share learning and intelligence, identify areas of cross-over and discuss where there may be gaps in focus. Consideration is also being given to the skills and training that scrutiny members need to better prepare them for current and future challenges and to developing an appropriate training programme. Scrutiny continue to work effectively with external bodies such as WLGA, neighbouring authorities and third sectors to optimise the resources available to provide good scrutiny of council services</p>
<p>Digital Transformation and channel shift – the Council needs to continue to develop its online platforms to enable residents and businesses to interact with the Council digitally</p>	<p>The new responsive "Website" and the "Digital Platform" was launched in April 2018 and continues to mature and develop through the addition of new digital channels providing the Citizen the option to engage with the Council digitally alongside the traditional channels such as "face to face" and "telephony". The progress and success of the "Digital Platform" is dependent on the adoption of digital by the Council which will require cultural change to support transformation and efficiencies savings</p>

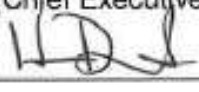
These issues will be monitored during 2019-20 and reported to Cabinet/Corporate Management Board and to the Audit Committee.

Assurance

Subject to the above issues being resolved, we can provide an overall reasonable assurance that Bridgend County Borough Council's governance arrangements remain fit for purpose.

Steps to address the matters referred to above will be taken to further enhance our governance arrangements.

Signed:  Date: 22.5.19
 (Chief Executive)

Signed:  Date: 22 5 19
 (Leader)

³ Wales Audit Office Annual Improvement Report 2017-18 – September 2018

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

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.

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).

International Financial Reporting Standards Interpretations Committee (IFRICs)

The interpretative bod of the International Accounting Standards Board (IASB) designed to help the IASB improve financial reporting through timely identification, discussion and resolution of financial reporting issues within the framework of IFRS.

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.

