



DRAFT

Statement of Accounts

Bridgend County Borough Council • 2022-23

**Bridgend County Borough Council
Civic Offices
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Narrative Report

“One council, working together to improve lives”

Introduction

This report presents the 2022-23 Statement of Accounts for Bridgend County Borough Council (the Council). It sets out the Council's financial performance for the past year and is prepared in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice on Local Authority Accounting in the United Kingdom 2022-23. The Council produces its Statement of Accounts to explain the Council's finances, to give assurance that public money is properly accounted for, and that the Council is operating on a financially secure basis. The accounts must provide a 'true and fair' view of the Council's financial position as at 31 March 2023, and of its income and expenditure for the year then ending.

Since austerity began in 2010 the Council has made almost £73 million of budget reductions and further efficiencies and savings are required moving forward. The process of identification of savings and changing the way the Council works to ensure modern, improved and resilient services, is on-going. Given significant economic uncertainty, the war in Ukraine and unprecedented inflation levels, the Council will continue to face financial challenges as it strives to deliver its vast array of services to the communities it supports. It needs to do so whilst remaining financially resilient.

Bridgend as a Council

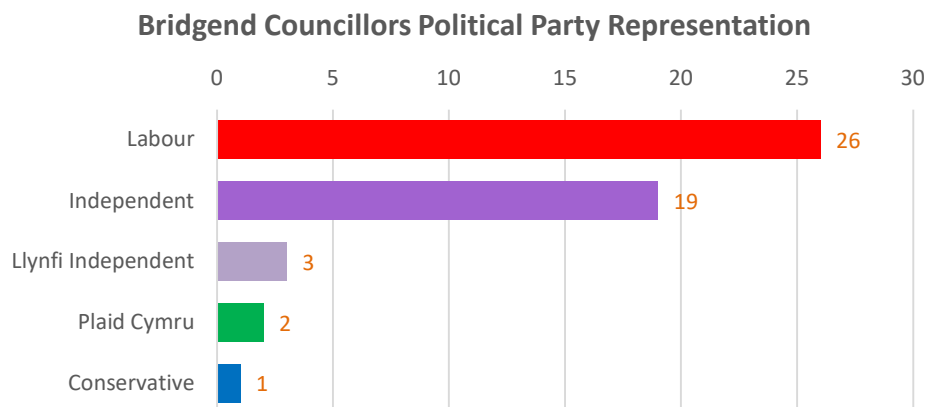
Bridgend County is conveniently situated between Wales' capital city, Cardiff, to the east and the city of Swansea to the west, approximately 20 miles from each. The County has a diverse geography with valleys in the north and 12.5 miles of coastline and beaches to the South. The M4 runs through the centre of the Borough, and there are main-line rail links to Cardiff, London and Swansea. Bridgend County Borough it is at the heart of the South Wales industrial and coastal belt. Bridgend Council covers an area of 98.5 miles² and is home to nearly 146,000 residents. To the north is the residential town of Maesteg, to the southwest is the coastal town of Porthcawl and to the east is Pencoed. Bridgend is one of 22 Councils in Wales, and accounts for approximately 4.5% of the country's population.



- The Council manages a long-term asset base of £658 million to deliver its services.
- The Council employs over 5,900 staff, both full and part time, to deliver a wide range of services including education, social care, highways maintenance and economic development.
- A number of services are provided by third parties including waste collection, leisure centres, social enterprises and social care, including residential and home care and supported living services.

Council Democracy

The Council has 51 elected Councillors who represent the people of Bridgend and set the overall Council strategy and budget framework.



The constitution sets out how the Council operates, how decisions are made and the procedures to be followed to ensure decisions are efficient, transparent and accountable to local people. Council elects a Mayor annually to perform a civic role and promote the County. Council also appoints a Leader of the Council who appoints Cabinet Members, each with a responsibility for a specific portfolio of services.

The role of the Cabinet is to be responsible for most major decisions, provide leadership, and propose the budget framework and budget.

Scrutiny Committees support the work of the Cabinet and Council by:

- monitoring decisions of the Cabinet
- considering service provision, planning, management and performance of service areas
- allowing all Councillors, citizens and stakeholders to have a say in matters concerning the Council
- considering policies, protocols and plans and producing reports and recommendations thereon
- contributing to the annual budget consultation process
- having the opportunity to influence future Cabinet and Council decisions through pre-decision meetings
- having the ability to review a decision which has been made but not yet implemented

Regulatory and other committees support the delivery of Council services. Council has given the Governance and Audit Committee the responsibility to review and approve the Financial Statements of the Council.

The Council's Corporate Management Board is led by the Chief Executive and includes the 3 Corporate Directors, the Monitoring Officer and Chief Finance Officer.

How the Council works

The Council had three priorities during the year to improve the quality of life of people in the county borough while significantly changing the nature of the Council.

These three priorities were 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 Well-being goals. The Council's [Corporate Plan](#) 2022-23 set out what the Council's objectives were and how it planned to achieve them.

Our well-being objectives**Well-being of Future Generations (Wales) Act's seven goals**

- *A globally responsible Wales*
- *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*

Every year the Council must publish a Corporate self-assessment report. This report assures the public, Welsh Government and other regulators, that the Council is performing well, making decisions in a sensible, open way and using its money and other resources properly. Most importantly, the report tells local residents, businesses and stakeholders how the Council is performing. The [Corporate Self-Assessment 2022-23](#) which reports how the Council was performing against each of its objectives is set out below.

Supporting a successful, sustainable economy: prosperity boosts health and well-being and creates more resilient communities that need fewer services. Education is the most important part of improving the life chances of young people. The main ways of achieving this objective are through **improving learner outcomes** – support children, adults and families to get better education outcomes; and **growth and prosperity** – promote the conditions for growth and prosperity by helping people and business to succeed. The Council's assessment of its progress against this objective was **GOOD**.

Helping people and communities to be more healthy and resilient: a focus on prevention and wellbeing helps the Council to support people to lead independent lives and reduces the likelihood of them becoming dependent on Council services. The main ways of achieving this objective are through: **community support and services** - provide support and services to those who need the Council's help and help them to stay independent for as long as possible; **resilient communities** – develop innovative ways to improve well-being and deliver services; and **Health and well-being** – improve the physical, mental and emotional well-being of children and young people and vulnerable citizens. The Council's assessment of its progress against this objective was **ADEQUATE**.

Smarter use of resources: Over the period 2018-2019 to 2022-23, the Council was required to make budget reductions of over £20 million. As austerity continues, it becomes harder each year to make further cuts. The main ways of achieving this objective were: **transforming our estate** – using land and buildings to improve service delivery, reduce running costs, minimise the impact on the environment and meet the needs of service users; **corporate change** – embracing innovation and technology, developing the skills and approaches of staff and new ways of working; and **environmental sustainability** – protecting and safeguarding the environment by lowering the Council's carbon footprint, looking at waste reduction, re-use and recycling and promoting environmental responsibility in communities.

The Council's assessment of its progress against this objective was **GOOD**.

For management purposes the Council's operations are organised into Directorates, each of which report into the Chief Executive. The Chief Executive also manages the Chief Executive's Directorate. The Directorates and the services they deliver are:

Education & Family Support: Schools, Learner Support, Family Support, Schools Support, School Modernisation, Vulnerable Groups Support, Education & Family Support, and Business Support.

Social Services & Wellbeing: Adult Social Care, Residential Care, Domiciliary Care, Day Opportunities, Children's Social Care – Care Experienced Children, Family Support Services, Adoption and Social Work. Prevention and Wellbeing – Leisure Centres, Community Centres, Cultural Trust Partnership,

Communities: Planning & Development, Corporate Landlord, Strategic Regeneration, Economy, Natural Resources and Sustainability, Cleaner Streets & Waste Management, Highways & Green Spaces.

Chief Executives: Finance, Human Resources, Partnerships, Legal, Democratic and Regulatory Services, ICT, Elections, Housing & Homelessness, and Business Support.

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.

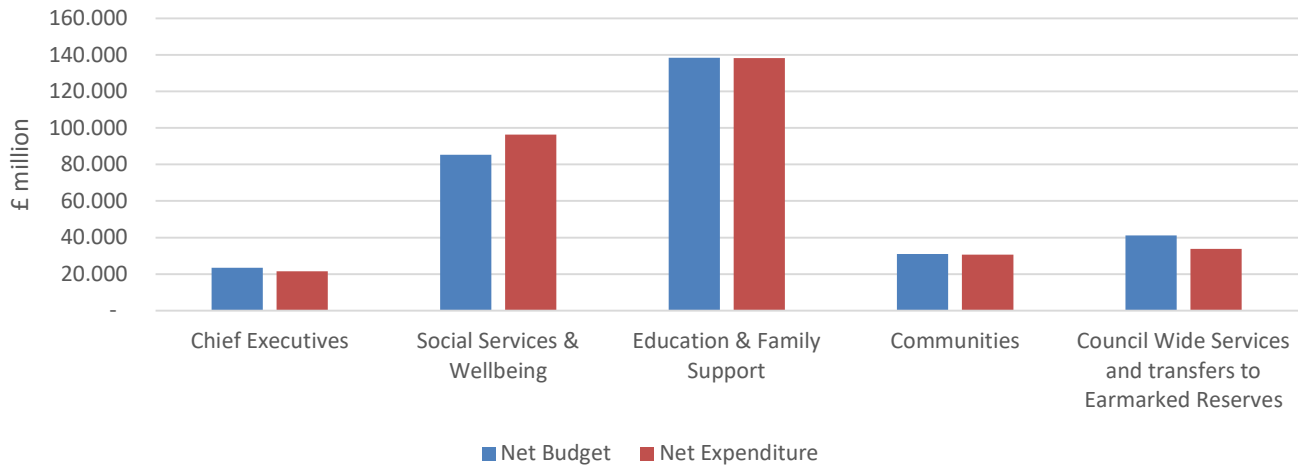
Financial Performance

The Council's budget for 2022-23 was approved by Council in February 2022. The budget was set in the context of responding to the increasing pressures on public sector services exacerbated by the COVID-19 pandemic. The Council is required to set a balanced budget and set the Council Tax rates for the County Borough. A net revenue budget of £319.514 million was approved for 2022-23 as well as a Medium Term Financial Strategy based on a four-year period from 2022-23 to 2025-26, ensuring that resources are aligned to the Corporate Plan. Taking into account expenditure funded by specific grants and fees and charges, the Council's gross budget was around £459 million for 2022-23. The Council's annual revenue budget covers the day-to-day running costs of the Council including staff, waste collection, schools, care workers, foster carers and leisure services. The final revenue outturn, including transfers to earmarked reserves, shows the Council overall spend within its available resources.

Directorate	Net Budget £ million	Net Expenditure £ million	(Under)/ overspend £ million	(Under)/ overspend %
Chief Executives	23.498	21.446	(2.052)	(8.70)
Social Services & Wellbeing	85.387	96.255	10.868	12.70
Education & Family Support	138.368	138.245	(0.123)	(0.10)
Communities	31.040	30.601	(0.439)	(1.40)
Council Wide Services and transfers to Earmarked Reserves	41.221	33.741	(7.480)	(18.10)
Directorate outturn subtotal	319.514	320.288	0.774	0.20
Funding and Financing	319.514	320.288	(0.774)	(0.20)
Total Council outturn	-	-	-	-

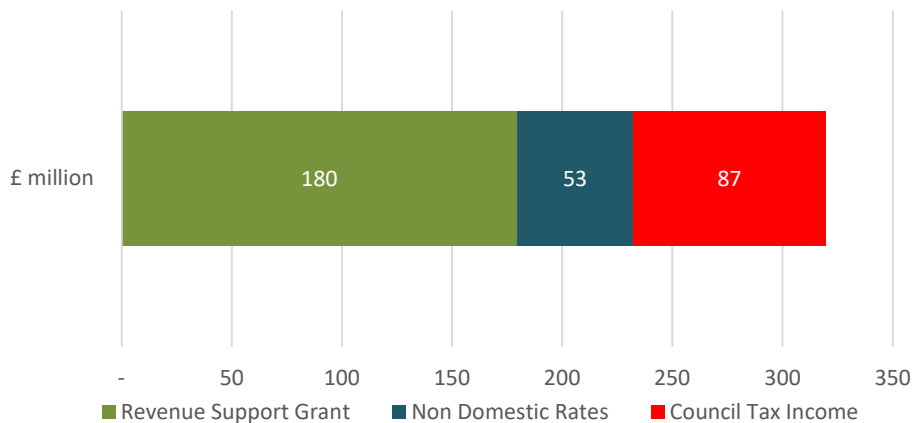
The Council's net budget and net expenditure by Directorate is shown in the graph below.

Directorate Outturn 2022-23



The Council received Revenue Support Grant from the Welsh Government of £179.595 million. The net Non-Domestic Rates (NDR) collectable on behalf of Welsh Government by the Council for the year was £43.123 million. The Council's amount of NDR due for the year towards the cost of its services was £52.773 million.

How the Revenue budget was funded



2022-23 has been a challenging year for the Council's finances. The Council made additions to earmarked reserves of £17,816 and drew down or unwound £31.440 million, a net reduction in reserves of £13.624 million. No transfer has been made to or from the Council Fund this year. The Council's outturn report for the year can be found on the Council's website [here](#).

Capital Expenditure and Funding

Capital investment forms a large part of the Council's spending. The Council's original capital programme for 2022-23, approved by Council on 23 February 2022, was £69.979 million.

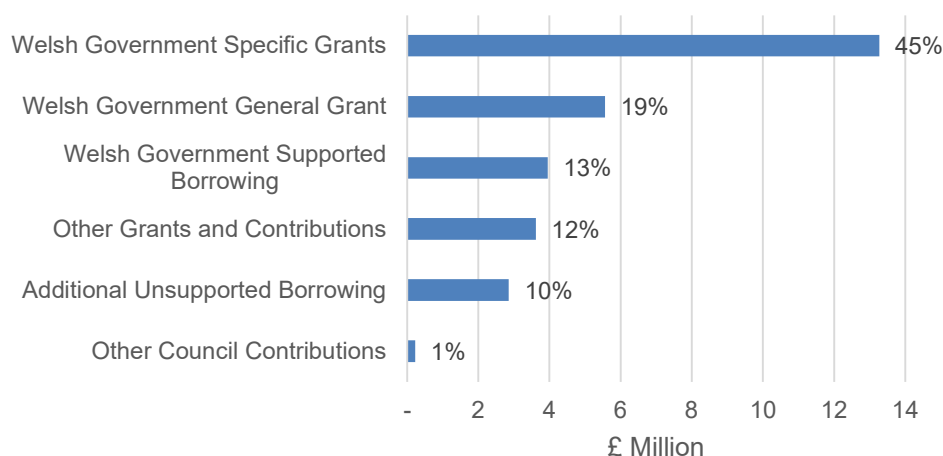
Directorate	Original approved budget £'000	Revised budget £'000	Outturn £'000	Variance £'000
Education and Family Support	10,589	8,614	5,037	3,577
Social Services and Wellbeing	2,374	4,109	2,901	1,208
Communities	50,924	39,015	17,807	21,208
Chief Executives	2,720	6,169	3,485	2,684
Corporate/unallocated	3,372	853	-	853
TOTAL	69,979	58,760	29,230	29,530

Budget adjustments take place during the year to reflect new schemes added to the Capital Programme, schemes being removed from the programme and slippage of schemes to future years. Due to slippage across a number of schemes the final outturn for 2022-23 was £29.230 million. Schemes undertaken during the year included;

- Brynmenyn Children's Hub, which will provide a specifically designed and purpose built residential placements hub, from which the newly implemented children's residential service model can be effectively delivered, enabling better outcomes for young people;
- Active Travel Bridgend to Pencoed Phase 3 – installing improved cycle- and walk-ways;
- Carriageway resurfacing and renewal of footways across the borough
- Redevelopment of Porthcawl Cosy Corner site providing improved facilities for community groups, marina users and the wider community. Facilities will include a children's play area, public seating, landscaping and an outdoor event space.

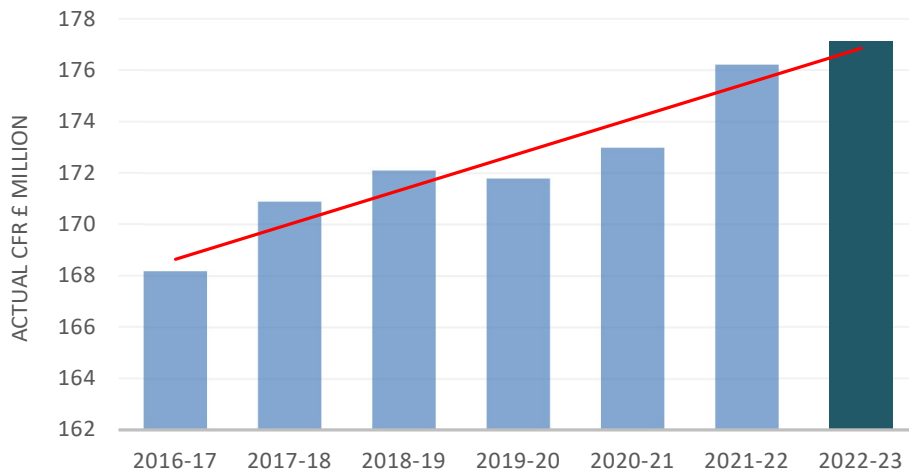
The Council pays for its capital expenditure from a number of sources. The local government capital settlement for 2022-23 provided the Council with £12.235 million of capital funding, of which £3.951 million was supported borrowing and £8.282 million was capital grant. An analysis of the capital funding is shown below.

Sources of Capital Financing



Capital expenditure funded historically by borrowing but to be paid for from future revenue or capital income is termed the Capital Financing Requirement (CFR). The CFR over the last 7 years is shown below with the red line representing the trend over that period. Revenue amounts are set aside each year to repay the borrowing, which is known as Minimum Revenue Provision (MRP), and is put aside over a 40-year period in line with the Minimum Revenue Provision Policy.

Capital Financing Requirement Trend



It is expected that the CFR and associated financing costs - interest and repayment (MRP) - of capital investment will increase in the short term as borrowing is required to fund the Capital Programme at least over the short-term. Borrowing will be managed in line with the Council’s Capital and Treasury Management Strategies, which set out a range of indicators for affordability, prudence and sustainability of the Council’s Capital Investment plans. Each year a prudent amount of MRP is charged to the revenue budgets to reduce the CFR.

Financial position

The Council manages significant assets and cash flows. During the year the Council:

- Held £658 million of long-term assets, including £641 million of operational assets for delivering services, £5.8 million investment properties, £5.089 million long term investments, and £1.4 million of intangible assets
- Received £304.022 million in grant funding, of which £179.595 million was the Welsh Government Revenue Support Grant
- Council Tax income amounted to £107.255 million, of which £16.486 million was paid to the Police and Crime Commissioner for South Wales and £2.848 million to Community Councils.
- Generated £41.212 million of fees and charges and other service income used to deliver services

The Council maintains a strong balance sheet despite the financial challenges faced in 2022-23.

Balance Sheet Position at 31 March 2023



Unusable reserves have increased significantly primarily as a result of a reduction in the net liability of the pension fund of £213.92 million to £35.58 million as at 31 March 2023 (£249.50 million at 31 March 2022). As these are unusable they represent accounting adjustments rather than actual cash flows.

Long term assets

Property, plant and equipment are revalued on a 3-year rotation. This is a shorter period than the Code of Practice suggests but enables the Council to ensure values recorded in the accounts are materially correct. The valuation of assets involves a number of assumptions, however movements in asset values as well as accounting charges such as depreciation have no impact on the council tax, as these charges are required to be reversed out from unusable reserves. Details of the movements in assets, capital expenditure and its financing are included at note 21.

- Assets revalued during 2022-23 as part of the Council's rolling programme included cemeteries, day care centres, enterprise and business centres, depots, industrial plots, arts theatres and museums and sports centres.
- Investment properties, surplus assets and assets held for sale are revalued annually.
- Due to significant movements in asset values, assets in the top 75 assets by value, other than those above, were also revalued, to ensure the figures included in the accounts were materially correct.

Short term assets & liabilities

Short term assets include investments made in line with the approved Treasury Management Strategy, to support the short term cash flow needs of the Council. Investments and cash held for Treasury Management purposes was £74.97 million of which £69.91 million including accrued interest, were short term (less than 12 months) as at 31 March 2023. These investments are primarily temporary cash balances deposited with financial institutions and Central Government Debt Management Office. The average rate of interest earned for the year was 1.65%.

Borrowing

The Council has long-term borrowing outstanding as at 31 March 2023 of £100.028 million. This is a mixture of Public Works Loan Board (PWL) of £77.617 million, Lender Option Borrower Options (LOBOs) of £19.757 million, and £2.654 million of Salix loans to finance capital expenditure. In addition, the Council's PFI balance outstanding at 31 March 2023 was £13.902 million, of which £12.973 million was due after one year. More detail in relation to borrowing is provided in note 31. The borrowing should be seen in the context of the total value of the Council's long-term assets, which are shown in the Balance Sheet at £658 million. Borrowing is permitted in line with the Prudential Code for Capital Finance in Local Authorities as long as, in the opinion of the Chief Finance Officer, the revenue costs are capable of being met and are in keeping with prudential indicators and guidelines. Given the strength of the Balance Sheet, the Council's borrowing levels are reasonable. Should the opportunity arise for the Council to repay its LOBOs at a benefit to the Council, then it will look to do so. Whilst interest rates have started to increase, they are still relatively low. As such, it is unlikely the opportunity to repay the LOBO loans will arise in the near future.

Pensions Liability: £35.85 million

The requirements of International Accounting Standards 19 (IAS19) in relation to post-employment benefits i.e. pensions, have been fully incorporated into the Comprehensive Income and Expenditure Statement, with actuarial gains and losses being recognised in Other Comprehensive Income and Expenditure, as note 30 explains in detail. The Local Government Pension Scheme (LGPS) is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. The fund is revalued every 3 years, the last valuation being as at 31 March 2022.

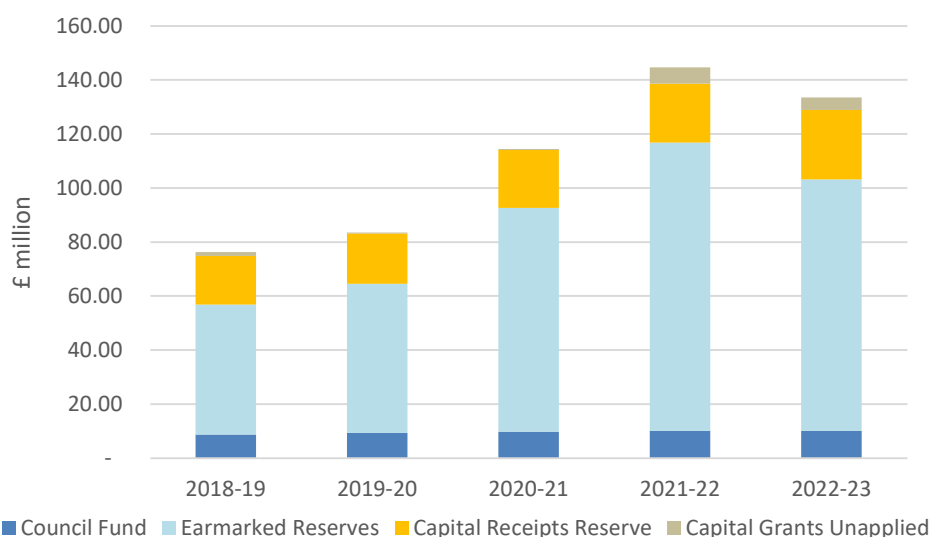
A pensions reserve and a pension liability are incorporated within the Council's accounts, reflecting the amount by which the Bridgend element of the Rhondda Cynon Taff Pension Fund is under-funded compared with the

assessed payment liabilities to pensioners now and in the future. The cost to the Council during the year for pension liabilities was £19.35 million. The overall pensions' liability of the Council at 31 March 2023 was £35.85 million, a reduction of £213.65 million from 31 March 2022 when the liability was £249.50 million. This reduction is as a result of changes in the financial assumptions used by the actuary informing the valuation. Primarily the discount rate used has increased by 2%. Other assumption changes are CPI rate reduced by 0.3% and the salary increase assumption by 0.3%. This has resulted in a more positive balance sheet position as at the 31 March 2023. The liability takes into account the potential 'underpin' liability as a result of the outcome of the McCloud/Sargeant case that the impact of transitional protection arrangements put in place when firefighters' and judges' pension schemes were reformed were age discriminatory.

Balances and Reserves

Balances and Reserves are sums of money put aside for specific purposes or for general contingencies and cash flow management. Their use, creation and assessment of sufficiency also considers risks to financial resilience. During the last year the Council has faced significant financial challenges and the opportunity to set aside new earmarked reserves for specific purposes has been limited. Earmarked revenue and other usable reserves are detailed in note 28 of the accounts, whilst unusable reserves are shown in note 29.

Usable Reserves



Addressing future challenges

The Council faces significant challenges moving forward. These include demographic pressures, such as an ageing population, increasing dementia rates, an increasing number of young people with complex disabilities living into adulthood and the long-term impact of Covid-19 adding progressively to the demand for care. Children Services has seen an exponential increase in need for children's social care as evidenced through increasing contacts, increasing numbers of assessments and high numbers of children on the child protection register. There has been significant pressure placed on the Multi Agency Safeguarding Hub and Information, Advice and Assistance Service, safeguarding localities and the Care Experienced Children's Team and the Children's Social Work Team in children's social care. In addition to this there are inflationary pressures arising from specific contractual commitments, the impact of the cost-of-living crisis and potentially significant increases in staffing costs arising from the pay award for all staff and above inflation increases in the national living wage, and the implementation of the real living wage. There is also the need to focus on climate change and the need to meet the 2030 decarbonisation target. The published Welsh Government settlement for Bridgend for 2023-24 is an increase of 7.7% against an all-Wales average of 7.9%. However, this needs to be taken in the context of higher than anticipated pay increases in recent years, unprecedented levels of inflation and significant pressures arising across all Directorates. The indicative settlement from Welsh Government for the next two financial years is an

increase of 3.5% for 2024-25 and 2.4% for 2025-26 however due to the pressures outlined above forward planning is difficult particularly in the current economic climate.

Whilst the Council continues to face increasing pressures on its budget, it approved a balanced budget for 2023-24. The uncertain economic climate will require the Council to continually review its priorities and budgets.

Decarbonisation 2030

Welsh Government declared a Climate Emergency in April 2019. Following this the Welsh Government committed to achieving a carbon neutral public sector by 2030. In June 2020 Bridgend County Borough Council's Cabinet approved a report that set out the crucial role the Council has to play through the management of its own resources, as well as its work with other organisations and businesses and the Council declared its own climate emergency in June 2020. Cabinet approved the Council's 2030 Net Zero Carbon Strategy on 13 December 2022. The Strategy includes six priority actions aimed at reducing the organisation's greenhouse gas emissions to achieve a net zero position by the 1 April 2030. The Action Plans include carbon management, buildings, transport, procurement, land use and waste. This strategy will be an integral part of the Council's Corporate Plan and Wellbeing Plan, whilst policies, strategies and ongoing plans will all reflect the commitment to Net Zero. This will ensure it is fully embraced across the organisation. Whilst Council has agreed £0.4 million capital allocation per annum to 2030-31, the level of resources to deliver 2030 Net Zero will be substantially more than this. Whilst there is some funding available within Directorates to delivery initiatives, significantly more will be needed to accelerate the Council's transition to Net Zero. Development of feasibility studies will be necessary to quantify scheme costs and funding applications submitted to external funding sources wherever possible. The Council has already progressed schemes including solar panels, energy efficient lighting, electric vehicle charging points and ultra low emission vehicles. The Council's Re:fit programme, which has been run in partnership with energy experts Ameresco, has seen schools and public buildings fitted with a range of measures including LED lighting, lighting controls, Building Management Systems and solar PV systems.

The Financial Statements

The Statement of Accounts are included in this document, and consist of the following financial statements:

The 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 and 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 of the year on the different reserves held by the Council, analysed into 'usable reserves' - those that can be used to fund expenditure - 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 Financial Statements

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 and Council wide areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The Statement of Responsibilities for 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 2023 and of its income and expenditure for the year ended 31 March 2023

Signed: _____

18 July 2023



Financial Statements

Comprehensive Income and Expenditure Statement

2021-22					2022-23				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	
172,989	(42,877)	(6,592)	123,520	Education and Family Support	205,641	(37,660)	(8,364)	159,617	
114,644	(17,113)	(18,746)	78,785	Social Services and Wellbeing	140,653	(11,077)	(20,790)	108,786	
62,341	(14,959)	(7,527)	39,855	Communities	62,506	(8,922)	(9,099)	44,485	
78,347	(52,016)	(2,802)	23,529	Chief Executives	76,735	(45,176)	(2,626)	28,933	
29,573	(5,506)	(206)	23,861	Council Wide Services	21,007	(2,130)	(333)	18,544	
483	(432)	(269)	(218)	Cardiff Capital Region City Deal (CCRCD)					
458,377	(132,903)	(36,142)	289,332	Cost Of Services	506,542	(104,965)	(41,212)	360,365	
				Other Operating Expenditure					
18,490			18,490	Precepts payable	19,334			19,334	7
7,774			7,774	Levies payable	7,981			7,981	7
573			573	(Gain) / loss on disposal of non current assets			(971)	(971)	
26,837			26,837	Other Operating Expenditure	27,315	-	(971)	26,344	
				Financing and Investment Income and Expenditure					
4,558			4,558	Interest payable on debt	4,624			4,624	31
32			32	Interest element of finance leases (lessee)	22			22	31
1,145			1,145	Interest payable on PFI unitary payments	1,084			1,084	13
6,100			6,100	Net Interest on Net Defined Benefit Liability	6,470			6,470	30
		(840)	(840)	Investment Income & Other Interest Receivable			(2,503)	(2,503)	31
		(495)	(495)	Changes in fair value of investment properties			(260)	(260)	22
		(16)	(16)	Interest & Investment Income CCRCD					
11			11	Change in Fair Value of Investment Properties CCRCD					
11,846	-	(1,351)	10,495	Financing and Investment Income and Expenditure	12,200	-	(2,763)	9,437	
				Taxation and Non-Specific Grant Income					
	(166,107)		(166,107)	Revenue Support Grant		(179,595)		(179,595)	8
		(48,787)	(48,787)	National Non-Domestic Rates			(52,773)	(52,773)	9
	(1,151)	(106,566)	(107,717)	Council Tax			(107,255)	(107,255)	10
	(18,844)		(18,844)	Recognised capital grants and contributions		(19,462)		(19,462)	11
	(489)		(489)	Recognised capital grants and contributions CCRCD					
46			46	Tax Expenses CCRCD					
46	(186,591)	(155,353)	(341,898)	Taxation and Non-Specific Grant Income	-	(199,057)	(160,028)	(359,085)	
				(Surplus) or Deficit on Provision of Services					
497,106	(319,494)	(192,846)	(15,234)		546,057	(304,022)	(204,974)	37,061	

		(61,794)	(61,794)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(27,750)	(27,750)	29a
1,669			1,669	Impairment losses on non-current assets charged to the Revaluation reserve	2,212			2,212	29a
		(79,020)	(79,020)	Actuarial (gains) / losses on pension liabilities			(243,050)	(243,050)	30
			(139,145)	Other Comprehensive (Income) and Expenditure				(268,588)	
			(154,379)	Total Comprehensive (Income) and Expenditure				(231,527)	

Movement in Reserves Statement

	Council Fund Balance	Earmarked Reserves	Capital Receipts Reserves	Capital Grants Unapplied	CCRCD Usable Reserves	Total Usable Reserves	CCRCD Unusable Reserves	Total Unusable Reserves	Total Council Reserves Restated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2021 brought forward	9,772	82,848	21,519	288	933	115,360	3,218	66,989	182,349
<u>Movement in Reserves during 2021-22</u>									
(Surplus)/deficit on the provision of services	14,568				666	15,234	-	139,145	154,379
Adjustments between accounting basis & funding basis under regulations (Note 20)	9,655		254	5,759	(235)	15,433	235	(15,433)	-
Transfers to Earmarked Reserves (Note 28)	(23,885)	23,885							-
Increase/(Decrease) in 2021-22	338	23,885	254	5,759	431	30,667	235	123,712	154,379
Balance at 31 March 2022 carried forward	10,110	106,733	21,773	6,047	1,364	146,027	3,453	190,701	336,728

	Council Fund Balance	Earmarked Reserves	Capital Receipts Reserves	Capital Grants Unapplied	CCRCD Usable Reserves	Total Usable Reserves	CCRCD Unusable Reserves	Total Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2022 brought forward	10,110	106,733	21,773	6,047	1,364	146,027	3,453	190,701	336,728
<u>Movement in Reserves during 2022-23</u>									
(Surplus)/deficit on the provision of services	(37,061)					(37,061)		268,588	231,527
Adjustments between accounting basis & funding basis under regulations (Note 20)	23,436		3,955	(1,536)		25,855		(25,855)	-
Transfers to Earmarked Reserves (Note 28)	13,625	(13,625)	-	-		-			-
Increase/(Decrease) in 2022-23	-	(13,625)	3,955	(1,536)		(11,206)		242,733	231,527
Balance at 31 March 2023 carried forward	10,110	93,108	25,728	4,511	1,364	134,821	3,453	433,434	568,255

Balance Sheet

31 March 2022 £'000		31 March 2023 £'000	Notes
607,335	Property, Plant & Equipment	640,932	21c
220	Heritage Assets	220	
5,585	Investment Property	5,845	22
2,733	CCRCD Investment Property	2,733	22
189	CCRCD Equity	189	
1,910	Intangible Assets	1,428	21d
-	Long term Investments	5,089	30
1,538	CCRCD Long Term Debtors	1,538	
619,510	Long Term Assets	657,974	
45,525	Short Term Investments	48,333	31
2,500	Assets Held for Sale	65	24
469	Inventories	345	
68,789	Short Term Debtors	61,851	23
38,580	Cash and Cash Equivalents	21,574	31
6,205	Cash CCRCD	6,205	
126	Deferred Tax CCRCD	126	31
283	Financial Assets CCRCD	283	31
162,477	Current Assets	138,782	
(3,372)	Bank overdraft	(2,926)	31
(1,291)	Short Term Borrowing	(1,338)	31
(56,749)	Short Term Creditors	(56,131)	25
(4,610)	Provisions due in 1 year	(4,222)	26
(66,022)	Current Liabilities	(64,617)	
(4,277)	Provisions due after 1 year	(4,522)	26
(100,074)	Long Term Borrowing	(100,028)	31
	Other Long Term Liabilities		
(14,129)	PFI & Other Long Term Liabilities	(13,023)	27
(2,385)	Long term creditors (CCRCD)	(2,385)	27
(249,500)	Net Pensions Liability	(35,850)	30
(8,872)	Capital Receipts in Advance	(8,076)	21h
(379,237)	Long Term Liabilities	(163,884)	
336,728	Net Assets	568,255	
	Usable reserves		
10,110	Council Fund	10,110	28b
106,733	Earmarked reserves	93,108	28b
21,773	Capital Receipts Reserve	25,728	28a
6,047	Capital Grants Unapplied	4,511	
1,364	Usable Reserves CCRCD	1,364	
	Unusable Reserves		29
203,699	Revaluation Reserve	222,430	29a
(249,500)	Pensions Reserve	(35,850)	29b
240,672	Capital Adjustment Account	251,983	29c
(687)	Financial Instruments Adjustment Account	(677)	
(3,484)	Short-term Accumulating Compensated Absences Account	(4,453)	
1	Unusable Reserves CCRCD	1	
336,728	Total Reserves	568,255	

Cash Flow Statement

2021-22 £'000		2022-23 £'000	
(15,234)	Net (surplus)/deficit on the Provision of Services	37,061	
(40,687)	Adjustments to net deficit on the provision of services for non-cash movements	(55,370)	35
19,099	Adjustments for Items included in the net deficit on the provision of services that are investing and financing activities	23,296	
(36,822)	Net Cash Flows from Operating Activities	4,987	36
21,610	Investing Activities	30,240	37
(23,289)	Financing Activities	(18,668)	38
38,501	Net (Increase) / Decrease in Cash & Cash Equivalents	16,559	
(3,195)	Cash & Cash Equivalent at the beginning of the Reporting Period	(41,696)	
(41,696)	Cash & Cash Equivalent at the end of the Reporting Period	(25,137)	

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



Notes to the Financial Statements

Notes to the Financial Statements

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1. Accounting Policies

1.1 General principles

The Statement of Accounts summarises the Council's transactions for the 2022-23 financial year and its position at the year end of 31 March 2023. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 and the Accounts and Audit (Wales) (Amendments) Regulations 2018, in accordance with proper accounting practices. These practices comprise the *Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2022-23* and the *Service Reporting Code of Practice 2022-23* 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 2022-23 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. At the balance sheet date there are no new relevant standards or amendments to existing standards that have been published but not yet adopted by the Code that will have any impact on the financial statements. However, the following details are provided for information purposes.

Standard	Effective date	Further details
IFRS 16 Leases	01 April 2024	The Standard removes the previous lease classifications of operating and finance leases and will require local authorities that are lessees to recognise all leases on their balance sheet as right-of-use assets (there are exemptions for short-term and low value leases) with a corresponding lease liability representing the lessee's obligation to make lease payments for the asset. However, it should be noted that CIPFA/LASAAC have again deferred implementation of IFRS 16 for local government to 1 April 2024.
Infrastructure Assets	01 January 2023	CIPFA issued temporary relief with an update to the Code on infrastructure assets. These are shown separately to other non-current assets to exclude gross cost and accumulated depreciation.
IAS 8	01 January 2023	Amendments in relation to the Definition of Accounting Estimates issued in February 2021
IAS 1 and IFRS Practice Statement 2	01 January 2023	Amendments in relation to the Disclosure of Accounting Policies. Issued in February 2021
IAS 12	01 January 2023	Amendments in relation to Deferred Tax related to Assets and Liabilities arising from a Single Transaction. Issued in May 2021.
IFRS 3	01 January 2023	Updating a reference to the Conceptual Framework. Issued in May 2020.

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 the number 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 the number of 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 and 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 for 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 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 for 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. Additional asset valuations have been undertaken in 2022-23 to ensure that the values held in the balance sheet are materially correct. 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 to determine 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
- Sale highly probable
- Actively marketed
- Sale 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 charges MRP on a straight line basis over 45 years. This ensures that the costs of supported capital expenditure are spread evenly over the lifetime of assets, and that the debt is fully extinguished within forty-five years.

1.14 Revenue Expenditure Funded from Capital 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, such as Disabled Facilities 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 these 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 (CCRCD) 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 secure sustainable economic growth for the region in order to improve the lives of all in the community, including increasing connectivity and improving physical and digital infrastructure. The contributions to the Joint Committee are classified as Revenue Expenditure Funded from Capital Under Statute (REFCUS). The Council has consolidated the income and expenditure, and the assets and 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 the Coychurch Crematorium joint arrangement 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. Whilst the Welsh Government has issued indicative funding allocations for the next year, this is at an all-Wales not a local authority level. 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 has been recognised as Property, Plant and Equipment on the Council's Balance Sheet and is separately identified under note 21c. The school is the Council's only PFI asset.

The Council has a number of interests in other entities however these are not sufficiently material to include within the 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 2023 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. Additional valuations have been undertaken in the current year to ensure that the assets in the balance sheet are materially correct.

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 2022 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

2021-22				2022-23		
Net Expenditure Chargeable to the Council Fund Restated	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
128,118	(4,598)	123,520	Education and Family Support	138,246	(21,371)	159,617
70,395	8,390	78,785	Social Services & Wellbeing	96,846	(11,940)	108,786
28,456	11,399	39,855	Communities	30,601	(13,884)	44,485
18,184	5,345	23,529	Chief Executives	20,856	(8,077)	28,933
47,096	(23,235)	23,861	Council Wide Services	23,606	5,062	18,544
	(218)	(218)	Cardiff Capital Region City Deal (CCRCD)			
292,249	(2,917)	289,332	Net Cost Of Services	310,155	(50,210)	360,365
(292,587)	(11,530)	(304,117)	Other income and Expenditure	(310,155)	13,149	(323,304)
	(449)	(449)	Cardiff Capital Region City Deal (CCRCD)			
(338)	(14,896)	(15,234)	Surplus or Deficit	-	(37,061)	37,061
9,772			Opening Council Fund Balance	10,110		
338			Surplus or (Deficit) on Council Fund for year	-		
10,110			Closing Council Fund Balance as at 31 March	10,110		

5. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2021-22				
Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statements amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£'000	£'000	£'000	£'000
Education and Family Support	(6,290)	9,060	(7,368)	(4,598)
Social Services & Wellbeing	29	7,452	909	8,390
Communities	7,763	3,634	2	11,399
Chief Executives	1,565	3,504	276	5,345
Council Wide Services	(4,659)		(18,576)	(23,235)
Cardiff Capital Region City Deal (CCRCD)			(218)	(218)
Net cost of services	(1,592)	23,650	(24,975)	(2,917)
Other income and expenditure from the Expenditure and Funding Analysis	(18,766)	6,100	1,136	(11,530)
Cardiff Capital Region City Deal (CCRCD)			(449)	(449)
Difference between Council Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(20,358)	29,750	(24,288)	(14,896)

Adjustments between Funding and Accounting Basis 2022-23				
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	(3,541)	(9,003)	(8,827)	(21,371)
Social Services & Wellbeing	(1,066)	(7,194)	(3,680)	(11,940)
Communities	(8,441)	(3,262)	(2,181)	(13,884)
Chief Executives	(3,611)	(3,470)	(996)	(8,077)
Council Wide Services	2,889	-	2,173	5,062
Cardiff Capital Region City Deal (CCRCD)				
Net cost of services	(13,770)	(22,929)	(13,511)	(50,210)
Other income and expenditure from the Expenditure and Funding Analysis	20,693	(6,470)	(1,074)	13,149
Cardiff Capital Region City Deal (CCRCD)				
Difference between Council Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	6,923	(29,399)	(14,585)	(37,061)

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.**

2021-22 £'000		2022-23 £'000
	Expenditure	
227,131	Employee expenses	256,568
224,812	Other services expenses	231,802
6,491	Depreciation, amortisation, impairment	18,172
11,835	Interest payments	12,200
26,264	Precepts and levies	27,315
573	(Gain)/Loss on disposal of assets	-
497,106	Total expenditure	546,057
	Income	
(36,142)	Fees, charges and other service income	(41,212)
(155,353)	Income from council tax, non-domestic rates	(160,028)
(319,494)	Government grants and contributions	(304,022)
(856)	Investment Income and other Interest Receivable	(2,503)
-	(Gain)/Loss on disposal of assets	(971)
(495)	Other income	(260)
(512,340)	Total income	(508,996)
(15,234)	(Surplus) or Deficit on the provision of services	37,061

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) by billing authorities 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 and other Councils contribute to the costs, or by external bodies who levy on the appropriate Councils. The amounts paid were as follows:

2021-22 £'000		2022-23 £'000
	Precepts	
15,632	Police and Crime Commissioner for South Wales	16,486
2,858	Community Councils	2,848
18,490	Total Precepts	19,334
	Levies	
7,364	South Wales Fire and Rescue Authority	7,544
286	Coroners Service	347
106	Archive Service	116
18	Swansea Bay Port Authority	18
-	Margam Joint Crematorium	(44)
7,774	Total Levies	7,981
26,264	Total Precepts and Levies	27,315

8. Revenue Support Grant (RSG)

This is the principal source of finance towards revenue expenditure received from Welsh Government. The amount received in 2022-23 was £179.595 million (£166.107 million for 2021-22).

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 (the multiplier) and, subject to the effects of transition arrangements, local businesses pay rates calculated by multiplying their rateable value by the rate in the pound (the multiplier). The multiplier was 53.5p in 2022-23 (53.5p in 2021-22). The total rateable value of the Council equalled £97,646,775 on 31 March 2023 (£97,485,244 on 31 March 2022). 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 to local authorities pro rata to adult population in each Council's area.

The Council receives a contribution directly from the NNDR pool. The income from this is reflected separately in the Comprehensive Income and Expenditure Statement. This amount was £52.773 million in 2022-23 (£48.787 million in 2021-22).

10. Council Tax

Council Tax Income derives from charges raised from residential properties, which have been classified into ten valuation bands based on the value the property is estimated to have been on 1 April 2005. 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 factor to convert the number to a Band D equivalent, which is then adjusted for discounts. The gross tax base is then multiplied by the estimated collection rate to give the net tax base on which the budget is set – this was 54,568.51 Band D equivalents for 2022-23 (54,329.46 in 2021-22). The average charge for a Band D property is £1,951.31 in 2022-23 (£1,937.33 in 2021-22 on average) and this is multiplied by the factor specified for the 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
Factor	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
Chargeable Dwellings	27	10,261	14,988	14,415	10,717	7,738	4,271	1,436	290	89

A* - in Band A but affected by disability reduction. Analysis of the net proceeds from Council Tax is as follows:

2021-22 £'000		2022-23 £'000
(106,566)	Council Tax Collectable	(107,255)
(1,151)	Welsh Government Hardship Fund	-
	Less:	
2,858	Payable to Community Councils	2,848
15,632	Payable to Police and Crime Commissioner for South Wales	16,486
1,273	Provision for non-payment of Council Tax increase/(decrease)	1,051
(87,954)		(86,870)

The Welsh Government Hardship Fund did not provide local authorities with any funding for loss of council tax income in 2022-23 (£1.151 million in 2021-22).

11. Grants

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

2021-22 RESTATED £'000	Specific Grants credited to Services	2022-23 £'000
(34,347)	Housing Benefit Subsidy	(32,287)
(6,895)	Post 16 Grant	(7,887)
(4,963)	Education Improvement Grant	(4,976)
(6,067)	Pupil Development Grant	(5,953)
(7,427)	Housing Support Grant (previously Supporting People)	(7,954)
(13,565)	Other Education & Family Support	(10,196)
(4,546)	Other Social Services & Wellbeing	(3,904)
(13,204)	Others	(9,398)
-	Homelessness Prevention – No one left behind	(2,364)
(3,041)	Concessionary Fares Grant	(2,304)
(3,205)	Flying Start	(3,444)
(3,574)	Recruit Recover & Raise Standards (inc. Accelerated Learning Programme)	(1,394)
(2,916)	Social Care Recovery Fund	-
(2,221)	Social Care Pressures Grant	-
(2,221)	Social Care Workforce Grant (previously Sustainability Grant)	(1,999)
(456)	Housing/Council Tax Benefit Administration	(390)
(2,304)	Regional Integrated Fund (previously Integrated Care Fund)	(1,912)
(1,690)	Families First	(1,776)
-	Home for Refugees - Ukraine	(1,781)
(13,527)	Covid Grants	(3,500)
(1,236)	Cost of Living	(259)
(39)	General Capital Grant	(550)
(5,027)	Other Capital Grants	(737)
(432)	Cardiff Capital Region City Deal (CCRCD)	-
(132,903)	Total Specific Grants Credited to Services	(104,965)

2021-22 £'000	Other Government Grants credited to Taxation and Non-specific Grant Income	2022-23 £'000
(18,844)	Capital Grants and Contributions	(19,462)
(489)	CCRCDC	-
(19,333)	Total Other	(19,462)
(152,236)	Total Grants	(124,952)

The tables above includes £3.363m Covid-19 grant income (£13.527m in 2021-22). This includes an element of Hardship Funding which is now ending and a couple of small grant streams still funded throughout 2022-23. This is made up of the following:

2021/22 £'000	Covid Grants	2022/23 £'000
(12,864)	Hardship Funding	(3,411)
(421)	Test, Trace & Protect	(89)
(242)	Other Covid Support Grants	-
(13,527)	Total	(3,500)

In addition to this, the Council administered a number of other grants on behalf of the Welsh Government, which because the authority was acting in the role of an agent for the Welsh Government, did not pass through the Comprehensive Income and Expenditure Statement. These can be found in the table below.

2021/22 £'000	Agency Grants	2022/23 £'000
(1,729)	Winter Fuel	(3,571)
-	Unpaid Carers	(1,325)
(3,603)	Social Care Bonus Scheme	(5,615)
(183)	Statutory Sick Pay Enhancement Scheme	(119)
(1,737)	Self Isolation Payments Scheme	(607)
-	Energy Bill Support	(425)
-	Alternative Fuel	(81)
(7,252)	Total	(11,743)

12. Leases

Council as a Lessee

Operating Leases

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

2021-22 £'000		2022-23 £'000
(376)	Not later than one year	(376)
(968)	Later than one year but less than five years	(765)
(6,319)	Later than five years	(6,146)
(7,663)	Total	(7,287)

Expenditure charged in the year to the Service areas was £0.383 million made up of minimum lease payments of £0.008 million and £0.375 million for contingent rents (2021-22: £0.428 million made up of £0.016 million minimum lease payments and £0.412 million contingent rents).

Council as a LessorOperating Leases

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

2021-22 £'000		2022-23 £'000
102	Not later than one year	107
159	Later than one year but less than five years	156
1,689	Later than five years	1,741
1,950	Total	2,004

13. Private Finance Initiative (PFI)

During the 2008-09 financial year, the Council commenced payment under a Private Finance Initiative (PFI) arrangement for the provision of a Secondary School in Maesteg – this contract was entered into in 2007-08 and 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 Budget.

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:

2021-22 £'000	Unitary Charge	2022-23 £'000
703	Service Charge Element	766
1,145	Interest Element	1,084
801	Finance Lease Liability	863
2,649	Total	2,713

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	2023-24 £'000	2024-25 to 2028-29 £'000	2029-30 to 2033-34 £'000	TOTAL £'000
Service Charge Element	502	2,512	2,504	5,518
Interest Element	1,018	3,895	1,288	6,201
Finance Lease Liability	929	5,839	7,134	13,902
Total	2,449	12,246	10,926	25,621

14. Pooled Fund Arrangements

There are a number of formal pooled budget arrangements between the Council and Cwm Taf Morgannwg University Health Board under Section 33 NHS (Wales) Act 2006.

Purpose of Partnership	Partner	Year	Gross Income Of Partnership £'000	Gross Expenditure of Partnership £'000	Council's Contribution £'000
Provision of day opportunities for people recovering from mental health problems.	Cwm Taf-Morgannwg University Health Board	2021-22	(644)	644	322
		2022-23	(691)	691	345
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	Rhondda Cynon Taff CBC Merthyr Tydfil CBC Cwm Taf Morgannwg University Health Board	2021-22	(3,272)	3,436	761
		2022-23	(3,168)	3,164	851
Provision of integrated community support services	Cwm Taf-Morgannwg University Health Board	2021-22	(4,795)	4,795	2,133
		2022-23	(5,275)	5,275	2,473
Cwm Taf Morgannwg Care Home Accommodation	Rhondda Cynon Taff CBC Merthyr Tydfil CBC Cwm Taf Morgannwg University Health Board	2021-22	(52,717)	52,704	9,692
		2022-23	(60,544)	60,484	12,044

15. Officers' Remuneration

Four separate disclosures are required to ensure compliance with the Accounts and Audit (Wales) Regulations 2014, the Accounts and Audit (Wales) (Amendments) Regulations 2018 and the CIPFA Code.

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

The ratio of the remuneration of the Chief Executive to the median remuneration of all the Council's employees was 5.89 (2021-22 6.30). The median remuneration of all employees was £24,948 (2021-22: £23,023).

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.

2021-22 including Redundancy Costs	Remuneration Band	Number of Employees			
		2022-23 inc Redundancy Costs (Note 1)	2022-23 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)
41	£60,000 - £64,999	50	49	39	10
21	£65,000 - £69,999	26	24	17	7
16	£70,000 - £74,999	13	13	12	1
5	£75,000 - £79,999	17	16	16	-
5	£80,000 - £84,999	4	4	4	-
7	£85,000 - £89,999	6	6	4	2
1	£90,000 - £94,999	5	5	2	3
3	£95,000 - £99,999	3	3	1	2
3	£100,000 - £104,999	2	2	2	-
2	£105,000 - £109,999	1	1	1	-
2	£110,000 - £114,999	3	3	3	-
2	£115,000 - £119,999	4	4	1	3
1	£120,000 - £124,999	-	-	-	-
-	£125,000 - £129,999	-	-	-	-
-	£130,000 - £134,999	-	-	-	-
-	£135,000 - £139,999	-	-	-	-
-	£140,000 - £144,999	-	-	-	-
1	£145,000 - £149,999	1	1	-	1
110		135	131	102	29

Note 1: These costs include redundancy costs and payments in lieu of notice at time of departure as well as any applicable pension 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 162 individuals with remuneration of £60,000 or more, including:

- a) 102 Headteachers, Deputy Headteachers and Assistant Headteachers
- b) 52 Senior Managers of the Council, including the Senior Officers shown in Disclosure 3 below, and Heads of Service.

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

Job Title	Salary		Pension Contributions (note 1)		Total Remuneration including Pension Contributions	
	2021-22 £	2022-23 £	2021-22 £	2022-23 £	2021-22 £	2022-23 £
Chief Executive Officer & Head of Paid Service (Note 2)	145,099	147,024	28,730	29,111	173,829	176,135
Corporate Director - Education and Family Support	115,188	117,113	22,807	23,188	137,995	140,481
Corporate Director - Communities	112,741	117,113	22,323	23,188	135,064	140,346
Corporate Director - Social Services & Wellbeing	115,188	117,113	22,807	23,188	137,995	140,301
Chief Officer – Finance, Performance and Change (Note 3)	30,400	99,113	6,019	19,624	36,419	119,176
Chief Officer – Legal and Regulatory Services, Human Resources and Corporate Policy	91,785	99,113	17,685	19,624	109,470	121,609

Notes

- Note 1 No ‘Taxable Expenses’ or ‘Benefits in kind’ were paid in the year. Pension Contributions relate to actual payments made.
- Note 2 The Chief Executive Officer figures excludes payment for Election Duties which amounted to £14,166 for the Bridgend County local elections (£12,837 for the Senedd and Police and Crime Commissioner elections in 2021-22) and £407 for Bridgend County By-elections in 2022-23.
- Note 3 The Chief Officer – Finance, Performance and Change post was appointed to on 6 December 2021. Prior to this appointment the role was undertaken on an interim arrangement which ended 16 December 2021. The Interim Chief Officer – Finance, Performance and Change was appointed under a contractual arrangement with the Welsh Local Government Association. The costs incurred in this arrangement during 2021-22 were £101,960.

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 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	
	2021-22 £	2022-23 £	2021-22 £	2022-23 £	2021-22 £	2022-23 £	2021-22 £	2022-23 £
£0 - £20,000	3	5	2	9	5	14	22,161	159,450
£20,001 - £40,000	3	5	1	-	4	5	96,970	162,241
£40,001 - £60,000	1	2	-	-	1	2	57,306	102,498
£60,001 - £80,000	1	-	-	-	1	-	60,860	-
	8	12	3	9	11	21	237,297	424,189

16. Members' Allowances

The allowances for Councillors are shown in the table below.

2021-22 £'000		2022-23 £'000
580	Basic Salary (all Members)	665
492	Senior Salary	563
52	Civic Salary	59
1,124	Total	1,287

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.

<https://www.bridgend.gov.uk/my-council/democracy-and-elections/councillors-remuneration/>

17. External Audit Costs

Bridgend County Borough Council incurred the following fees relating to external audit and inspection.

2021-22 £'000		2022-23 £'000
188	Financial Statement Audit	209
101	Performance Audit	102
289	External Audit Services	311
34	Grant Claims and Returns	34
323	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.

	2021-22 £'000 RESTATED	2022-23 £'000
Cardiff Capital Region City Deal (CCRCD)	109	115
Central South Consortium Joint Education Service	549	554
Joint Adoption Service	949	976
Shared Regulatory Service	1,685	1,673
Shared Internal Audit Service	138	209
Glamorgan Archives	106	116
Joint Vehicle Maintenance	124	120
Coychurch Crematorium	-	-
Margam Crematorium	-	-
Total	3,660	3,763

The Council participated in Joint Committee's for Coychurch and Margam Crematorium and received a cash payment from Margam Crematoria in 2022-23 of £44,800. There was no contribution in 2021-22.

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 been able 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 is shown in Note 16. Payments made to organisations where Members had an interest included Care and Repair (Bridgend) £1,256,323 (£1,438,302 in 2021-22), Bridgend County Borough Citizens Advice Bureau £303,519 (£275,112 in 2021-22) and Bridgend Association of Voluntary Organisations £618,256 in 2022-23 (£749,780 in 2021-22). 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 £2,177,328 (£684,834 in 2021-22). Balances owed by the Council as at 31 March 2023 included Care & Repair £28,376 (£176,075 in 2021-22) and Bridgend Lifesavers Credit Union Ltd £9,035 (Nil 2021-22). Amounts owed to the Council as at 31 March 2023 included Welsh Local Government Association £103,370 (nil in 2021-22), Sarn Centre Association £8,318 (£8,318 in 2021-22), Maesteg Town Council £nil (£29,437 in 2021-22) and Porthcawl Town Council £5,568 (£10,094 in 2021-22).

Chief Officers

During 2022-23 the Head of Adult Social Care sat on the Board of WSP Glamorgan Consultancy (previously known as Capita Glamorgan Consultancy Ltd). The Council owns 14.7% of the shares of the company and holds voting rights to this value on the Board. During 2022-23 the Council was charged £1,229,566 (2021-22: £958,936) in respect of goods, services and capital works. The balance owed by the Council at the 31 March 2023 was £232,604 (£37,647 in 2021-22). In addition the Head of Operations Community Services sits 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.

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 Cwm Taf 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 to Awen in 2022-23 was £2,817,529 (2021-22: £3,732,670). The balance owed by the Council to Awen as at 31 March 2023 is £27,263 (2021-22 - nil) and a balance outstanding of £15,723 was owed to the Council at the 31 March 2023 (2021-22 - £61,151). The Board of Awen Cultural Trust has two Councillors as Board members.

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 2021-22 for comparative purposes and the adjustments for 2022-23.

2021-22	Usable Reserves			Unusable Reserves £'000
	Council Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'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)	29,750			(29,750)
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(10)			10
Holiday Pay (transferred to the Accumulated Absences Reserve)	273			(273)
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)	7,084			(7,084)
Total Adjustments to Revenue Resources	37,097	-	-	(37,097)
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(254)	254		
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(7,324)			7,324
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,020)			1,020
Total adjustments between Revenue and Capital Resource	(8,598)	254	-	8,344
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure				-
Application of capital grants to finance capital expenditure	(18,844)			18,844
Cash payments in relation to deferred capital receipts			5,759	(5,759)
Total adjustments to Capital Reserves	(18,844)	-	5,759	13,085
CCRCD	(235)			235
Total Adjustments	9,419	254	5,759	(15,433)

2022-23	Usable Reserves			Unusable Reserves £'000
	Council Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'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)	29,400			(29,400)
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(10)			10
Holiday Pay (transferred to the Accumulated Absences Reserve)	969			(969)
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)	22,541			(22,541)
Total Adjustments to Revenue Resources	52,900			(52,900)
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(3,834)	3,834		-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(5,912)			5,912
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(256)			256
Total adjustments between Revenue and Capital Resource	(10,002)	3,834		6,168
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		29		(29)
Application of capital grants to finance capital expenditure	(19,462)			19,462
Cash payments in relation to deferred capital receipts			(1,536)	1,536
Other amounts		92		(92)
Total adjustments to Capital Reserves	(19,462)	121	(1,536)	20,877
CCRC				
Total Adjustments	23,436	3,955	(1,536)	(25,855)

Notes to the Balance Sheet

21. Non-current Assets

a) Capital commitments

As at 31 March the Council had the following material capital commitments.

2021-22 £'000		2022-23 £'000
	Porthcawl Metrolink	3,261
-	Cosy Corner	2,439
-	Maesteg Town Hall	1,851
-	Total	7,551

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. For 2022-23 additional valuations were carried out to ensure that the assets as stated in the Balance Sheet are materially correct. These valuations were undertaken 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. Cooke & Arkwright also valued a number of surplus assets.

Summary of Property, Plant & Equipment (PPE) Restated	Other Land and Buildings £'000	Vehicle, Plant and Equipment £'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 2021	449,340	14,929	4,987	14,090	2,332	485,678	22,868
Additions	7,819	1,156	38	5	3,410	12,428	
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	(25,450)	-	-	-	-	(25,450)	(3,635)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	60,230	-	-	(76)	-	60,154	6,783
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	13,938	-	-	-	-	13,938	9
Derecognition - Disposals	(842)	-	-	-	-	(842)	
Derecognition - other	(1,335)	-	-	-	-	(1,335)	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-
Other Movements in Cost or Valuation	(3,562)	-	-	(29)	3,591	-	-
CCRCD Assets		394			(159)	235	
At 31 March 2022	500,138	16,479	5,025	13,990	9,174	544,806	26,025
Accumulated Depreciation and Impairments							
At 1 April 2021	(18,777)	(7,086)	(36)	-	-	(25,899)	(2,429)
Depreciation Charge for the year	(10,674)	(1,821)	(3)	-	-	(12,498)	(1,213)
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	25,450	-	-	-	-	25,450	3,635
Accumulated impairment written off (where no account balance at 1 April)	-	-	-	-	-	-	-
Acc. Depreciation WO to GCA	-	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	(28)	-	-	-	-	(28)	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(2,103)	-	-	-	-	(2,103)	-
Derecognition - disposals	15	-	-	-	-	15	-
Derecognition - other	1,335	-	-	-	-	1,335	
Other Movements	42	1	-	-	(42)	1	
CCRCD Depreciation		(56)				(56)	
At 31 March 2022	(4,740)	(8,962)	(39)	0	(42)	(13,783)	(7)
NBV as at 1 April 2021	430,563	7,843	4,951	14,090	2,332	459,779	20,439
NBV as at 31 March 2022	495,398	7,517	4,986	13,990	9,132	531,023	26,018

Summary of Property, Plant & Equipment (PPE)	Other Land and Buildings £'000	Vehicle, Plant and Equipment £'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 2022	500,138	16,479	5,025	13,990	9,174	544,806	26,025
Additions	4,854	1,990	68	7	8,041	14,960	
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	(10,914)					(10,914)	(1,315)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	26,749			(1,211)		25,538	2,380
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	3,234		(83)	(94)		3,057	
Derecognition - Disposals	(166)	(87)		(205)		(458)	
Derecognition - other	(1,535)					(1,535)	
Assets reclassified (to)/from Held for Sale				(65)		(65)	
Other Movements in Cost or Valuation	1,012				(1,012)	-	
CCRCD Assets							
At 31 March 2023	523,372	18,382	5,010	12,422	16,203	575,389	27,090
Accumulated Depreciation and Impairments							
At 1 April 2022	(4,740)	(8,962)	(39)	0	(42)	(13,783)	(7)
Depreciation Charge for the year	(11,868)	(1,982)	(3)			(13,853)	(1,316)
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	10,913					10,913	1,316
Accumulated impairment written off (where no account balance at 1 April)							
Acc. Depreciation WO to GCA							
Impairment Losses/(Reversals) recognised in the Revaluation Reserve							
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services							
Derecognition - disposals	8	87				95	
Derecognition - other							
Other Movements							
CCRCD Depreciation							
At 31 March 2023	(5,687)	(10,857)	(42)	0	(42)	(16,628)	(7)
NBV as at 1 April 2022	495,398	7,517	4,986	13,990	9,132	531,023	26,018
NBV as at 31 March 2023	517,685	7,525	4,968	12,422	16,161	558,761	27,083

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

2021-22 £'000	Infrastructure	2022-23 £'000
69,593	Net Book Value at 1 April	76,312
11,919	Additions	11,217
-	Derecognition	(84)
(5,181)	Depreciation	(5,274)
(19)	Impairment	-
76,312	Net Book Value at 31 March	82,171

The Council has determined in accordance with Regulation 24L of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (as amended) that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Summary of Property, Plant & Equipment (PPE)

2021-22 £'000	Property, Plant & Equipment (PPE) Reconciliation	2022-23 £'000
76,312	Infrastructure Assets	82,171
531,023	Other PPE assets	558,761
607,335	Total PPE Assets	640,932

d) Intangible Assets.

The Intangible asset refers to the Wales Community Care Information System, WCCIS. As at 31 March 2023 the remaining life of the asset was 3 years.

2021-22 £'000		2022-23 £'000
	Cost or valuation	
6,040	At 1 April	6,040
6,040	At 31 March	6,040
	Accumulated amortisation and impairments	
(3,569)	At 1 April	(4,130)
(561)	Amortisation for year	(482)
(4,130)	At 31 March	(4,612)
2,471	Net Book Value at 1 April	1,910
1,910	Net Book Value at 31 March	1,428

e) Sources of finance for Capital Expenditure

2021-22 £'000		2022-23 £'000
(10,569)	Loans	(6,811)
(17,830)	Government grants	(21,073)
-	Reversal of previous funding of capital receipts	29
(1,020)	Revenue contribution	(256)
(322)	Other contributions	(1,119)
(29,741)	Total	(29,230)

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.

2021-22 £'000	2021-22 CCRCD £'000	2021-22 Total £'000		2022-23 £'000	2022-23 CCRCD £'000	2022-23 Total £'000
5,394	37	5,431	Revenue Expenditure Funded from Capital Under Statute	3,054		3,054
(5,066)	(37)	(5,103)	Grants and Contributions	(1,287)		(1,287)
328	-	328	Total	1,767		1,767

g) Capital financing requirement and the financing of capital expenditure

2021-22 £'000	Capital Financing Requirement	2022-23 £'000
172,971	Opening Capital Financing Requirement	176,216
	Capital Investment	
24,347	Property, Plant and Equipment and Intangible Assets	26,176
5,394	Revenue Expenditure Funded from Capital under Statute	3,054
	Sources of Finance	
(18,152)	Grants & Contributions	(22,192)
-	Capital receipts applied	29
(1,020)	Revenue Contributions	(256)
(2,970)	Minimum Revenue Provision	(2,917)
(3,553)	Unsupported Borrowing MRP	(2,132)
(801)	PFI School MRP	(863)
176,216	Closing Capital Financing Requirement	177,115
	Explanation for Movements in Year	
983	Increase/(Decrease) in Underlying Need to Borrow (supported by government financial assistance)	1,036
3,063	Increase/(Decrease) in Underlying Need to Borrow (unsupported by government financial assistance)	726
(801)	Assets acquired under PFI Contract	(863)
3,245	Increase/(Decrease) in Capital Financing Requirement	899

h) Capital Receipts In Advance

This includes a combination of capital grants received in advance in respect of proposed capital schemes for 2022-23, which was £0.579 million (2021-22: £2.649 million) plus section 106 contributions received from developers which will be committed to, and used to fund, current and future schemes in line with the specific requirements of the agreements of £7.497 million (2021-22: £6.223 million).

i) Capital Grants Unapplied

This includes a combination of capital grants received where the expenditure to be financed from the grants has yet to be incurred, therefore it is held for future use. This value of grants held is £4.511m 2022-23 (£6.047m 2021-22).

22. Investment Properties

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

2021-22 £'000	CCRCD £'000	Total £'000		2022-23 £'000	CCRCD £'000	Total £'000
5,090	2,731	7,821	Opening Balance at 1 April	5,585		5,585
495	2	497	Net gain / (loss) from fair value adjustments	260		260
5,585	2,733	8,318	Balance as at 31 March	5,845		5,845

23. Short Term Debtors

These represent the monies owed to the Council after making provision for debts that might not be recovered and are analysed as follows;

2021-22 £'000		2022-23 £'000
9,236	Trade Receivables	8,814
5,169	Prepayments	2,934
53,803	Other Receivable Amounts	49,523
581	CCRCD	581
68,789	Balance as at 31 March	61,852

The Council collects NNDR payments on behalf of Welsh Government. As at 31 March 2023, the Council had paid over more cash than it collected, this excess was included in the Balance Sheet as a debtor of £2.280 million. The equivalent for 2021-22 was a debtor of £1.829 million.

24. Assets Held for Sale

2021-22 £'000		2022-23 £'000
2,500	Balance at 1 April	2,500
-	Assets newly classified as held for sale: Property, Plant & Equipment	65
-	Assets Sold	(2,500)
2,500	Balance as at 31 March	65

25. Short Term Creditors

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

2021-22 £'000		2022-23 £'000
(4,694)	Trade Payables	(7,495)
(47,421)	Other Payables	(44,001)
(4,635)	CCRCD	(4,635)
(56,749)	Balance as at 31 March	(56,131)

26. Provisions

The Council has provisions as detailed below:

	Insurance £'000	Other Provisions £'000	Total £'000
Balance at 1 April 2022	5,154	3,500	8,654
Additional provisions made in 2022-23	827	-	827
Amounts used/released in 2022-23	(970)	-	(970)
CCRCD		233	233
Balance at 31 March 2023	5,011	3,733	8,744

Provisions < 1 yr	722	3,500	4,222
Provisions > 1 yr	4,289	233	4,522
Balance at 31 March 2023	5,011	3,733	8,744

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 2022-23 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 contingency for 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.

Other Provisions

In August 2019 the Court of Appeal in *Brazel v The Harper Trust* handed down a ruling regarding the calculation of annual leave entitlement impacting permanent staff employed on a term time contract, stating that their basic statutory annual leave entitlement could not be pro-rated to reflect the number of weeks actually worked. The Council has been reviewing its current and past contracts to ensure it is compliant with the new ruling and has setup this provision to cover the potential financial liability associated with any backdated adjustments.

27. PFI and Other Long Term Liabilities

2021-22 £'000		Moved to Short Term Creditors £'000	2022-23 £'000
13,902	Maesteg School PFI Lease	(929)	12,973
127	Innovation Centre	(127)	-
100	Waste Contract	(50)	50
2,385	CCRCD		
16,514	Balance as at 31 March	(1,106)	13,023

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 2022-23, the amount written down was £863,000 and £929,000 has been transferred to Short Term Creditors leaving an outstanding long term liability of £12.973 million on the PFI scheme 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 2022-23 was £116,000 and £127,000 was transferred to Short Term Creditors resulting in no long-term financial liability outstanding at 31 March 2023.

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

28. Usable Reserves

The following notes detail the Usable Reserves of the Council:

a) Usable Capital Receipts Reserve

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

2021-22 £'000		2022-23 £'000
21,519	Balance at 1st April	21,773
254	Capital Receipts Received	3,926
-	Receipts Used to Finance Capital Expenditure	29
21,773	Balance as at 31 March	25,728

b) Earmarked Reserves

The Earmarked Reserves in the Balance Sheet as at 31 March 2022 are detailed below:

Opening Balance 2021-22 £'000	Reserve	Movement during 2022-23		Closing Balance 2022-23 £'000
		Additions/ Re-classification/ Unwound £'000	Drawdown by Directorates £'000	
10,110	Council Fund	-	-	10,110
	Corporate Reserves:			
40,042	Capital Programme Contribution	9,106	-	49,148
3,706	Major Claims Reserve	(1,575)	(1,582)	549
3,592	Service Reconfiguration	-	(700)	2,892
11,855	Other Corporate Reserves	4,898	(8,017)	8,736
59,195	Total Corporate Reserves	12,429	(10,299)	61,325
	Other Reserves:			
18,094	Directorate Reserves	3,552	(9,022)	12,624
5,970	City Deal Reserve	588	-	6,558
24,064	Total Directorate Reserves	4,140	(9,022)	19,182
14,228	Delegated Schools Balance		(7,330)	6,898
97,487	Total Reserves excluding Equalisation Reserves	16,569	(26,651)	87,405
9,245	Equalisation and Grant Reserves	1,247	(4,789)	5,703
106,732	TOTAL EXCLUDING COUNCIL FUND	17,816	(31,440)	93,108
116,842	TOTAL INCLUDING COUNCIL FUND	17,816	(31,440)	103,218

Council Fund

There was no transfer to the Council Fund for 2022-23. This has resulted in the balance on the Fund remaining at £10.110 million at 31 March 2023 (£10.110 million at 31 March 2022).

Other Earmarked Reserves

The balance on Earmarked Reserves excluding the Council Fund Balance was a net decrease of £13.624 million in 2022-23 (net increase of £23.885 million in 2021-22). 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 Reserves

City Deal Reserve

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

Directorate Issues

These reserves relate to specific Directorate issues anticipated in 2022-23. Examples include reserves to support pressures within Social Services and Care Experienced Children; and wider regeneration investment.

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

2021-22 Closing Balance £'000	School Types	No's in Category	2022-23 Funding Available £'000	2022-23 Spend £'000	2022-23 Closing Balance £'000
6,994	Primary Schools	48	59,822	56,947	2,875
6,524	Secondary Schools	9	59,779	56,045	3,734
710	Special Schools	2	12,234	11,945	289
14,228	Total	59	131,835	124,937	6,898

The 2021-22 Closing Balance figure is included within the 2022-23 Budget. This accounting treatment of including the prior year's closing balance in the current year's 'Funding Available' 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 2022-23 there were £1.247 million (2021-22 - £5.422 million) of 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. £4.789 million of the reserves were drawn down during the year.

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.

2021-22			2022-23	
£'000	£'000		£'000	£'000
61,794	148,639	Balance at 1 April	27,750	203,699
		Upward Revaluation of Assets		
(1,669)		Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services	(2,212)	
	60,125	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of services		25,538
(4,244)		Difference between fair value depreciation and historical cost depreciation (charged to the Capital Adjustment Account)	(5,326)	
(821)		Accumulated gains on assets sold or scrapped	(1,481)	
	(5,065)	Amount written off to the Capital Adjustment Account		(6,807)
	203,699	Balance as at 31 March		222,430

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.

2021-22 £'000		2022-23 £'000
(298,770)	Balance at 1 April	(249,500)
79,020	Actuarial gains or losses on pensions assets and liabilities	243,050
(46,870)	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	(48,750)
17,120	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	19,350
(249,500)	Balance as at 31 March	(35,850)

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.

2021-22			2022-23	
£'000	£'000		£'000	£'000
	217,810	Opening Balance		237,220
	3,215	CCRCD Balance		3,452
	221,025	Total Balance at 1 April		240,672
		Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(18,239)		Charges for depreciation and impairment of non-current assets	(19,608)	
11,816		Revaluation gain/(losses) on Property, Plant and Equipment	1,437	
(328)		Revenue Expenditure funded from Capital Under Statute	(1,767)	
		Other amounts including Mortgage Payments		
		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	(1,382)	
(6)				
	(6,757)			(21,320)
	4,244	Adjusting amounts written out to the Revaluation Reserve		5,327
	(2,513)	Net written out amount of the cost of non-current assets consumed in the year		(15,993)
		Capital financing applied in the year:		
-		Use of the Capital Receipts Reserve to finance capital expenditure	(29)	
13,085		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that has been applied to capital financing	20,905	
7,323		Statutory provision for the financing of capital investment charged against the Council Fund	5,912	
1,020		Capital expenditure charged against the Council Fund	256	
	21,428			27,044
	495	Movement in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement		260
	237	Movement in CCRCD Capital Adjustment Account balance		
	240,672	Balance as at 31 March		251,983

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. The last triennial valuation took place on 31 March 2022

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. Information is also available at: <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 2022-23 include information provided by the pension administrators, Rhondda Cynon Taff CBC and Aon Hewitt Associates Limited as the pension fund scheme's actuary.

All mortality assumptions are based on an analysis of the Fund's recent mortality experience that was carried out in advance of the 2022 Valuation. There is likely to be an initial 'experience gain' to pension Funds from excess deaths in 2020 and 2021 from Covid 19. This effect will be captured this year as part of the update of employer accounting figures to the results of the 2022 valuation with no further allowance being proposed for after 31 March 2022.

McCloud Judgement

In December 2018, the Court of Appeal held that transitional protection provisions contained in reformed judicial and firefighter pension schemes, introduced as part of public service pension reforms in 2015, amounted to direct age discrimination and were therefore unlawful. On 27 June 2019 the Supreme Court denied the Government's application for leave to appeal the decisions. The calculation of the liability incorporates the impact of the 'McCloud' judgement.

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.

Restated Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Restated Total	Comprehensive Income & Expenditure Statement	Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total
				Cost of Services :				
				Service cost comprising:				
40.74	-	-	40.74	Current service cost	42.20	-	-	42.20
-	-	0.03	0.03	Past service costs	0.08	-	-	0.08
				Financing & Investment Income & Expenditure :-				
5.90	0.14	0.06	6.10	Net interest expense	6.25	0.16	0.06	6.47
				Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	48.53	0.16	0.06	48.75
				Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement				
				<i>Remeasurements of the net defined benefit liability comprising:</i>				
(2.23)	-	-	(2.23)	Return on plan assets (excluding the amount included in the net interest expense)	86.68	-	-	86.68
(69.39)	(0.15)	(0.05)	(69.59)	Actuarial (gains) / losses due to changes in financial assumptions	(393.85)	(1.01)	(0.28)	(395.14)
(10.47)	(0.10)	(0.05)	(10.62)	Actuarial (gains) / losses due to changes in demographic assumptions	(0.38)	0.01	-	(0.37)
3.39	0.02	0.01	3.42	Actuarial (gains) / losses due to liability experience	65.04	0.53	0.21	65.78
(78.70)	(0.23)	(0.09)	(79.02)	Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(242.51)	(0.47)	(0.07)	(243.05)
				Movement in Reserves Statement:-				
(46.64)	(0.14)	(0.09)	(46.87)	Reversal of net charges made for retirement benefits in accordance with IAS 19	48.53	0.16	0.06	48.75
				Actual amount charged against the Council Fund Balance for pensions in the year				
16.35	0.47	0.30	17.12	Employer's Contributions payable to the scheme	18.59	0.47	0.29	19.35
(26.21)	(0.47)	(0.30)	(26.98)	Retirement Benefits Paid Out	(25.71)	(0.47)	(0.29)	(26.47)

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
2021-22 £m	2021-22 £m	2021-22 £m	2021-22 £m		2022-23 £m	2022-23 £m	2022-23 £m	2022-23 £m
(1,036.77)	(6.14)	(2.48)	(1,045.39)	Present value of defined benefit obligation	(757.64)	(5.36)	(2.18)	(765.18)
795.89	-	-	795.89	Fair Value of Plan Assets	729.33	-	-	729.33
(240.88)	(6.14)	(2.48)	(249.50)	Net liability arising from defined benefit obligation	(28.31)	(5.36)	(2.18)	(35.85)

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

2021-22 £m		2022-23 £m
782.07	Opening fair value of scheme assets at 1 April	795.89
16.38	Interest income on assets	21.48
2.23	The return on plan assets, excluding the amount included in the net interest expense	(86.68)
17.12	Contributions by Employer	19.35
5.07	Contributions by Participants	5.76
(26.98)	Net Benefits Paid Out	(26.47)
795.89	Balance as at 31 March	729.33

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
2021-22	2021-22	2021-22	2021-22		2022-23	2022-23	2022-23	2022-23
£m	£m	£m	£m		£m	£m	£m	£m
1,071.36	6.70	2.81	1,080.87	Opening balance at 1 April	1,036.77	6.14	2.48	1,045.39
40.74	-	-	40.74	Current Service Cost	42.20	-	-	42.20
22.28	0.14	0.06	22.48	Interest Cost	27.73	0.16	0.06	27.95
5.07	-	-	5.07	Contributions from scheme participants	5.76	-	-	5.76
				<i>Remeasurement (gains) and losses:</i>				
(69.39)	(0.15)	(0.05)	(69.59)	Actuarial gains / losses arising from changes in financial assumptions	(393.85)	(1.01)	(0.28)	(395.14)
(10.47)	(0.1)	(0.05)	(10.62)	Actuarial gains / losses arising from changes in demographic assumptions	(0.38)	0.01	-	(0.37)
3.39	0.02	0.01	3.42	Actuarial gains / losses arising from changes in liability experience	65.04	0.53	0.21	65.78
-	-	-	-	Past Service Cost	0.08	-	-	0.08
(29.21)	(0.47)	(0.3)	(26.98)	Benefits Paid	(25.71)	(0.47)	(0.29)	(26.47)
-	-	-	-	Liabilities extinguished on settlements				
1,036.77	6.14	2.48	1,045.39	Balance as at 31 March	757.64	5.36	2.18	765.18

Local Government Pension Scheme assets comprised:

Restated Fair Value of Scheme Assets 2021-22 £m	Asset Split 2021-22 %		Fair Value of Scheme Assets 2022-23 £m	Asset Split 2022-23 %
536.43	67.4	Equities	496.67	68.10
58.1	7.30	Property	56.89	7.80
95.51	12.00	Government bonds	76.58	10.50
102.67	12.90	Corporate bonds	90.44	12.40
3.187	0.40	Cash and cash equivalents	8.75	1.20
795.89	100.00	Total assets	729.33	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:

2021-22 % pa		2022-23 % pa
2.7	Discount rate	4.7
3.0	CPI Inflation	2.7
3.0	Rate of pension increases	2.0
4.25	Rate of salary increases	3.95
	<i>Mortality Assumptions:</i>	
	Longevity at 65 for current pensioners :-	
21.6	Men	21.6
23.9	Women	24.2
	Longevity at 65 for future pensioners :-	
22.6	Men	22.9
25.4	Women	25.7

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 2021-22 £m	Decrease in Assumption 2021-22 £m		Increase in Assumption 2022-23 £m	Decrease in Assumption 2022-23 £m
(20.74)	20.74	Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(12.88)	12.88
2.07	(2.07)	Rate of increase in salaries (increase or decrease by 0.1%)	0.76	(0.76)
18.66	(18.66)	Rate of increase in pensions (increase or decrease by 0.1%)	12.12	(12.12)
36.29	(35.25)	Longevity (increase or decrease in 1 year)	19.70	(20.24)

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 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 2024 are:

	2023-24 £m
Local Government Pension Scheme	20.14
LGPS Unfunded	0.24
Teachers Unfunded	0.09
Total	20.47

The weighted average duration of the defined benefit obligation for the scheme members is 20.47 years.

Teachers

In 2022-23, the Council paid £14.186 million (£13.348 million for 2021-22) 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 2022-23, these amounted to £0.368 million (£0.341 million for 2021-22).

31. Financial Instruments Disclosures

Categories of Financial Instruments

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

Financial Assets

31 March 2022					31 March 2023			
Current		Non-current			Current		Non-current	
Investments £'000	Debtors £'000	Investments £'000	Total £'000		Investments £'000	Debtors £'000	Investments £'000	Total £'000
80,732	9,236	-	89,968	Amortised Cost	66,981	8,814	5,089	80,884
6,488	-	-	6,488	CCRCD	6,488	-	-	6,488
87,220	9,236	-	96,456	Total financial assets	73,469	8,814	5,089	87,372
-	-	5,585	5,585	Non-financial assets	-	-	5,845	5,845
-	-	2,733	2,733	CCRCD	-	-	2,733	2,733
-	-	8,318	8,318	Total Non-financial assets	-	-	8,578	8,578
87,220	9,236	8,318	104,774	Total	73,469	8,814	13,667	95,950

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

The £8.814m (2021-22: £9.236 million) debtors figure in the table above relates to trade debtors for goods and services delivered and is included in the overall debtors figure of £61.851 million (2021-22: £68.789 million) included in the balance sheet. More information in relation to debtors can be found at note 23.

Financial Liabilities

31 March 2022					31 March 2023			
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
(1,291)	(5,176)	(114,203)	(120,670)	Amortised Cost	(1,338)	(7,913)	(113,051)	(122,302)
		(2,385)	(2,385)	CCRCD			(2,385)	(2,385)
(1,291)	(5,176)	(116,588)	(123,055)	Total	(1,338)	(7,913)	(115,436)	(124,687)

The current borrowings figure above includes £0.269 million of accrued interest payable for the year.

The current creditors figure of £7.913 million (2021-23: £5.176 million) relates to trade creditors for goods and services received of £7.495 million (2021-22: £4.694 million) and £0.418 million (2021-22: £0.482 million) monies held by the Council on behalf of third parties and is included in the overall creditors figure of £56.131 million (2021-22: £56.749 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 2022 Gross Assets (Liabilities) £'000	Offsetting of Financial Assets and Liabilities	31 March 2023 Gross Assets (Liabilities) £'000
6,303	Bank Accounts in Credit	4,282
6,303	Total Financial Assets	4,282
(9,302)	Bank Overdrafts	(6,933)
(9,302)	Total Financial Liabilities	(6,933)
(2,999)	Net Position	(2,651)
(373)	Bank uncleared amounts	(275)
(3,372)	Net position in Balance Sheet	(2,926)

Income, expense, gains and losses

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

31 March 2022				31 March 2023		
Financial Liabilities Amortised Cost £'000	Financial Assets Amortised Cost £'000	Total £'000		Financial Liabilities Amortised Cost £'000	Financial Assets Amortised Cost £'000	Total £'000
5,735	-	5,735	Interest Expense	5,730		5,730
	(840)	(840)	Investment Income and Other Interest Receivable		(2,503)	(2,503)
	(16)	(16)	CCRCD		(16)	(16)
5,735	(856)	4,879	Net (gain)/loss for the year	5,730	(2,519)	3,211

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. In addition, there are no assets held at amortised cost for 2022-23.

31 March 2022		Financial Liabilities	31 March 2023	
Carrying amount £'000	Fair Value £'000		Carrying amount £'000	Fair Value £'000
		Financial liabilities held at amortised cost:		
(77,617)	(98,909)	PWLB	(77,617)	(75,568)
(19,774)	(29,400)	LOBOs	(19,757)	(22,561)
(2,683)	(2,436)	Salix Loans	(2,654)	(2,573)
(14,129)	(19,325)	PFI and other long term liabilities	(13,023)	(19,419)
(114,203)	(150,070)	Total	(113,051)	(120,121)

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 the Council agenda Item 9 – Treasury Management and Capital Strategies 2022-23 [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 2023 the Council had the following exposure to credit risk. £53 million of the £74.50 million investments outstanding at 31 March 2023 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 £3,596. 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+	-
	AA-	(10,500)
	AA	(3,000)
	A+	(5,000)
	A	(3,000)
Simplified approach	LA	(53,000)
TOTAL		(74,500)

Council does not generally allow credit for its customers (trade debtors) such that all the trade debtors are recognised as short term, however, £3.482 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 Council can access Public Works Loan Board (PWLB) borrowing. 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 2022 £'000	Maturity Analysis Financial Liabilities	31 March 2023 £'000
(7,495)	Less than 1 year	(5,451)
(1,459)	Between 1 and 2 years	(4,932)
(13,570)	Between 2 and 5 years	(5,444)
(24,027)	Between 5 and 10 years	(7,660)
(18,934)	Between 10 and 20 years	(13,026)
(36,389)	More than 20 years	(36,389)
(19,774)	Uncertain date*	(19,757)
(121,648)	Total Financial Liabilities	(92,659)

* 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 2022, if there had been a 1% change in interest rates with all other variables held constant, the financial effect would be approximately:

	Estimated £'000 + 1%	Estimated £'000 -1%
Interest payable on variable rate borrowings	133	0
Interest receivable on variable rate investments	(501)	(501)
Impact on Surplus or Deficit on Provision of Services	(368)	501

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 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

Where an event or information arises after the reporting period (i.e. after 31 March 2023) that relates to conditions existing at 31 March 2023, certain figures in the financial statements and notes would be adjusted if necessary, in all material respects, in order to reflect the impact of the event or information. There have been no such events after 31 March 2023 that have required reporting.

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 2023 the Council was not aware of any contingent liabilities.

Notes to the Cash Flow Statement

35. Adjustments for Non-cash Movements

2021-22 £'000		2022-23 £'000
(6,480)	Depreciation & Impairment of Assets	(18,172)
(294)	Movement in Inventories, Debtors & Creditors	(5,338)
(29,570)	Pension Fund Adjustments	(29,400)
(4,740)	Provisions	143
(827)	Disposal of Non Current Asset	(2,863)
484	Changes in Fair Value of Investment Property	260
920	CCRCD Revenue and Capital contributions recognised in CIES	
(40,687)	Adjustments to net deficit on the provision of services for non-cash movements	(55,370)

36. Operating Activities

The cash flows for operating activities include the following items:

2021-22 £'000		2022-23 £'000
(41,674)	Cash Flow on Revenue Activities	1,324
4,552	Interest Paid	4,594
1,178	Interest element of finance lease and PFI rental payments	1,106
(856)	Interest Received	(2,037)
(22)	CCRCD	
(36,822)	Net Cash Flows from Operating Activities	4,987

37. Investing Activities

The cash flows for investing activities include the following items:

2021-22 £'000		2022-23 £'000
24,590	Purchase of Property, Plant and Equipment and Intangibles	26,176
(3,021)	Purchase / (Proceeds) from Short Term Investments	7,897
(254)	Proceeds from sale of Property, Plant and Equipment and Investment Property	(3,833)
295	CCRCD Long Term Debtors/Investments	
21,610	Net Cash Flows from Investing Activities	30,240

38. Financing Activities

The cash flows for financing activities include the following items:

2021-22 £'000		2022-23 £'000
(3,401)	Cash Receipts of short and long term borrowing	(1)
(19,731)	Other Receipts from financing activities	(18,667)
2,000	Repayments of short and long term borrowing	-
(2,157)	CCRCD – HMT and other grants received	
(23,289)	Net Cash Flows from Financing Activities	(18,668)

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

Opinion on financial statements

I have audited the financial statements of Bridgend County Borough Council for the year ended 31 March 2023 under the Public Audit (Wales) Act 2004.

Bridgend County Borough Council's financial statements comprise the Expenditure and Funding Analysis, Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.

In my opinion the financial statements:

- give a true and fair view of the financial position of Bridgend County Borough Council as at 31 March 2023 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Council [and its group] in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial officer is responsible for the other information in the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements,

I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of Bridgend County Borough Council and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report nor the Governance Statement.

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

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 14, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statements of accounts, the responsible financial officer is responsible for assessing Bridgend County Borough Council's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Council's policies and procedures concerned with:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and biases in accounting estimates.
- obtaining an understanding of the Council's framework of authority as well as other legal and regulatory frameworks that the Council operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Bridgend County Borough Council.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Council;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all the audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Council's controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Certificate of completion of audit

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

Adrian Crompton
Auditor General for Wales

24 Cathedral Road, Cardiff CF11 9LJ

XXXX 2023

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

Glossary Of Terms

Accrual

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

Actuary

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

Amortisation

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

Audit

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

Balance Sheet

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

Budget

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

Capital expenditure

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

Capital Adjustment Account

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 body 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 and cannot be allocated to specific services. 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 material 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 loan facility provided by the Government Debt Management Office (DMO), which provides longer term loans to local authorities.

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.

Picture back cover: Bryngarw Country Park

