



# Statement of Accounts 2013-14

Electronic Version - unsigned

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## Explanatory Foreword

### 1. The Statement Of Accounts

The accounts for 2013-14 have been produced in line with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2013. This is in accordance with International Financial Reporting Standards (IFRS). The main changes include guidance on the new disclosures required for transfers of financial assets.

The accounts consist of the following financial statements:

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

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

**b) Annual governance statement**

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

**c) Statement of accounting policies**

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

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

1. Movement in Reserves Statement (MIRS)

This statement shows the movement in the year on different reserves held by the Council. These are analysed into 'usable reserves' i.e. those that can be applied to fund expenditure or reduce local taxation and other 'unusable' reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, details of which can be found in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance when the Council sets the annual revenue budget. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory Council Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council. This shows that the total Council fund balance has increased by £0.075 million.

2. The Comprehensive Income & Expenditure Statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded in cash terms when the budget is set. Therefore, some caution is required in interpreting this statement as the cost of services shown includes items such as depreciation on the fixed assets owned by the Council and the estimated cost of the shortfall on the pension scheme, which are not directly funded by the Council Tax payer.

For 2013-14, the Council showed a deficit on the Comprehensive Income and Expenditure Statement of £25.342 million. This does not however reflect the budgeted financial position of the Council, as it includes charges for pension costs and capital charges.

3. Balance Sheet

This shows the Council's financial position as at 31 March 2014, where the net worth was £154.343 million. The statement summarises the Council's assets and liabilities and the balances and reserves at the Council's disposal, used in the Council's operations.

4. Cash Flow Statement

This shows the changes in cash and cash equivalents of the Council during the financial year. It illustrates how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services. Investing activities represent the extent to which cash outflows have been made from resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of borrowing to the Council. The cash and cash equivalent position of the Council has decreased by £10.221 million.

e) **The Notes to the Accounts**

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

2. **Funding Council Services**

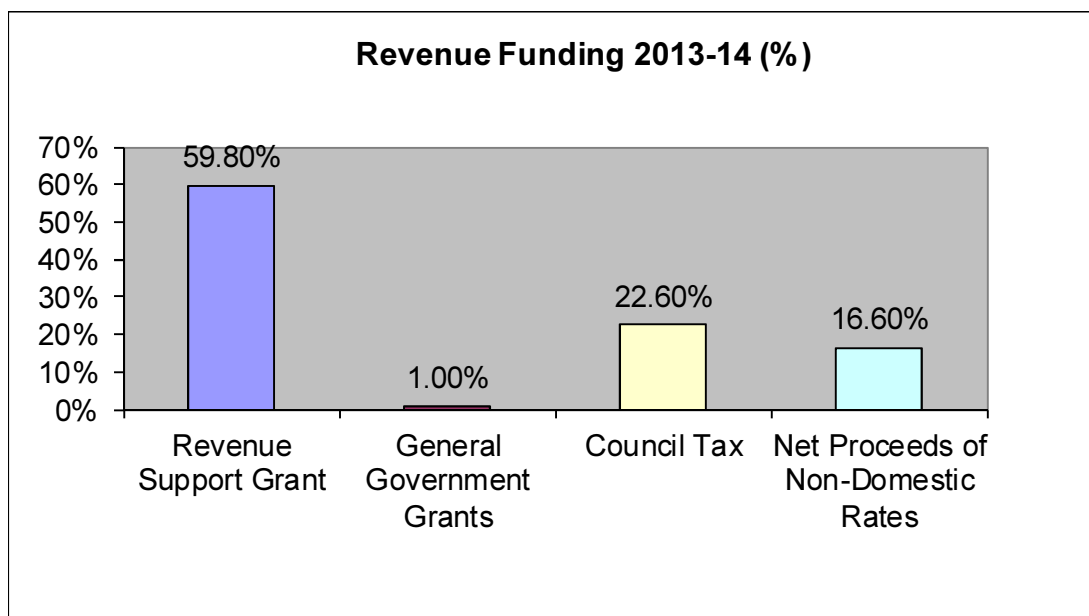
The Council incurs two types of expenditure – revenue expenditure and capital expenditure.

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

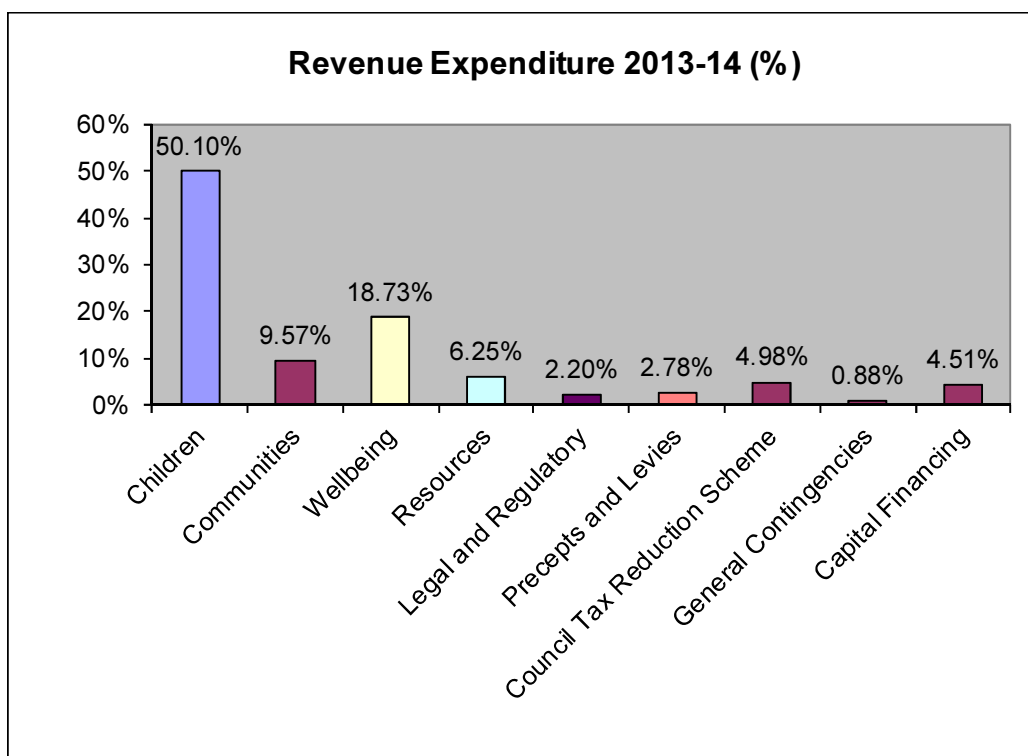
**Capital expenditure** covers spending on assets such as roads, new schools, redevelopment and the major renovation of buildings. These assets will provide benefits to the community for several years and the expenditure is mainly financed by borrowing and capital grants.

a) Revenue spending on council services

Where the money came from.....



Where the money was spent.....



In 2013-14, the net spend on revenue services was £220.777 million. This compares to £222.435 million anticipated when the budget was revised, resulting in a £1.658 million under-spend on Directorate Budgets. The overall

position for the Council was a slight under-spend of £75,000 after allowing for appropriation to Earmarked Reserves, additional income from council tax and an under-spend on general contingencies.

The following table shows how the actual expenditure on services during 2013-14 compared with the budget set for the year. Explanations are provided for significant differences between spend and budget.

Comparison of actual spend with budget 2013-14

	<b>Original Budget 13-14 £'000</b>	<b>Budget Transfers In Year £'000</b>	<b>Revised Budget 13-14 £'000</b>	<b>Actual 13-14 £'000</b>	<b>Variance 13-14 £'000</b>
<b>Directorates</b>					
Children	125,010	2,416	127,426	127,351	(75)
Wellbeing	45,891	2,059	47,950	47,616	(334)
Communities	23,378	955	24,333	24,328	(5)
Resources	16,546	318	16,864	15,898	(966)
Legal & Regulatory Services	5,677	185	5,862	5,584	(278)
<b>Total Directorate Budgets</b>	<b>216,502</b>	<b>5,933</b>	<b>222,435</b>	<b>220,777</b>	<b>(1,658)</b>
Precepts & Levies	7,050	(2)	7,048	7,063	15
General Contingencies	10,756	(7,713)	3,043	2,084	(959)
Council Tax reduction Scheme	12,625	-	12,625	12,671	46
Capital Financing	10,715	(50)	10,665	10,393	(272)
<b>Net Expenditure</b>	<b>257,648</b>	<b>(1,832)</b>	<b>255,816</b>	<b>252,988</b>	<b>(2,828)</b>
General Government Grants	(2,539)	-	(2,539)	(2,539)	-
NNDR Discretionary Rate Relief	111	-	111	128	17
Appropriation to/(from) Reserves	(490)	1,832	1,342	5,622	4,280
<b>Net Budget</b>	<b>254,730</b>	<b>-</b>	<b>254,730</b>	<b>256,199</b>	<b>1,469</b>
Revenue Support Grant	(154,722)	-	(154,722)	(154,722)	-
Non Domestic Rates	(43,154)	-	(43,154)	(43,154)	-
Council Tax	(56,854)	-	(56,854)	(58,398)	(1,544)
<b>Net (Under)/Overspend on Services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(75)</b>	<b>(75)</b>

Revised budgets differ from those set at the beginning of the year as they reflect any budget transfers from central funds and reserves to cover unplanned expenditure, along with transfers between Directorates resulting from realignment of responsibilities.

Reasons for differences between budget and spend

The financial position as at 31 March 2014 showed an under-spend on service expenditure within the year of £1.658 million. A summary of the most significant variances is outlined below:-

➤ **Children's Directorate**

The net budget for the Directorate for 2013-14 was £127.426 million and the actual outturn was £127.351 million, resulting in an underspend of £75,000. An overspend of over £691,000 on Looked After Children has been offset by underspends across other services in the directorate.

The most significant variances are detailed below:

<b>BRIDGEND C.B.C</b>	<b>Net Budget £,000</b>	<b>Outturn £,000</b>	<b>Variance Over/(under) budget £'000</b>	<b>% Variance</b>
<b>CHILDRENS DIRECTORATE</b>				
Schools Additional Learning Needs Services	2,778	2,574	(204)	-7.3%
Inter-Authority Recoupment / Out of County	(48)	492	540	-1125.0%
School Improvement	855	742	(113)	-13.2%
School Delegated Budgets	85,863	85,863	0	0.00%
Prudential Borrowing for Schools	584	133	(451)	-77.2%
Business Strategy and Support	896	682	(214)	-23.9%
Home to School / College Transport	5,298	5,537	239	4.5%
Catering Services	977	547	(430)	-44.0%
Looked After Children	10,985	11,676	691	6.3%
Family Support Services	1,290	1,126	(164)	-12.7%
Youth Justice	573	791	218	38.0%
Commissioning and Social Work	4,292	4,434	142	3.3%

**Learning**

**Schools Additional Learning Needs Services**

- The underspend of £204,000 relates to senior management vacancies in respect of services for pupils with additional learning needs, both in centrally provided services and resource bases.

**Out of County Placements**

- There is a total overspend of £540,000 in relation to inter-authority recoupment and out of county education expenditure. An overspend of £346,000 arose on the education budget for Out of County Placements, which is used to fund placements for Bridgend children in independent or mainstream schools in other local authorities. For some places the cost of the place is part-funded by ABMU health board, but for others the local authority meets the full cost. The overspend arose due to the need for additional placements in-year, with 40 children occupying out of county placements during the year.

There was also a reduction in income from other local authorities of £194,000 as a result of a reduction in the number of children from other authorities occupying places at Bridgend special schools, falling to 30 places from the 33 places that were budgeted for.

**School Improvement**

- The underspend of £114,000 relates to vacancies held in the service, along with general efficiencies made on miscellaneous materials and resources following the transfer of staff to the Joint Education Service.

**Strategic Partnerships and Commissioning****Prudential Code Repayments**

- Savings from school amalgamations are used to fund prudential borrowing to support the School Modernisation Programme, in particular the new Coleg Cymunedol y Dderwen. Due to adjustments to funding requirements for 2013-14, and slippage in the capital programme into 2014-15 there was an underspend of £450,000, which is being used to offset overspends in other parts of the budget.

**Business Strategy / Strategic Management**

- There is an underspend of £214,000 due to the delay in filling some posts in the Business Strategy and Support service, and short term vacancies in relation to strategic management.

**Home to School / College Transport**

- An overspend has arisen on the home to school and college transport budgets of £239,000 due to increased transport requirements for pupils with additional learning needs and looked after children. The overspend is also partly attributable to rising transport costs.

**Catering Service**

- The underspend on the catering service was £430,000. A substantial amount of this was due to the higher number of trading days for the service, arising from the lack of inclement weather and its usual impact on school opening days. This resulted in 1,186,951 primary meals being served in 2013-14 compared to 1,155,488 in 2012-13, although income from secondary schools was lower than in the previous year. Investment in kitchens to enable the Council to meet the Appetite for Life agenda was delayed due to problems fitting in works with school holidays, resulting in an underspend on this budget. Works will be progressed in the new financial year.

**School Delegated Budgets**

- School balances reduced from £3.737 million at the end of 2012-13 to £2.467 million at the end of March 2014, representing 2.7% of the funding available. Schools were required to draw down £1.27 million from their carried forward balances in order to balance their 2013-14 budget.

There are 11 schools (1 nursery, 9 primary, 1 secondary) with deficit budgets and 17 schools (9 primary, 6 secondary, 2 special) with balances in excess of the statutory limits (£50,000 primary, £100,000 secondary and special schools) in line with the School Funding (Wales) Regulations 2010.

**Safeguarding and Family Support****Looked After Children (LAC)**

- An overspend of £691,000 has arisen on the budget for Looked After Children (LAC). This is a continuous pressure and although additional funding was allocated in the Medium Term Financial Strategy, the increase in the placement numbers continue to exceed the budget in the current



financial year. As at the end of March the authority had 412 looked after children, an increase of 25 since March 2013. Additional funding has been provided in the Council's MTFS 2014-15 to 2016-17.

#### Family Support Services

- The underspend of £164,000 has arisen through a combination of events – clawbacks of direct payments (£33,000), reduced residence orders (£40,000) maximisation of grant income (£28,000) and efficiency savings on volunteer drivers (£37,000).

#### Youth Justice

- There is an overspend of £284,000 on the Resolutions fostering service as a result of reduced take up by partner authorities. This has been partially offset by an underspend on the Youth Offending Service of £65,000 due to tight vacancy management. The resolutions service is set to be disbanded in March 2015 when foster carers within the Resolutions service will transfer to Bridgend.

#### Commissioning and Social Work

- The overspend of £142,000 is mainly due to the high costs associated with the temporary backfilling of social work posts through employment agencies to cover vacancies.

### ➤ **Wellbeing Directorate**

The Directorate's net budget for 2013-14 was £47.950 million and the actual outturn, after the application of earmarked reserves, was £47.616 million resulting in an underspend of £334,000. This is made up of an underspend of £253,000 on Adult Social Care and an underspend of £81,000 on Healthy Living services. The Adult Social Care overspend has reduced by approximately £337,000 compared to the projection at quarter 3 reflecting maximisation of Western Bay grant and other funding, and increased income from residential establishments. There were specific earmarked reserves set aside to offset some of the costs associated with integrating health and social care, and this is reflected in the outturn position.

The most significant variances are detailed below:

BRIDGEND C.B.C	Net Budget £,000	Outturn £,000	Variance Over/(under ) budget £'000	% Variance
<b>WELLBEING DIRECTORATE</b>				
Older People Residential Care	8,279	7,889	(389)	-4.7%
Older People Home Care	7,814	8,264	450	5.8%
Learning Disabilities Supported Accommodation	509	389	(120)	-23.6%
Learning Disabilities Direct Payments	1,435	1,321	(114)	-7.9%
Learning Disabilities Day Opportunities	3,593	3,798	205	5.7%
Mental Health Homecare	21	155	134	638.1%
Adult Social Care Support Services & Management	2,771	2,569	(203)	-7.3%
Bryngarw House	97	212	115	118.6%

#### Older People Residential Care

- During the year the number of residential care placements has reduced, with more people staying in their own homes for longer, thereby increasing pressure on domiciliary care services. The numbers of residential placements has reduced over the year from 497 at the start of the year to 478 by the end of the year, resulting in a net expenditure reduction of £328,000. The balance of savings (£61,000) has been achieved across the internally provided homes through careful cost control and energy efficiency savings.

#### Older People Home Care

- The overspend of £450,000 on home care services for Older People reflects the increasing demand for the provision of domiciliary care services, which in part offsets the reductions on residential care numbers, but is also indicative of the continued rise in the older population.

#### Learning Disabilities Supported Accommodation

- The budget for the Shared Lives Service was underspent by £120,000. The scheme has held a number of staff vacancies during the year and has also had 4 placement vacancies during the year, in addition to lower than anticipated demand for respite care.

#### Learning Disabilities Direct Payments

- The underspend of £114,000 relates to reimbursements received from service users who had not fully utilised the monies allocated to them.

#### Learning Disabilities Day Opportunities

- The budget for Day Opportunities included MTFS savings of £178,000, which have proved challenging to achieve during this financial year. These will be progressed in 2014-15.

#### Mental Health Homecare

- The overspend of £134,000 has arisen as a result of increasing demand on the service, in particular the higher incidence of dementia cases.

Support Services and Management

- There is an underspend of £81,000 on the Social Care Workforce Development training budget as a result of staff vacancies. There are also underspends on service specific training budgets (£53,000) and staff advertising budgets (£30,000). Further savings have been generated in relation to premises costs and management costs, giving a total underspend across these services of £39,000.

Bryngarw House

- The continued pressure on income levels is the primary reason for the overspend of £115,000. The service has restructured in recent months and changed its operational model, including opening hours, to try and reduce the cost of future service provision.

➤ **Communities Directorate**

The net budget for the Directorate for 2013-14 was £24.333 million and the actual outturn is £24.328 million resulting in an underspend of £5,000. The outturn report below highlights the most significant variances and outlines any action taken to address these variances in 2014-15.

The most significant variances are detailed below:

<b>BRIDGEND C.B.C</b>	<b>Net Budget £,000</b>	<b>Outturn £,000</b>	<b>Variance Over/(under) budget £'000</b>	<b>% Variance</b>
<b>COMMUNITIES DIRECTORATE</b>				
Development Control/Planning and Building Control	455	669	214	47%
Housing and Community Regeneration	1,566	1,224	(342)	-21.9%
Regeneration	2,171	2,061	(110)	-5.1%
Waste Collection and Disposal	7,060	6,820	(240)	-3.4%
Car Parking	(798)	(537)	261	-32.7%
Highways and Fleet	6,894	7,122	228	3.3%

Development Control and Building Control

- There is a combined overspend of £268,000 on the Development Control and Building Control budgets primarily due to a shortfall in recovery of income. This has been offset by savings on staffing and other budget heads within Development Planning (£54,000). The shortfall has improved since 2012-13, but a permanent budget re-alignment of £200,000 has been made in 2014-15 to reflect a more realistic fee income target.

Housing and Community Regeneration

- There is an underspend of £342,000 on the Housing & Community Regeneration service. This comprises an underspend of £220,000 on temporary accommodation, resulting from a more proactive response to homelessness, with the balance from staff vacancy management. .

Regeneration

- There is an underspend of £110,000 on the Regeneration budget. This is primarily due to staff vacancy management. Staff vacancies have been held to meet savings targets within the MTFS for 2014-15.

Waste Collection and Disposal

- The underspend of £240,000 on waste collection and disposal has been achieved partly through staff vacancies and partly as a result of one-off savings from procurement delays in regional projects e.g. anaerobic digestion. There will be a further reduction to the Sustainable Waste Management Grant in 2014-15 and the budget will be realigned in 2014-15 to reflect this.

Car Parking

- There is an overspend of £261,000 on the car parking budget. This is mainly due to an under-recovery of income following delays in implementing previous years' budget saving proposals. Budgets have been re-aligned in 2014-15 to reflect a realistic fee income budget going forward.

Highways and Fleet

- There is an overspend of £228,000 attributable primarily to an overspend on the Waterton depot running costs (£100,000), and vehicle leasing costs (£140,000). The depot rationalisation project should result in reduced running costs in the longer term, as the service will be operating from a newer facility. In addition, Fleet management are identifying alternative methods of financing vehicles with cheaper options being sourced where possible – e.g spot hire, prudential borrowing.

➤ **Resources Directorate**

The net budget for the Directorate for 2013-14 was £16.864 million and the actual outturn was £15.898 million resulting in an underspend of £966,000. The most significant variances are detailed below:

Financial Services

- There is an underspend of £254,000 on Financial Services arising from a combination of staff vacancies and reduced bank and audit fees (£79,000), coupled with an underspend on insurance provision (£122,000) as a result of lower claims being made against the Council than anticipated. Staff vacancies have been held pending restructures in 2014-15.

Human Resources & Organisational Development

- The underspend of £76,000 in this service is as a result of vacancies held pending restructures to meet MTFS savings in 2014-15.

ICT and Customer Care

- There is an underspend of £281,000 of which £115,000 relates to efficiencies generated in relation to software, hardware and telephone costs. These reductions contribute to the 2014-15 MTFS savings. In addition unanticipated grant income, e.g. from Communities First grant, has been used to offset core staffing costs with savings also accruing from staff vacancies which have been held to meet MTFS savings planned for 2014-15.

Property and Building Services

- There is an overall underspend on Property and Building Services of £277,000, of which £226,000 relates to income generated by the Built

Environment Service, with the balance attributable to staff vacancies, which have been held to meet MTFS savings planned for 2014-15.

➤ **Legal & Regulatory Services**

There is an overall underspend on this service of £277,000 mainly as a result of vacant posts held to meet the vacancy freeze and planned budget savings proposals for 2014-15, along with additional income raised by the registrars and regulatory services. This overall position masks an underlying projected budget pressure of around £200,000 on childcare legal costs and court fees which has been addressed in the 2014-15 budget.

➤ **Council wide budgets**

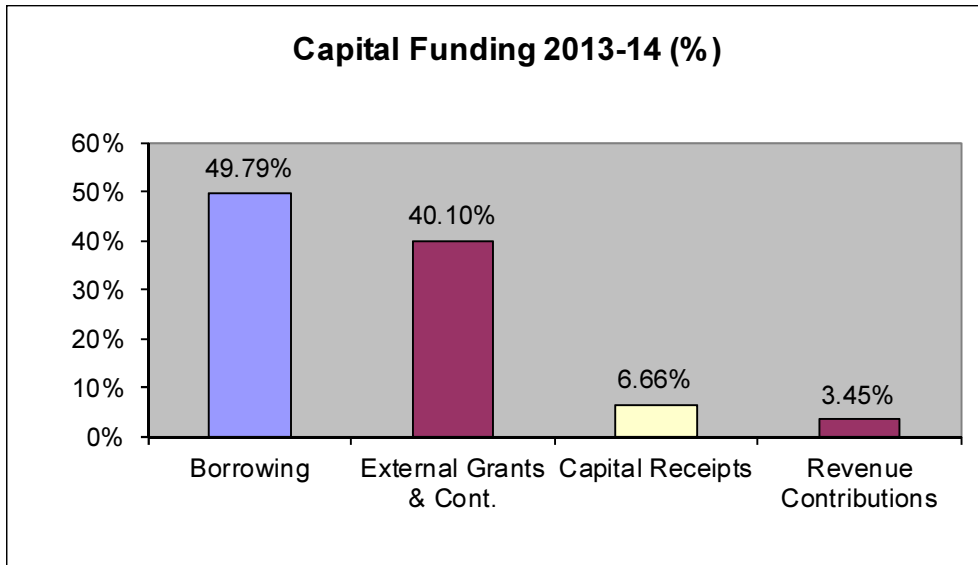
Council Wide budgets include an underspend of £351,000 on the capital financing budgets which was due to a combination of reduced financing costs because of timing differences between borrowing and repayments and enhanced investment income. There were also underspends on the central contingency, building maintenance and pump priming budgets because of delays in building works and the call on contingency being less than in previous years, partly because of the relatively mild winter weather. In addition, council tax income accrued in the year amounted to £1.544m. These underspends have been allocated as outlined in paragraph 4.1.6

**b) Capital spending in 2013-14**

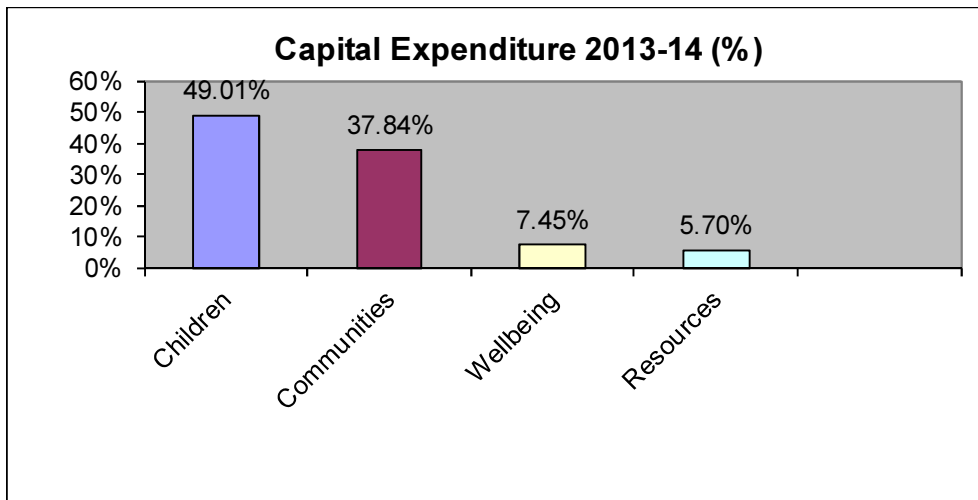
In addition to spending money on providing services on a day to day basis, the Council also spends money on providing new facilities, improving assets and the infrastructure, enhancing assets or providing capital grants to others. The total capital spending in 2013-14 was £36.853 million. Assets created, improved or work in progress as a result of this spend included:

- Coleg Cymunedol y Dderwen (Gateways to Valleys College)
- Bridgend Town Centre Regeneration
- Pen y Fai Primary School
- Maesteg Market Regeneration
- Porthcawl Harbour Infrastructure
- Carriageway Reconstruction
- Bridgend Recreation Centre Refurbishment
- Celtic Court Purchase

Where the money came from.....



What the money has been spent on.....



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

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

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

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

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

	2013-14 £m
<b>Authorised limit for external debt</b>	
Borrowing	146
Other long term liabilities	30
<b>Total</b>	<b>176</b>
<b>Operational Boundary</b>	
Borrowing	115
Other long term liabilities	24
<b>Total</b>	<b>139</b>

As can be seen from the Balance Sheet as at 31 March 2014 long term borrowing totalled £ 97.451 million (£97.474 million 2012-13) and long term liabilities totalled £20.923 million (£20.661 million 2012-13) so the Council has operated within the limits set.

### 3. The Council's reserves

The financial reserves held by the Council as at 31 March 2014 can be summarised as follows:

	Opening Balance £'000	Movement £'000	Closing Balance £'000
Council Fund	7,320	75	7,395
Delegated Schools	3,737	(1,270)	2,467
Maesteg School PFI Equalisation Fund	2,639	412	3,051
Earmarked Reserves	29,225	3,156	32,381
<b>Total Reserves</b>	<b>42,921</b>	<b>2,373</b>	<b>45,294</b>

The Delegated Schools Balances represent amounts held by schools that are committed to be spent on the Education service and are not available to the Authority for general use. Whilst the majority of schools have surplus balances, some are carrying deficits into 2014-15. As part of the requirements of the Financial Scheme for Schools, schools have been asked to provide reasons for their balances. Reasons can include issues such as falling rolls, negative retrospective adjustments and planned initiatives.

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

Further information about earmarked reserves can be found in the note 30b to the main financial statements

#### **4. Pension Fund Liability**

Disclosure information about retirement benefits in the Statement of Accounts is based on International Accounting Standard (IAS) 19. The pension fund liability that is disclosed in the Balance Sheet is the net position taking into account this Council's notional value of the fund assets, and the amount of money that needs to be set aside to meet the pension earned up to 31 March 2014. This deficit will change on an annual basis dependent on the performance of investments, the actuarial assumptions that are made in terms of current pensioners, deferred pensions and current employees, and the contributions made to the fund. The Pension Liability for 2013-14 is £243.900 million (£318.170 million in 2012-13). It is matched on the Balance Sheet with a pension reserve.

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

#### **5. The Main Changes to the Accounts for 2013-14 compared to 2012-13**

The Council's accounts for the financial year 2013-14 have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2013 ('the Code'). This specifies the principles and practices of accounting required to prepare a Statement of Accounts which presents fairly the financial position and transactions of a Local Authority. As identified in the Statement of Accounts for 2012-13, a revised IAS19 came into force for accounting periods beginning after 1 April 2013. This has resulted in a new classification of defined benefits costs, and set new definitions linked to recognition criteria (e.g. past service costs), which has resulted in some amendments to the format of the CIES. This has necessitated a restatement of these areas within the CIES, MIRS, and Cash flow statement for 2012-13, including the necessary supporting disclosure notes.

#### **6. The Impact of the Current Economic Climate on the Authority**

The Council's Medium Term Financial Strategy indicates that a number of budget reductions will be challenging and a number of proposals are dependent on re-engineering and remodelling services. It is important that proposals are progressed as quickly as possible and timescales adhered to. The level of



balances held is sufficient to enable the Council to respond to unforeseen eventualities but the council fund balance must be retained at around the current level. Service spending must be controlled within budgets to ensure that the financial position of the Council is not compromised. Whilst projections of future funding have been made available these are only indicative estimates and the position could change for future years.

## The Statement of Responsibilities for The Statement of Accounts

### The Council's responsibilities

The Council is required to:

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

### Section 151 Officer's Responsibilities

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

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

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

The Section 151 Officer has also:

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

#### **Section 151 Officer's Certificate**

I certify that the Statement of Accounts presents a true and fair view of the financial position of Bridgend County Borough Council at 31 March 2014 and of its income and expenditure for the year ended 31 March 2014.

**Signed :**

**Section 151 Officer**

**Date :**

## Annual Governance Statement 2013-14

### **1. Scope of Responsibility**

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

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

- 2.1 The governance framework comprises the systems, processes, and values by which the Council is directed and controlled and the means by which it accounts to, engages with and leads the local community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to avoid inappropriate use or loss of public funds. It also assists with managing the risk of failure to achieve policies, aims and objectives. It does not eliminate all risk; the system of internal control is designed to identify and prioritise risks, evaluate the likelihood of those risks materialising and to manage their impact.
- 2.3 The following paragraphs summarise the governance framework and the system of internal control, which has been in place within the Council for the year ended 31 March 2014. The description of the arrangements in place is built around the core principles set out in the Council's Code of Corporate Governance.

### **3. The Governance Framework**

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

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

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

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

4.1 The Council's published Corporate Plan 2013-2017 included Improvement Priorities which are aligned with the key outcomes of the Local Service Board's 'Bridgend County Together' Single Integrated Partnership Plan. This ensures that the Council is able to deliver on the commitments made with partner organisations. The Plan also takes into account a number of factors including service demands, legislative requirements, community wishes, the priorities of partner organisations, together with the expectations of the Welsh Government and regulatory bodies.

4.2 The Plan includes the following six improvement priorities:

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

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

4.4 The Council approved a Medium Term Financial Strategy (MTFS) for the period 2014-15 to 2017-18. This provides an integrated planning and financial framework for the next four years and includes the detailed budget strategy for the next

financial year. The annual revenue budget and forward financial planning together with the capital programme enables the Council to align its financial resources with its priorities. Quarterly budget monitoring reports are submitted to Cabinet and to Scrutiny Committees, with the Corporate Resources and Improvement Scrutiny Committee nominated as the lead Scrutiny Committee.

4.5 There are a range of projects, linked to programmes, in progress to ensure that the improvement priorities are achieved. The corporate Programme Management Board (PMB) is overseeing a number of major initiatives under its Change Management Programme including:

- School modernisation programme;
- Integrating Health and Social Care;
- Town centre regeneration projects;
- Accommodation Strategy;
- Implementing the Inclusion Strategy;
- Residential Care remodelling;
- Domiciliary Care services remodelling;
- Schools ICT strategy;
- Strategic Collaboration projects;
- Key budget reduction proposals linked to strategic change.

4.6 The Auditor General's Annual Improvement Report 2013-14 on the Council has been received in draft pending further discussion. The draft report recognises that the Council has made good progress in delivering improvement in most of its priority areas and recognises the need to accelerate improvements in education and complaints handling. Also, the Council has established a culture of self-evaluation which has resulted in a fair and balanced account of its performance although there were some areas for improvement. Finally, despite significant financial challenges, the letter recognises that the Council has sound plans for improvement. The Auditor General arrived at his views by:-

- reviewing the Annual Performance Report 2012-13 and the Council's own self-assessment; and
- assessing contributions from Welsh inspectorates, Estyn (for education), the Care and Social Services Inspectorate for Wales (the CSSIW) and the Welsh Language Commissioner.

4.7 Activity that demonstrates commitment to Principle 1 - "**Putting the Citizen First**", included:

- Ongoing use made of the Citizens' Panel and extensive public engagement activity undertaken within areas such as Regeneration, and linked with Local Service Board priorities;
- Delivery of the Local Service Board's Citizen Engagement Strategy;
- Customer contact centre as focal point for customer engagement;
- Consultation activity with customers – e.g. consultation on corporate improvement priorities, development of "Ask Bridgend"

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

- 5.1 The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. It operates a Leader and Cabinet system within which:-
- The Council sets the overall budget and appoints the Leader of Council;
  - The Council appoints the Cabinet and allocates portfolios;
  - Scrutiny Committees advise on policy formulation and hold the Cabinet to account in relation to specific matters. They may also review areas of activity which are not the responsibility of the Cabinet or matters of wider local concern;
  - Regulatory Committees (e.g. Licencing, Development Control) are in place to determine matters as defined within the Council's Constitution;
  - The Cabinet makes decisions within this framework but some decisions are delegated to individuals in the Cabinet, committees of the Cabinet or officers;
  - Clear arrangements are in place to record decisions made by Cabinet Members and officers under delegated powers;
- 5.2 There is a Standards Committee to promote and maintain high standards of conduct by Town and Community Councillors and County Borough Councillors, co-opted members and Church and Parent Governor Representatives.
- 5.3 The Constitution is at the heart of the Council's business and assigns responsibility within the Council. It also provides a framework that regulates the behaviour of individuals and groups through codes of conduct, protocols and standing orders.
- 5.4 The Constitution is a comprehensive document that is kept under continual review by the Monitoring Officer. It provides a point of reference for individuals and organisations both inside and outside the Council. Its Rules of Procedure govern the overall framework within which the Council operates. Procedural rules and codes of conduct outline how the Constitution will be put into effect. Whilst the Constitution is required by statute its content is not fully prescribed. The Council is satisfied that it is consistent with statute, regulations and guidance. To ensure continued compliance, the Assistant Chief Executive – Legal and Regulatory Services is the Monitoring Officer appointed under Section 5 of the Local Government and Housing Act 1989.
- 5.5 All Committees have clear terms of reference that set out their roles and responsibilities and work programmes. The Audit Committee provides assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.
- 5.6 The Council's Chief Executive (as Head of Paid Service) leads the Council's officers and chairs the Corporate Management Board.
- 5.7 All staff, including senior management, have clear terms and conditions of employment and job descriptions which set out their roles and responsibilities. Terms and conditions of employment are monitored by the Human Resources Department.

- 5.8 The Corporate Director - Resources is the Section 151 Officer appointed under the 1972 Local Government Act and carries overall responsibility for the financial administration of the Council. The corporate finance function provides a range of support to departments and determines the budget preparation and financial monitoring process.
- 5.9 The Monitoring Officer carries overall responsibility for ensuring compliance with the law and his staff work closely with departments to advise on legal matters.
- 5.10 As the social care functions for children and adults are located within different directorates of Bridgend County Borough Council, a protocol is in place which clarifies the statutory roles of the Director of Social Services and the Lead Director for Children and Young People within the Council. This protocol also sets out the expectations between the Statutory Director of Social Services and the Head of Safeguarding and Family Support.
- 5.11 The revised Performance Management Framework was published in December 2013. This documents Council processes and procedures and the roles and responsibilities of managers within the process. It includes expectations around the style and behaviour of managers to support the further evolution of a strong culture of self-assessment.
- 6. Principle 3 - Promoting Values for the Council and Demonstrating the Values of Good Governance through upholding High Standards of Conduct and Behaviour (*Living Public Service Values*).**
- 6.1 The Council's core values encapsulated in the acronym FACE demonstrate the Council's commitment to the Public Service values. It stands for **F**air (taking into account everyone's needs and situation), **A**mbitious (always trying to improve what we do and aiming for excellence), **C**itizen focused (remembering that we are here to serve our local communities) and **E**fficient (delivering services that are value for money).
- 6.2 The behaviour of elected members and officers is governed by codes of conduct, which include a requirement for declarations of interest to be made. There is also a gifts and hospitality register.
- 6.3 The Council takes fraud, corruption and maladministration very seriously and has the following policies, which aim to prevent or deal with such occurrences;
- Anti-Fraud and Bribery Policy
  - Whistleblowing Policy
  - HR policies regarding the disciplining of staff involved in such incidents
  - Corporate Complaints Policy
- Both the Anti-Fraud and Bribery Policy (May 2014) and the Whistleblowing Policy (April 2014) have been reviewed, updated and approved by Cabinet.
- 6.4 Conduct of Members is monitored by the Public Services Ombudsman for Wales. The Council's Standards Committee also considers any reports submitted by the Ombudsman and the Monitoring Officer and any representations received relating to alleged breaches of the Code of Conduct.

- 6.5 A corporate complaints policy is in place for the Council to receive and investigate complaints made against it and this is overseen by the Monitoring Officer.
- 6.6 The Audit Committee helps raise the profile of internal control and risk management within the Council. This enhances public trust and confidence in the financial governance of the Council.
- 6.7 During 2013-14, the Council has developed a 'Bridgend County Borough Council, social media and you' protocol which is available on the website. The aim of this is to be clear about how the Council will engage with users and manage expectations.
- 7. Principle 4 - Taking Informed and Transparent Decisions which are subject to effective scrutiny and Managing Risk (*Fostering Innovative Delivery*).**
- 7.1 The Council's Constitution sets out how the Council operates and the process for policy and decision-making. Within this framework, key decisions are made by the Cabinet. All Cabinet meetings are open to the public (except on the limited occasions where items are exempt or confidential).
- 7.2 All decisions made by the Cabinet are taken on the basis of written reports, including assessments of the legal, financial, and equalities implications. Consultation (including with ward members when appropriate) is a routine part of the process.
- 7.3 The decision-making process is monitored by five Overview and Scrutiny Committees, which support the work of the Council as a whole. The Council's Constitution provides for the Chairs of these committees to be appointed based on the political balance of the elected members that form the Council. The members of a Scrutiny Committee can "call in" a decision that has been made by the Cabinet but not yet implemented. They may recommend that the Cabinet reconsider the decision. They may also be consulted by the Cabinet or the Council on forthcoming decisions and on the development of policy.
- 7.4 Other decisions are made by Cabinet Members individually or by officers under delegated powers. The authority to make day-to-day operational decisions is detailed within the Schemes of Delegation.
- 7.5 Policies and procedures that assist the governance of Council's operations include Financial Procedure Rules (FPRs); Contract Procedure Rules (CPRs) and the Risk Management Policy. All managers have responsibility to ensure compliance with these policies.
- 7.6 The Council's Performance Management Framework describes the 'Golden Thread' for planning which links the Council's vision of "Working together to improve lives" through services delivered at the frontline of the Council and how external factors influence the vision. The external factors include national priorities from both Welsh and UK Government and local priorities from Citizens, Partners, Elected Members and the Local Service Board via the Single Integrated Partnership Plan (SIPP) entitled 'Bridgend County Together'. The Council's Corporate Plan is aligned to the key outcomes of the SIPP. The vision and priorities that are set out in the Corporate Plan have a direct relationship with directorate business plans, service delivery plans, group delivery plans and the individuals' objectives within staff appraisals.



7.7 Corporate Performance Assessment (CPA) is undertaken on a quarterly basis and is attended by Cabinet Members, Corporate Management Board, and Heads of Service and is supported by the Corporate Improvement and Finance teams. The purpose of the CPA is as follows:

- Obtain a holistic view of the Council's performance;
- Identify and explore cross-cutting issues;
- Critically challenge areas of poor performance; and
- Identify service improvement opportunities, risks to delivery and resource implications.

7.8 Specifically, the CPA monitors:

- The overall financial position;
- The Council's improvement priorities as defined by the Corporate Plan;
- Agreed key indicators/measures and service actions that are linked to directorate priorities as defined by the Corporate Plan;
- The budget allocated to delivering improvement priorities; and
- Corporate risks.

When necessary, the CPA may also, by way of exception, monitor progress against relevant Outcome Agreements and other national and collaborative initiatives.

7.9 The Council has developed a robust approach to the management of risk and the risk management policy is aligned with Directorate Business Plans and the Council's performance management framework. All risks identified are assessed against the corporate criteria.

7.10 Risks are viewed from both a Service and Council-wide perspective which allows the key risks to be distilled in the Corporate Risk Register. Most major risks are managed within one of the key strategic programmes. CMB regularly reviews the risk register and actions being taken to mitigate the risks. The Corporate Risk Register is also presented to Audit Committee for review.

The main risks facing the Council that were identified during 2013-14 included:

Risk Description	Potential Impact
Welfare Reform Bill	Changes being made by the UK Government to benefit entitlements mean that demands on some services are likely to increase as the Council's resource base reduces.
Impact of the recession and using resources effectively	Pressure will be placed on council services which support local businesses and employment. Any shortfall in identified savings may result in the need to make unplanned cuts to services which puts vulnerable people at risk. Individuals, particularly young people, may be unable to secure employment because they lack the basic skills and confidence necessary.
Supporting vulnerable people, children and young people	Failure to remodel services to reflect demographic changes will restrict the council's ability to respond to assessed needs and may result in inefficient services. The wellbeing and safety of children might be compromised.
School Modernisation	Insufficient progress may have a negative impact on pupils' learning and wellbeing.
Improving educational attainment	Potentially fewer quality learning opportunities for students resulting in poorer educational attainment.
Disposing of Waste	Failure to achieve recycling/composting targets could result in inefficient use of resources with waste going to landfill sites and penalties against the Council.
Collaboration with Partners	If the council does not undertake collaboration projects where they offer enhanced service quality, increased resilience or significant cost savings, it will not maximise cost effective, tangible, improvements to services.
Implementing a new pay and grading system	There is a risk that the recurrent costs of successful job evaluation appeals cannot be met and that staff morale and therefore service performance may be affected for staff receiving a reduction in pay.
Maintaining the infrastructure	A poor highways network leads to increased third party liability claims, a loss of reputation, a possible adverse impact on the economy and reduced quality of life for citizens.

- 7.11 The Council's approach to Risk Management ensures that key risks are considered when determining Council priorities, targets and objectives. These are incorporated in Directorates' Business Plans.

- 7.12 The financial management of the Council is conducted in accordance with all relevant legislation and the Constitution. In particular, the Financial Procedure Rules and Contract Procedure Rules and the scheme of delegation provide the framework for financial control. The Corporate Director - Resources has responsibility for establishing a clear framework for the management of the Council's financial affairs and for ensuring that arrangements are made for their proper administration. As part of its performance management framework, the Council links the strategic planning process with the budget process and ensures alignment between them, facilitating the allocation of resources to corporate priorities. Chief Officers are responsible for financial management within their respective services. Monthly financial monitoring is undertaken by CMB and quarterly reports are produced for Cabinet and Scrutiny Committees. This work informs the production of the statutory annual Statement of Accounts.
- 7.13 The Council is committed to demonstrating due regard to the Equality Act 2010. It published its Strategic Equality Plan 2012-16 in April 2012. This is not just a council plan and has been developed with partners. It seeks to ensure that Bridgend County Borough is a fair and welcoming place to be. The plan has been written based on what is known about our services and on the views and needs of Bridgend citizens and the people who use services. All committee reports include an equality impact assessment.
- 8. Principle 5 - Developing the Capacity and Capability of Members and Officers to be Effective (*Being a Learning Organisation*).**
- 8.1 The Council aims to ensure that members and officers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities. New members and staff are provided with an induction to familiarise them with protocols, procedures, values and aims of the Council
- 8.2 There is an Elected Member Learning & Development Strategy 2012-17, which provides a framework for supporting elected members in the roles that they are required to undertake both within, and outside, the Council. The Strategy assists members to develop and strengthen their ability to be confident and effective political and community leaders.
- 8.3 The Council's Staff Appraisal System enables individuals to understand how they contribute to achieving the aims of the Council. The process recognises that most actions are delivered by individuals working in teams to achieve set priorities. All staff appraisals are completed during the first quarter of the financial year to ensure that targets can be linked to service priorities reflected in annual business plans. There is also a Six Month Review form which identifies progress on targets or any additional targets that need to be included. The Appraisal system is an important part of the Council's Performance Management Framework. The percentages of completed appraisals are reported quarterly to the Corporate Performance Assessment (CPA) forum.
- 8.4 The Member Development Programme is regularly reviewed by the Democratic Services Committee to ensure that any training activities are appropriate, relevant and timely.
- 8.5 During the period from November 2012 to April 2013, a team of elected members from the Council participated in a scrutiny learning exchange programme facilitated by the Wales Audit Office. The work has provided an opportunity for the Council to reflect upon how it conducts and evaluates its scrutiny process.

8.6 The Council maintains a set of management standards that seek to promote High Performing Behaviours. These are built around the 'FACE' core values and underpin the Leadership and Management Development training that is provided.

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

9.1 The Council is committed to understanding and learning from the views of the public. Consultation processes enable views of stakeholders to inform policies and service delivery. The Council's planning and decision-making processes are designed to include consultation with stakeholders. The Council's Citizen Engagement Strategy will provide a framework for engagement activities, which are undertaken by the Council and will support work being done in this area by the Local Service Board.

9.2 Arrangements for consultation and for gauging local views are extensive; significant activity is undertaken by the Local Services Board. Elected members offer surgeries, or equivalent means of providing assistance, for their constituents.

9.3 The Council has a Citizens' Panel made up of people aged 16 and upwards from across the county borough. Its panel members agree to take part in three or four surveys a year about a range of issues relating to council services and policies. Previously, members of the Citizens' Panel have given their views on a range of topics including street cleanliness, customer service and the local housing strategy. This has helped the Council to understand residents' opinions about the services the Council provides and to help improve things in the future.

9.4 During 2013-14, the Council consulted on a wide range of issues including the following (this list is not exhaustive):

- The Council's Financial Situation;
- Council Tax Reduction Scheme;
- Corporate Plan 2013-17;
- Proposals to amalgamate schools.

The Council is also using social media to promote various aspects of the Council and its services and enables feedback from the public.

9.5 The Council operates a corporate complaints procedure and uses this to identify areas where service quality is not satisfactory, and to take action to improve. Complaints can be made electronically or in writing and the Council has set target times for responding to all complaints received to ensure accountability.

9.6 All Council meetings are open to the public except where personal or confidential matters are discussed. All public agendas, reports and minutes are available on the Council's website.

9.7 The Local Service Board (LSB) brings together representatives from organisations across a range of service areas in Bridgend to work together to improve the quality of life for people living and working in Bridgend. Current members of the LSB are:

- Abertawe Bro Morgannwg University Health Board

- Bridgend Association of Voluntary Organisations
- Bridgend Business Forum
- Bridgend College
- Bridgend County Borough Council
- Natural Resources Wales
- South Wales Fire and Rescue Service
- South Wales Police
- Valleys to Coast
- Wales Probation
- Welsh Government

In Bridgend the LSB Model is made up of two main elements:

- The LSB sets and directs the overarching strategy for the county as well as sponsoring innovative new projects to improve the way organisations deliver public services;
- The People and Communities Partnership Boards are responsible for the performance management of Bridgend's Single Integrated Partnership Plan 'Bridgend County Together' and ensuring accountability for implementation of LSB programmes..

9.8 In the development of the Medium Term Financial Strategy 2014-15 to 2017-18, Council agreed that future collaborative efforts should focus on projects which have the potential to generate the greatest benefit, make a clear contribution to the Council's corporate priorities and result in a clear service benefit.

## **10. Review of Effectiveness**

10.1 The Council has responsibility for annually reviewing the effectiveness of its governance framework including the system of internal control. This is informed by the work of Internal Audit and chief officers within the Council who have responsibility for the development and maintenance of the internal control environment. The Council also draws assurance on its governance arrangements from independent sources and in particular Internal Audit, External Audit and other external regulators.

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

- The Constitution, which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. It also includes the Codes of Conduct for both members and employees.
- The Cabinet (as Executive) who are responsible for considering overall financial and performance management and receive comprehensive reports on a regular basis. The Cabinet is also responsible for key decisions and for initiating corrective action in relation to risk and internal control issues.
- The Scrutiny function which holds the Cabinet to account. The Corporate Resources and Improvement Scrutiny Committee is responsible for maintaining an overview of financial performance including value for money. The Community Safety and Governance Scrutiny Committee maintain an overview of cross-cutting matters. In the Committee's Terms of Reference it

has a responsibility “to consider the Council’s policies and strategies in relation to collaborative and partnership working arrangements”. The Committee will liaise with other Scrutiny Committees who will be responsible for scrutinising collaboration projects within their remit to ensure work programmes are co-ordinated.

- The Audit Committee which provides the focus for reviewing the effectiveness of the system of internal control. This is primarily based upon reviewing the work of Internal Audit and receiving reports from the Council’s external auditors. The Committee met regularly throughout the year and provided independent assurance to the Council in relation to the effectiveness of the risk management framework, internal control environment and governance matters.

10.3 Additional requirements of the Local Government (Wales) Measure 2011 have included:

- the election of the Chairperson of the Audit Committee by the Audit Committee itself rather than by an appointment by Council;
- the requirement that Audit Committee must have at least one lay-member, a professional representative with no connections to the Authority that is able to assist in the role of the Audit Committee. The number of lay-members required to support the committee is being kept under review;
- the appointment of a Head of Democratic Services.

10.4 Training has been provided to ensure that all members (including the Lay-Member) have the opportunity to gain a comprehensive understanding of their role. In March 2013, the Audit Committee received training on the Annual Planning Process for Internal Audit.

10.5 This is being further enhanced with the proposed introduction and adoption of role descriptions for an Audit Committee Member and Chairperson. These are based on the WLGA model role descriptions and have been adapted to reflect the specific roles undertaken in the Council. The role descriptions will also form part of Personal Development Review Process that will enable members to better understand their role, reflect on how they have undertaken their duties in the previous year and identify any further support or training that they require to effectively carry out their duties. This will increase the ability of Audit Committee members to analyse, monitor and challenge the effective performance of the Council.

10.6 The Cabinet and Scrutiny Committee functions provide a further mechanism for review and challenge of any issues that may impact upon the system of internal control. Scrutiny Committees establish Research and Evaluation panels (such as that set up to review budget options); they undertake reviews of specific areas of Council operations and make recommendations to Cabinet for improvement.

10.7 Internal Audit undertakes a continuous audit of Council services, which are assessed and prioritised according to relative risk. This risk assessment draws upon the corporate and service risks identified as part of the Service planning process. During 2013-14, in carrying out its duties, Internal Audit has been working to the Public Sector Internal Audit Standards (PSIAS). The PSIAS is applicable to all areas of the United Kingdom public sector and is based on the Chartered

Institute of Internal Auditor's (CIIA's) International Professional Practices Framework. The Head of Audit undertook a self-assessment to demonstrate the extent to which the Internal Audit Shared Service complied with the PSIAS and to identify areas where further work was required to demonstrate compliance. This was reported to Audit Committee in April 2014. The review showed that the Internal Audit Shared Service is fully compliant with eight of the standards and partially compliant with the remaining three. An Action Plan has been formulated by the Head of Audit to assist the Service in complying with the requirements of the PSIAS.

- 10.8 Internal Audit also provides independent and objective assurance. A programme of reviews is completed in accordance with the Annual Audit Plan which enables the Chief Internal Auditor to provide an opinion on the internal control, risk management and governance arrangements. In addition, Internal Audit undertakes fraud investigation and is proactive in fraud detection work. This includes reviewing the control environment in areas where fraud or irregularity has occurred. Significant weaknesses in the control environment identified by Internal Audit are reported to senior management, the Audit Committee and Cabinet as appropriate.
- 10.9 As part of the normal audit reporting process, recommendations are made and agreed with the relevant chief officers to address any issues that could impact upon the system of internal control. Furthermore, the s151 Officer provides regular updates and an annual report to the Audit Committee summarising any significant internal control issues.
- 10.11 The Council is subject to an annual programme of independent external audits and statutory inspections which report on the Council's governance, performance and accounting arrangements. The Wales Audit Office's Annual Audit Letter summarises the key issues arising from the work that the Council's external auditors, KPMG, carried out. The Annual Audit Letter for 2012-13 confirmed that the appointed auditor issued an unqualified audit opinion on the accounting statements for 2012-13 and was satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The Letter confirmed that the auditor was pleased with the substantial progress on job evaluation during the audit year and the implementation during 2013-14.
- 10.12 The Wales Audit Office issued two reports to Audit Committee, one on the Audit of the Financial Statements Report 2012-13 in September 2013 and one on the Certification of Grants and Returns 2012-13 in April 2014. The first report did not identify any material weaknesses in the Council's internal controls. The second report concluded that the Council had good arrangements in place for the production and submission of its 2012-13 grant claims but did highlight some areas for improvement which are being followed up by management.
- 10.13 The Auditor General's letters on the Improvement Assessment of the Council have stated that the Council has discharged its improvement reporting duties under the Local Government (Wales) Measure 2009 and has acted in accordance with Welsh Government guidance. The Council is likely to comply with the requirement to make arrangements to secure continuous improvement during the financial year. The draft Annual Improvement Report 2013-14 states that the Council has made good progress in delivering improvements in most of its priority areas and recognises the need to accelerate improvements in education and complaints handling.

- 10.14 The Public Services Ombudsman for Wales reports on each council in Wales the number of complaints received and investigated. In July 2013, the Council received its Annual Letter for 2012-13. The letter noted a decrease in the number of complaints received, 24 in 2012-13 compared to 30 in 2011-12. The comparative figure for the local authority average was 36 for 2012-13 (37 for 2011-12). Only 1 complaint was investigated by the Ombudsman compared to 2 for the previous year. The Ombudsman partly upheld one complaint against the Council during 2012-13.
- 10.15 The Care and Social Services Inspectorate Wales (CSSIW) Annual Review for Bridgend 2012-13 concluded that the Council has continued to make reasonable progress despite significant and ongoing management changes. The review identified that strong commissioning and contracting arrangements are in place combined with a robust approach to safeguarding adults. It recognised that the Council continues to be a key driver in the Western Bay regional collaboration. The work being completed by the remodeling of the adult social care programme board has enabled the identification of areas for development, the assigning of tasks and the monitoring of progress against a wide range of service developments. This has ensured service improvement across adult services. Within Children, the review recognises that the service has responded positively to the inspection of its arrangements for looked after children and young people and has clear action plans in place.
- 10.16 In October 2012, Estyn Inspection carried out a major inspection of the quality of education services for children and young people in Bridgend. The Report was published in February 2013 and even though it identified that the Council had more strengths than areas for improvement, it still concluded that the Council fell into the category of follow-up activity and will require an Estyn monitoring visit. A Post Inspection Action Plan (PIAP) was developed following discussions with officers, elected members and the Central South Consortium and this was signed off by Estyn in July 2013. During March 2014, Estyn Inspectors carried out a monitoring visit which included interviewing a number of officers within the local authority and the consortia. The key message from the feedback was that progress in responding to the inspection was initially slow and overall judgment is that the current position is behind expectation. However, it was felt that recent changes appear to be accelerating actions. A further monitoring visit will take place in Autumn 2014.

## **11. Significant Governance Issues**

- 11.1 During 2013-14, Internal Audit carried out an audit review of the Code of Corporate Governance. The objective of the audit was to ensure compliance with the Code across the Council. The audit findings were that substantial assurance could be given. However, there were recommendations that need to be implemented during 2014-15. These were to ensure that the Code is regularly reviewed and updated and that it is updated to include reference to the Anti-Fraud and Bribery Policy of the Council.
- 11.2 The Annual Internal Audit Opinion is due to be reported to the Audit Committee in June 2014, for the period April 2013 to March 2014. It will state that based on the work undertaken "a satisfactory assurance level can be applied to standards of internal control at Bridgend CBC for the period stated." However, the Opinion does raise a concern over the retirement of the deputy Section 151 Officer at the end of July 2014 and that the Section 151 Officer is currently unavailable to perform her



duties as a significant governance issue. The Chief Executive is in the process of addressing this issue and has given his assurances that interim arrangements will be put in place to ensure the statutory functions of the Section 151 Officer are covered.

- 11.3 As mentioned above, one of the significant governance issues in 2012-13 related to the Estyn Report on the quality of local authority education services for children and young people. The PIAP addresses the 5 recommendations from the inspection report. The School Improvement Monitoring group comprising of the Cabinet Members for Children and Young People and Resources, Chairperson of Children and Young People's Overview and Scrutiny, Chief Executive, Corporate Directorate – Children, Head of Service and the Council Leader will oversee progress on both the PIAP and the wider school improvement agenda. The monitoring group meets monthly and receives a report from the Director on progress at each meeting. The role of this group monitoring the action plan will be crucial to improve education services within the Council.
- 11.4 The Annual Governance Statement 2012-13 highlighted the significant financial challenge facing the Council in terms of delivering a savings target of the £24m savings identified in the Medium Term Financial Plan 2013-14 to 2015-16. In February 2014, the Medium Term Financial Strategy (MTFS) 2014-15 to 2017-18 was reported to Council. It identified the pressures that the Council faces in the context of the anticipated resource allocation. This indicates that the Council has to identify estimated budget reductions of £36m over the period 2014-15 to 2017-18.
- 11.5 The implementation of the MTFS 2013-14 to 2016-17 has been led by Cabinet and the Corporate Management Board. This has now been rolled forward a year to cover the period 2014-15 to 2017-18 taking account of auditors' views and any issues which need to be addressed from 2013-14, together with a continued desire to embed a culture of medium term financial planning closely aligned with corporate planning. Implementation of the strategy will be led by Cabinet and Corporate Management Board underpinned by financial and performance data. The Council will seek to ensure that it is widely understood by internal stakeholders (Members, employees and Unions) and external stakeholders (citizens, businesses and partners). There will also be a role for the Budget Research and Evaluation Panel (BREP) which will work on an on-going basis, in an advisory capacity, with Cabinet and officers.
- 11.6 Another significant governance issue will be to ensure the effective delivery of improvements as identified through the Council's own reviews and those of external regulators. The WAO review of Council's arrangements for ensuring value for money from its working with the Third Sector (June 2013) identified a set of proposals for improvement including the need to develop a clear strategy of how it will work with the third sector to deliver its priorities. The Third Sector Review Project Board has a specific workstream on 'Value for Money and Alignment to Council priorities' which will progress improvements in accordance with the WAO's recommendations.
- 11.7 An Action Plan has been devised for all these issues together with a timescale for completion and a responsible officer. The issues identified in the Action Plan will be monitored during the year.

**12. Certification of Annual Governance Statement**

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

**Signed:**

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

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

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

## Statement of Accounting Policies

### 1. General principles

The Statement of Accounts summarises the Council's transactions for the 2013-14 financial year and its position at the year end of 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2005 in accordance with proper accounting practices. These practices comprise the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) 2013-14 and the *Service Reporting Code of Practice* 2013-14 supported by International Financial Reporting Standards (IFRS).

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

### 2. Accruals of income and expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

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

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority 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 authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

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

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

**4. Reserves**

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

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

**5. Government grants and contributions**

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

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

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

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

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

## 6. Employee benefits

### Benefits Payable During Employment

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

### Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority 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 Authority. The scheme is therefore accounted for as if it were a defined contributions scheme and no liability for future payment of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

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

fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners any amounts payable to the fund but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

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

## 7. VAT

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

## 8. Overheads and support services

The costs of overheads and support services are charged to services that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2013-14 (SeRCOP)*. For 2013-14, most support service costs have been apportioned by a variety of methods. The most important being:

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

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

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

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

## 9. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.



**Recognition**

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

**Measurement**

Assets are initially measured at cost, comprising:

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

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

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

- infrastructure and community assets – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

### **Impairment**

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

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

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

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

### **Depreciation**

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

Depreciation is calculated on the following bases:

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

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

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

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

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

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

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

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

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

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

**10. Heritage Assets**

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. The Council recognises its civic regalia as a Heritage Asset, and these items are reported in the Balance Sheet at insurance valuation which is based on market values.

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

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

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

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

The Council is not required to raise council tax to fund depreciation, revaluation or impairment losses or amortisation. However, it is required to make an annual prudent provision from revenue to contribute towards the reduction in its overall borrowing requirement. This is detailed in the Council's Annual Minimum Revenue Provision Statement and is equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement for supported borrowing and based on the asset life for unsupported borrowing. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by this *Minimum Revenue Provision* (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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

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

#### 13. Leases

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

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

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

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

#### Finance Leases

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

Lease payments are apportioned between:

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

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

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

#### Operating Leases

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

**The Council as a Lessor**Operating Leases

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

**14. Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure Section of the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Authority 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 Authority has three Lender's Option Borrower's Option loans (LOBOs) with stepped interest rates. An effective interest rate has been used for these so that these are remeasured amounts for the LOBOs on the Balance Sheet.

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

**15. Financial Assets**

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

**16. Inventories and Long Term Contracts**

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

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

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

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority 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 Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current Assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed as follows:-

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement
- payment towards the liability – applied to write down the Balance Sheet liability towards the PFI operator

PFI assets are subject to MRP. The Annual MRP Policy for the Council has deemed this charge to be equivalent to the finance lease liability written down for the year.

**PFI Credits**

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

**18. Joint Arrangements**

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

**19. Council Tax Income**

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

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

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

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 Authority'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.

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

**21. Cash and Cash Equivalents**

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

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

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

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

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

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

**23. Foreign Currency Translation**

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



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

**24. Investment Property**

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

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

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

**25. Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are in relation to the Authority's financial performance.

**26. Carbon Reduction Commitments Allowances**

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme's introductory phase finished on the 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the services and is apportioned to services on the basis of energy consumption.



# Core Financial Statements 2013-14

# Statement of Accounts

2013-14

## Movement in Reserves Statement For Years Ended 31 March 2013 & 2014

	Council Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31 March 2012 carried forward	7,199	28,404	12,313	108	48,024	59,062	107,086	
<b>Movement in Reserves during 2012/13 (Restated)</b>								
Surplus or (deficit) on provision of services	3,329	-	-	-	3,329	-	3,329	
Other Comprehensive Expenditure and Income	-	-	26	-	26	(19,899)	(19,873)	
<b>Total Comprehensive Expenditure and Income</b>	<b>3,329</b>	<b>-</b>	<b>26</b>	<b>-</b>	<b>3,355</b>	<b>(19,899)</b>	<b>(16,544)</b>	
Adjustments between accounting basis & funding basis under regulations	3,989		166	68	4,223	(4,223)	-	
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>7,318</b>	<b>-</b>	<b>192</b>	<b>68</b>	<b>7,578</b>	<b>(24,122)</b>	<b>(16,544)</b>	
Transfers to/from Earmarked Reserves	(7,197)	7,197	-	-	-	-	-	
<b>Increase/Decrease in 2012/13</b>	<b>121</b>	<b>7,197</b>	<b>192</b>	<b>68</b>	<b>7,578</b>	<b>(24,122)</b>	<b>(16,544)</b>	
<b>Balance at 31 March 2013 carried forward (Restated)</b>	<b>7,320</b>	<b>35,601</b>	<b>12,505</b>	<b>176</b>	<b>55,602</b>	<b>34,940</b>	<b>90,542</b>	
<b>Movement in Reserves during 2013/14</b>								
Surplus or (deficit) on provision of services	(25,342)				(25,342)		(25,342)	
Other Comprehensive Expenditure and Income			27		27	89,116	89,143	
<b>Total Comprehensive Expenditure and Income</b>	<b>(25,342)</b>	<b>-</b>	<b>27</b>	<b>-</b>	<b>(25,315)</b>	<b>89,116</b>	<b>63,801</b>	
Adjustments between accounting basis & funding basis under regulations	27,715		(2,287)	333	25,761	(25,761)	-	
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>2,373</b>	<b>-</b>	<b>(2,260)</b>	<b>333</b>	<b>446</b>	<b>63,355</b>	<b>63,801</b>	
Transfers to/from Earmarked Reserves	(2,298)	2,298	-	-	-	-	-	
<b>Increase/Decrease in 2013/14</b>	<b>75</b>	<b>2,298</b>	<b>(2,260)</b>	<b>333</b>	<b>446</b>	<b>63,355</b>	<b>63,801</b>	
<b>Balance at 31 March 2014 carried forward</b>	<b>7,395</b>	<b>37,899</b>	<b>10,245</b>	<b>509</b>	<b>56,048</b>	<b>98,295</b>	<b>154,343</b>	

## Comprehensive Income and Expenditure Statement 2013-14

2012-13 (restated)			2013-14			Notes	
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure		
£'000	£'000	£'000	£'000	£'000	£'000		
162,207	(36,987)	125,220	Children's and Education Services	176,951	(35,364)	141,587	
56,362	(16,246)	40,116	Adult Social Care	59,907	(14,575)	45,332	
28,219	(10,521)	17,698	Highways, Roads and Transport Services	27,624	(9,241)	18,383	
55,907	(53,704)	2,203	Housing Services	57,464	(55,059)	2,405	
31,293	(22,252)	9,041	Central Services to the Public	28,929	(8,876)	20,053	
16,641	(3,807)	12,834	Cultural and Related Services	15,105	(3,243)	11,862	
18,736	(6,825)	11,911	Environmental and Regulatory Services	21,232	(8,855)	12,377	
12,744	(8,295)	4,449	Planning Services	13,364	(8,798)	4,566	
5,559	(74)	5,485	Corporate and Democratic Core	5,502	(126)	5,376	
1,340		1,340	Non-Distributed Costs	853		853	
<b>389,008</b>	<b>(158,711)</b>	<b>230,297</b>	<b>Cost Of Services</b>	<b>406,931</b>	<b>(144,137)</b>	<b>262,794</b>	
			<b>Other Operating Expenditure</b>				
9,899		9,899	Payments of precepts	10,590		10,590	5
6,964		6,964	Levies payable	7,063		7,063	5
	(117)	(117)	(Gain) / loss on disposal of non current (fixed assets)	5,882		5,882	
<b>16,863</b>	<b>(117)</b>	<b>16,746</b>	<b>Other Operating Expenditure</b>	<b>23,535</b>	<b>-</b>	<b>23,535</b>	
			<b>Financing and Investment Income and Expenditure</b>				
4,760		4,760	Interest payable on debt	4,625		4,625	
16		16	Interest element of finance leases (lessee)	104		104	
1,537		1,537	Interest payable on PFI unitary payments	1,505		1,505	12
13,290		13,290	Net Interest in Net Defined Benefit Liability (Asset)	13,580		13,580	
	(522)	(522)	Investment Interest & Other Interest Receivable		(607)	(607)	
	(123)	(123)	Changes in fair value of investment properties	410		410	
7,934	(8,040)	(106)	(Gain) / loss on trading accounts (not applicable to a service)	6,736	(6,756)	(20)	6
<b>27,537</b>	<b>(8,685)</b>	<b>18,852</b>	<b>Financing and Investment Income and Expenditure</b>	<b>26,960</b>	<b>(7,363)</b>	<b>19,597</b>	
			<b>Taxation and Non-Specific Grant Income</b>				
	(143,198)	(143,198)	RSG		(154,722)	(154,722)	7
	(66,265)	(66,265)	Council tax		(68,987)	(68,987)	9
	(36,350)	(36,350)	NNDR		(43,026)	(43,026)	10
	(22,026)	(22,026)	Recognised capital grants and contributions		(11,310)	(11,310)	8
	(1,385)	(1,385)	Non service related government grants		(2,539)	(2,539)	8
<b>-</b>	<b>(269,224)</b>	<b>(269,224)</b>	<b>Taxation and Non-Specific Grant Income</b>	<b>-</b>	<b>(280,584)</b>	<b>(280,584)</b>	
<b>433,408</b>	<b>(436,737)</b>	<b>(3,329)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>457,426</b>	<b>(432,084)</b>	<b>25,342</b>	
		813	Surplus or deficit on revaluation of non current assets	1847		1,847	
		19,060	Actuarial gains / losses on pension assets / liabilities		(90,990)	(90,990)	
		<b>19,873</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(89,143)</b>	
		<b>16,544</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(63,801)</b>	

## Balance Sheet for Years Ended 31 March 2013 and 2014

31 March 2013 £'000		31 March 2014 £'000	Notes
	<b>Property, Plant &amp; Equipment</b>		<b>21</b>
379,309	- other land and buildings	359,659	
3,414	- vehicles, plant, furniture and equipment	5,202	
85,507	- infrastructure	88,659	
4,537	- community assets	4,537	
36,148	- assets under construction	49,457	
9,953	- surplus assets not held for sale	10,669	
51	<b>Heritage Assets</b>	51	<b>23</b>
	<b>Investment Property</b>		
3,421	- Investment property	3,011	<b>22</b>
	<b>Long Term Debtors</b>		
56	Housing Advances	29	<b>24</b>
503	Finance Leases	384	
<b>522,899</b>	<b>Long Term Assets</b>	<b>521,658</b>	
	<b>- Short Term Investments</b>	4,005	<b>37</b>
5,354	<b>Assets held for sale</b>	6,721	<b>26</b>
454	<b>Inventories</b>	433	
32,257	<b>Short Term Debtors</b>	27,063	<b>25</b>
14,690	<b>Cash and Cash Equivalents</b>	4,469	
<b>52,755</b>	<b>Current Assets</b>	<b>42,691</b>	
	<b>Short Term Borrowing</b>	(1,543)	<b>37</b>
(3,289)	<b>Short Term Creditors</b>	(38,901)	<b>27</b>
(37,361)			
<b>(40,650)</b>	<b>Current Liabilities</b>	<b>(40,444)</b>	
(5,273)	<b>Provisions</b>	(4,900)	<b>28</b>
(97,474)	<b>Long Term Borrowing</b>	(97,451)	<b>37</b>
	<b>Other Long Term Liabilities</b>		
(20,661)	PFI & Other Long Term Liabilities	(20,923)	<b>29</b>
(318,170)	Net pensions liability	(243,900)	<b>31b</b>
(2,884)	<b>Capital Grants Receipts in Advance</b>	(2,388)	
<b>(444,462)</b>	<b>Long Term Liabilities</b>	<b>(369,562)</b>	
<b>90,542</b>	<b>Net Assets</b>	<b>154,343</b>	
	<b>Usable reserves</b>		<b>30</b>
7,320	- Council Fund	7,395	
35,601	- Earmarked reserves	37,899	<b>30b</b>
12,505	- Capital Receipts Reserve	10,245	<b>30a</b>
176	- Capital Grants Unapplied	509	
	<b>Unusable Reserves</b>		<b>31</b>
101,985	- Revaluation Reserve	97,620	<b>31a</b>
(318,170)	- Pensions Reserve	(243,900)	<b>31b</b>
260,687	- Capital Adjustment Account	253,727	<b>31c</b>
(5,526)	- Financial Instruments Adjustment Account	(5,320)	<b>31d</b>
(4,036)	- Short-term Accumulating Compensated Absences Account	(3,832)	<b>31e</b>
<b>90,542</b>	<b>Total Reserves</b>	<b>154,343</b>	

## Cash Flow Statement as at 31 March 2013 and 2014

2012-13 £'000		2013-14 £'000	Notes
(3,329)	Net (surplus)/deficit on the Provision of Services	25,342	
(10,987)	Adjustments to net deficit on the provision of services for non-cash movements	(44,121)	39
22,026	Adjustments for Items included in the net deficit on the provision of services that are investing and financing activities	11,310	
<b>7,710</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(7,469)</b>	40
26,493	Investing Activities	37,649	41
(26,399)	Financing Activities	(19,959)	42
<b>7,804</b>	<b>Net increase in Cash &amp; Cash Equivalents</b>	<b>10,221</b>	
(22,494)	Cash & Cash Equivalent at the beginning of the Reporting Period	(14,690)	
<b>(14,690)</b>	<b>Cash &amp; Cash Equivalent at the end of the Reporting Period</b>	<b>(4,469)</b>	



# Notes to the Core Financial Statements 2013-14

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for the financial year 2013-14 there would have been no material changes as detailed below.

A number of new and revised standards have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements in other entities. These include:-

**IFRS 10 Consolidated Financial Statements** – This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The Council has not produced consolidated accounts for this financial year on the basis of materiality.

**IFRS 11 – Joint Arrangements** – This standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified either as a joint venture or a joint operation. The Council has no material joint venture arrangements.

**IFRS 12 – Disclosures of Involvement with Other Entities** – This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'.

**IAS 27 – Separate Financial Statements** and **IAS 28 – Investments in Associates and Joint Ventures** – These statements have been amended to confirm with the changes in IFRS 10, IFRS 11 and IFRS 12. Given that there would be no changes in the financial statements, except for disclosure, due to the above changes, there is no further impact as a result of these changes.

**IAS 32 – Financial Instruments Presentation** – The Code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure statement, and therefore no further disclosure is required.

**IAS 1 – Presentation of Financial Statements** – The changes clarifies the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period, therefore these changes will not have a material impact on the Statement of Accounts.

## 2. Critical Judgements in Applying Accounting Policies

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

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

The Council is deemed to control the services provided under the outsourcing agreement for the provision of a Comprehensive School in Maesteg and also to control the residual value of the school at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the School (valued at £22.9 million) has been recognised as Property, Plant and Equipment on the Council's Balance Sheet.

The Council has examined all its existing leases under IAS 17 and as a result some have been classified as finance leases. This was as a result of evaluating that the present value of the minimum lease payments amounted to substantially all of the fair value of the leased assets. The value of these finance leases as at 31 March 2014 is £37 k.

### **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 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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

The Council's portfolio of Land and Buildings is re-valued as part of a 5 year rolling programme. The value of those assets is based upon calculations and estimation techniques following the Royal Institute of Chartered Surveyors (RICS) guidance. Changes in asset values are largely influenced by market forces which can be volatile. Therefore it is uncertain that the Council's assets will not see a significant change in value.

#### **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.

#### **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. Due to IAS19(R), which became effective for all statement produced from 1 Jan 2014, the figures for 2012-13 have been restated within these financial statements.

## Notes to the Movement in Reserves Statement

### 4. Adjustments between Accounting Basis and Funding Basis Under Regulations

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

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

#### **Council Fund Balance**

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

#### **Capital Receipts Reserve**

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

#### **Capital Grants Unapplied**

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

The tables below detail the adjustments for 2012-13 for comparative purposes and the adjustments for 2013-14:-

# Statement of Accounts

2013-14

2012-13	Council Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Revaluation Reserve	Pensions Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Short term Compensated Absences	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>										
<b>Adjustments Primarily Involving the Capital Adjustment Account</b>										
<b>Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement</b>										
Charges for Depreciation & Impairment of Non-Current Assets	20,380			20,380			(20,380)			(20,380)
Revaluation losses on Property, Plant & Equipment	815			815			(815)			(815)
Movement in market value of investment property	(123)			(123)			123			123
Capital grant and contributions applied	(21,875)			(21,875)			21,875			21,875
Revenue Expenditure Funded from Capital under Statute	682			682			(682)			(682)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	568			568	(460)		(108)			(568)
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.					(1,251)		1,251			-
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>										
Statutory Provision for the financing of capital investment	(6,592)			(6,592)			6,592			6,592
Capital expenditure charged against the Council Fund balance	(862)			(862)			862			862
<b>Adjustments primarily involving the Capital Grants Unapplied Account :</b>										
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(151)		151	-						-
Application of grants to capital financing transferred to the Capital Adjustment Account			(83)	(83)			83			83
<b>Adjustments primarily involving the Capital Receipts Reserve</b>										
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(685)	685		-						-
Use of Capital Receipts Reserve to finance new capital expenditure		(519)		(519)			519			519
<b>Adjustments primarily involving the Financial Instrument Adjustment Account</b>										
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(205)			(205)				205		205
<b>Adjustments primarily involving the Pensions Reserve</b>										
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	30,450			30,450		(30,450)				(30,450)
Employer's contributions to pension schemes	(18,460)			(18,460)		18,460				18,460
<b>Adjustments primarily involving the Accumulated Absences Account</b>										
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	46			46					(46)	(46)
<b>Total Adjustments 2012/13 (Restated)</b>	<b>3,988</b>	<b>166</b>	<b>68</b>	<b>4,222</b>	<b>(1,711)</b>	<b>(11,990)</b>	<b>9,320</b>	<b>205</b>	<b>(46)</b>	<b>(4,222)</b>

# Statement of Accounts

2013-14

2013-14	Council Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Revaluation Reserve	Pensions Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Short term Compensated Absences	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>										
<b>Adjustments Primarily Involving the Capital Adjustment Account</b>										
<b>Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement</b>										
Charges for Depreciation & Impairment of Non-Current Assets	19,931			19,931			(19,931)			(19,931)
Revaluation losses on Property, Plant & Equipment	5,408			5,408			(5,408)			(5,408)
Movement in market value of investment property	410			410			(410)			(410)
Capital grant and contributions applied	(11,336)			(11,336)			11,336			11,336
Revenue Expenditure Funded from Capital under Statute	194		411	605			(605)			(605)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	6,048			6,048	(1,290)		(4,758)			(6,048)
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.					(1,228)		1,228			-
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>										
Statutory Provision for the financing of capital investment	(7,840)			(7,840)			7,840			7,840
Capital expenditure charged against the Council Fund balance	(1,271)			(1,271)			1,271			1,271
<b>Adjustments primarily involving the Capital Grants Unapplied Account :</b>										
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	26		(26)	-						-
Application of grants to capital financing transferred to the Capital Adjustment Account			(52)	(52)			52			52
<b>Adjustments primarily involving the Capital Receipts Reserve</b>										
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(166)	166		-						-
Use of Capital Receipts Reserve to finance new capital expenditure		(2,453)		(2,453)			2,453			2,453
<b>Adjustments primarily involving the Financial Instrument Adjustment Account</b>										
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(205)			(205)				205		205
<b>Adjustments primarily involving the Pensions Reserve</b>										
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	34,060			34,060		(34,060)				(34,060)
Employer's contributions to pension schemes	(17,340)			(17,340)		17,340				17,340
<b>Adjustments primarily involving the Accumulated Absences Account</b>										
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(204)			(204)					204	204
<b>Total Adjustments 2013/14</b>	<b>27,716</b>	<b>(2,287)</b>	<b>333</b>	<b>25,761</b>	<b>(2,518)</b>	<b>(16,720)</b>	<b>(6,932)</b>	<b>206</b>	<b>204</b>	<b>(25,761)</b>

## Notes to the Comprehensive Income and Expenditure Statement

## 5. Precepts and levies

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

2012-13 £'000		2013-14 £'000
8,419	<b>Precepts</b>	
	Police and Crime Commissioner for South Wales	9,078
1,480	Community Councils	1,512
<b>9,899</b>	<b>Sub total</b>	<b>10,590</b>
	<b>Levies</b>	
6,582	South Wales Fire and Rescue Authority	6,659
256	Coroners Service	263
107	Archive Service	106
1	Margam Crematorium Joint Committee	17
18	Swansea Bay Port Health Authority	18
<b>6,964</b>	<b>Sub total</b>	<b>7,063</b>
<b>16,863</b>	<b>Total</b>	<b>17,653</b>

## 6. Trading activities

The Council has established trading activities which were previously subject to Compulsory Competitive Tendering legislation. The outturn for the Council's trading activities are summarised as follows:

2012-13 Income £'000	2012-13 Exp. £'000	2012-13 Deficit/ (Surplus) £'000	Activity	2013-14 Income £'000	2013-14 Exp. £'000	2013-14 Deficit/ (Surplus) £'000	Target £'000	Variance £'000
(3,383)	3,355	(28)	Building Maintenance	(2,680)	2,747	67	(34)	101
(1,192)	1,097	(95)	Building Cleaning	(1,175)	1,093	(82)	(26)	(56)
(3,465)	3,482	17	Fleet Services	(2,900)	2,895	(5)	61	(66)
<b>(8,040)</b>	<b>7,934</b>	<b>(106)</b>	<b>Transfer to I &amp; E Account</b>	<b>(6,755)</b>	<b>6,735</b>	<b>(20)</b>	<b>1</b>	<b>(21)</b>

## 7. Revenue Support Grant

This is the principal source of finance towards revenue expenditure from Welsh Government with the amount receivable fixed at the start of each financial year. The amount received in 2013-14 was £154.7 million (£143.2 million for 2012-13).

## 8. Government grants

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

2012-13	Specific Grants credited to Services	2013-14
£'000		£'000
47,437	Housing Benefit Subsidy	47,948
12,704	Council Tax Benefit Subsidy	0
8,323	DCELLS Post 16 Grant	6,717
4,352	Foundation Phase Grants	4,333
2,149	PFI Grant	1,681
5,549	Other Children	5,654
712	Other Wellbeing	434
3,110	Others	2,811
5,088	Supporting People	6,101
1,805	Resettlement Grant	0
910	Substance Misuse Action Plan	0
2,686	Concessionary Fares Grant	2,920
1,661	Flying Start	2,486
3,020	Sustainable Waste Grant	2,898
1,219	Housing/Council Tax Benefit Administration	1,033
426	Local Transport Services	357
957	Communities First	952
1,847	Families First	1,913
<b>103,955</b>	<b>Total</b>	<b>88,238</b>

2012-13	Other Government Grants credited to Taxation and Non-specific Grant Income	2013-14
£'000		£'000
1,385	Improvement Agreement Grant	1,401
	Council Tax Reduction Grant	1,138
22,026	Capital Grants and Contributions	11,310
<b>23,411</b>	<b>Total</b>	<b>13,849</b>
<b>127,366</b>		<b>102,087</b>

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

## 9. Council tax

Council Tax Income derives from charges raised according to the value of residential properties, which have been classified into ten valuation bands estimating 1 April 2005 values for this specific purpose. Charges are calculated by taking the amount of income required for Bridgend County Borough Council, each Community Council and the South Wales Police Authority and dividing this by the Council Tax base. The Council Tax base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts – 50,075.92 dwellings for 2013-14 (49,961.74 in 2012-13). The average amount for a Band D property is £1,346.83 in 2013-14 (£1,296.16 in 2012-13 on average) and is multiplied by the proportion specified for the particular band to give the individual amount due.

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

Band	A*	A	B	C	D	E	F	G	H	I
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
Chargeable Dwellings	29	10,124	14,802	13,723	9,467	6,846	3,835	1,332	281	81

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

2012-13 £'000		2013-14 £'000
66,265	Council Tax Collectable	68,987
	Less:	
(1,480)	Payable to Community Councils	(1,512)
(8,419)	Payable to South Wales Police	(9,078)
	Provision for non-payment of Council Tax	
(190)	(Decrease)	68
<b>56,176</b>	<b>Net Proceeds from Council Tax</b>	<b>58,465</b>

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

NNDR is organised on a national basis. The Welsh Government (WG) specifies the rate in the pound to be charged and, subject to the effects of transition arrangements, local businesses pay rates calculated by multiplying their rateable value by the rate in the pound. This was 46.4p in 2013-14 (45.2p in 2012-13). The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by WG. WG then redistributes the sums payable back into local authorities on the basis of a fixed amount per head of population.

The Council receives a contribution from the NNDR pool direct. The income from this should be reflected separately in the Comprehensive Income and Expenditure Statement. This amount was £43.026 million in 2013-14 (£36.350 million in 2012-13).

#### 11. Leases

##### Council as a Lessee

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

Under IFRS, a number of leases for vehicles, plant and equipment have been reclassified as finance leases. These are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2013 £'000		31 March 2014 £'000
88	Vehicles, Plant & Equipment Finance Leases	37

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the vehicle, plant and equipment acquired by the Council and finance costs that will be payable by the Council in future years



while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2013 £'000		31 March 2014 £'000
	Finance Lease Liabilities (Net Present Value of minimum lease payments) :-	
54	* current	41
41	* non-current	
5	Finance Costs payable in future years	2
<b>100</b>	<b>Minimum lease payments</b>	<b>43</b>
57	Not later than one year	43
43	Later than one year	-
<b>100</b>	<b>Total</b>	<b>43</b>

### Operating Leases

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

31 March 2013 £'000		31 March 2014 £'000
1,361	Not later than one year	1,327
3,920	Later than one year	3,676
9,104	Later than five years	8,486
<b>14,385</b>	<b>Total</b>	<b>13,489</b>

Expenditure charged in the year to the Service areas was £1.459 million made up of minimum lease payments of £0.884 million and £0.575 million for contingent rents (£1.766 million in 2012-13 made up of £1.189 million minimum lease payments and £0.577 million contingent rents).

### Council as a Lessor

#### Operating Leases

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

31 March 2013 £'000		31 March 2014 £'000
220	Not later than one year	171
389	Later than one year	182
814	Later than five years	851
<b>1,423</b>	<b>Total</b>	<b>1,204</b>

## 12. Private Finance Initiative (PFI)

During the 2008-09 financial year, the Council commenced payment under the Private Finance Initiative (PFI) arrangement for the provision of a Secondary School in Maesteg that

was entered into in 2007-08 and this arrangement will run until August 2033. There is a commitment of £30.5 million (Net Present Value) over the duration of the contract, which is to be funded by a combination of PFI Credits, agreed by the Welsh Government, and Council/Delegated School resources.

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

2012-13 £'000	Unitary Charge	2013-14 £'000
583	Service Charge Element	589
1,537	Interest Element	1,505
410	Finance Lease Liability	442
<b>2,530</b>	<b>Total</b>	<b>2,536</b>

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

Unitary Charge	2014-15 £'000	2015-16 to 2019-20 £'000	2020-21 to 2024-25 £'000	2025-26 to 2029-30 £'000	2030-31 to 2033-34 £'000
Service Charge Element	476	2,990	4,337	6,290	5,683
Interest Element	1,471	6,744	5,397	3,444	792
Finance Lease Liability	502	2,511	2,511	2,511	2,002
<b>Total</b>	<b>2,449</b>	<b>12,245</b>	<b>12,245</b>	<b>12,245</b>	<b>8,477</b>

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

As at 31 March 2014, the balance on the PFI equalisation earmarked reserve is £3.057 million (£2.639 million as at 31 March 2013).

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

Under Section 33 NHS (Wales) Act 2006 the following informal joint arrangements refer to joint working with Abertawe Bro Morgannwg University Local Health Board (LHB).

Total Expenditure 2012-13 £'000	Purpose of Partnership	Trust Expenditure £'000	BCBC Expenditure £'000	Total Expenditure 2013-14 £'000
877	Community Reablement Project	207	519	726
6	Integrated Services Manager	39	39	78
251	Community Disability Rehabilitation Team	180	64	244
56	Joint Locality Director			-
110	Bryn Y Cae Residential Reablement	98	174	272
630	Early Response Service	391	405	796
100	Health, Social Care & Well Being Strategy	21	79	100
<b>2,030</b>	<b>Total</b>	<b>936</b>	<b>1,280</b>	<b>2,216</b>

There are however some formal pooled budget arrangements between the Council and the LHB and these are detailed below :-

2012/13			Partner	Purpose of Partnership	2013/14		
Gross Income Of Partnership £'000	Gross Expenditure of Partnership £'000	Authority's Contribution £'000			Gross Income Of Partnership £'000	Gross Expenditure of Partnership £'000	Authority's Contribution £'000
523	523	267	Abertawe Bro-Morgannwg University Health Board	Integrated Service Provision using a Pooled Fund. Provision of day opportunities for people recovering from mental health problems.	564	564	294
2,133	2,142	472	Rhondda Cynon Taff CBC Merthyr Tydfil CBC Cwm Taf LHB Abertawe Bro Morgannwg University Health Board	Integrated commissioning from a pooled fund for procuring specified community equipment for eligible people within the partnership's administrative area. Rhondda Cynon Taf are the lead partner	2,236	2,407	471

#### 14. Minimum Revenue Provision

The Council is required by statute to set a prudent Minimum Revenue Provision (MRP) for the repayment of external debt. In accordance with this requirement the provision for 2013-14 has been calculated as shown in the table below. It is based on the opening Capital Financing Requirement (CFR) of the Council.

2012-13		2013-14
£'000		£'000
162,177	CFR 1 April	165,581
161	HALO Adjustment 12-13	943
(20,627)	PFI School	(20,217)
(871)	Innovation Centre	(845)
(248)	Finance Leases	(95)
(161)	Leisure Contract Capital Liability	(1,087)
(82)	Factor A Adjustment	(82)
(9,733)	CFR Adj Para 19 2008/Unsupported Borrowing Adj	(12,368)
<b>130,616</b>	<b>Adjusted CFR</b>	<b>131,830</b>
5,225	MRP - 4%	5,273
410	PFI School - MRP Charge	442
26	Innovation Centre MRP Charge	28
153	Finance Leases MRP Charge	54
17	HALO MRP Charge	117
761	Unsupported Borrowing MRP	1,926
<b>6,592</b>	<b>Total MRP</b>	<b>7,840</b>

#### 15. Officers' Remuneration

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

**Table 1 : Officers' Remuneration over £60k**

2012-13	Remuneration Band	Number of Employees				
		Movement in Bandings	2013-14 inc Redundancy Costs	2013-14 exc Redundancy Costs	Number of Teachers inc in Figures exc Redundancy	Number of Non-Teachers inc in Figures exc Redundancy
12	£60,000 - £64,999	5	17	15	15	-
13	£65,000 - £69,999	1	14	13	12	1
5	£70,000 - £74,999	(2)	3	3	3	-
10	£75,000 - £79,999	(5)	5	4	-	4
2	£80,000 - £84,999	-	2	2	1	1
2	£85,000 - £89,999	1	3	3	1	2
2	£90,000 - £94,999	3	5	3	2	1
1	£95,000 - £99,999	3	4	3	2	1
1	£100,000 - £104,999	(1)	-	-	-	-
1	£105,000 - £109,999	(1)	-	-	-	-
1	£110,000 - £114,999	-	1	-	-	-
-	£115,000 - £119,999	-	-	-	-	-
-	£120,000 - £124,999	1	1	-	-	-
-	£125,000 - £129,999	3	3	3	-	3
-	£130,000 - £134,999	-	-	-	-	-
-	£135,000 - £139,999	-	-	-	-	-
-	£140,000 - £144,999	-	-	-	-	-
-	£145,000 - £149,999	-	-	-	-	-
-	£235,000 - £239,999	-	-	-	-	-
<b>50</b>		<b>8</b>	<b>58</b>	<b>49</b>	<b>36</b>	<b>13</b>

Within the Remuneration Bands are a number of senior employees of the Council who have also been included in the following Table 2 : Senior Officers' Disclosure. This is a disclosure requirement to disclose individual remuneration details for all senior employees under the Accounts and Audit (Wales) (amendment) Regulations 2010. This disclosure is shown in Table 2 below.

# Statement of Accounts

2013-14

**Table 2 : Senior Officers' Disclosure**

Job Title	Salary		Expenses		Benefits in Kind		Pension Contributions		Total Remuneration including Pension Contributions	
	13-14	12-13	13-14	12-13	13-14	12-13	13-14	12-13	13-14	12-13
	£	£	£	£	£	£	£	£	£	£
Chief Executive Officer & Head of Paid Service	125,246	65,918	1,411	8,345	328	1,997	26,051	13,711	153,036	89,972
Corporate Director - Children										
Previous Post Holder	43,362	104,068	135	301	2,256	5,428	9,019	21,646	54,772	131,443
Current Post Holder	56,837	-	31	-	824	-	11,822	-	69,514	
Corporate Director - Communities	98,620	103,229	-	266	13,554	8,724	20,513	21,472	132,687	133,690
Corporate Director - Wellbeing	56,837	35,084	-	613	10,067	9,242	11,822	8,525	78,726	53,464
Corporate Director -Resources & s151 Officer	104,068	104,068	9	540	-	-	21,004	17,796	125,081	122,403
Assistant Chief Executive - Legal & Regulatory Services	92,360	88,458	296	267	4,549	10,460	19,211	18,399	116,417	117,585

## Notes

Note 1 : The Chief Executive Officer took up post in September 2012

Note 2 : The Chief Executive Officers Salary excludes payment for Election Duties. These amounted to £300 for two elections

Note 3 : The previous Corporate Director - Children left the Authority in August 2013, and the new Corporate Director - Children, took up post in August 2013

Note 4 : The Corporate Director - Communities was permanently appointed to this post in November 2013, but had been fulfilling this role in an acting capacity since April 2014. The previous post holder left the Authority in March 2013

Note 5 : The Corporate Director - Wellbeing took up post in September 2013

Note 6 : Pension Contributions relate to actual payments made

**Table 3: Exit Packages Disclosure**

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

Exit Package Cost Band (including Special Payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	13-14	12-13	13-14	12-13	13-14	12-13	13-14 £	12-13 £
£0 - £20,000	53	31	30	8	83	39	566,652	330,170
£20,001 - £40,000	7	2	10	6	17	8	500,503	230,797
£40,001 - £60,000	1	2	2	4	3	6	138,140	284,115
£60,001 - £80,000	1	-	2	-	3	-	205,406	-
£80,001 - £100,000	1	-	-	-	1	-	80,101	-
£100,001 - £120,000	-	-	-	1	-	1	-	106,886
£120,001 - £140,000	-	-	1	-	1	-	124,507	-
£140,001 - £180,000	-	-	2	-	2	-	309,500	-
	<b>63</b>	<b>35</b>	<b>47</b>	<b>19</b>	<b>110</b>	<b>54</b>	<b>1,924,809</b>	<b>951,968</b>

**16. Members' allowances**

As a result of the December 2011 Report of the Independent Remuneration Panel for Wales, a new system of 'salary' payments for Members came into effect in full from 16 May 2012. Between 1 April 2012 and 16 May 2012 there was an incremental move away from the previous system of basic allowances and special responsibility allowances. The Council now has in place a 'Basic Salary' for all members, for which the total spend in 2013-14 was £474,000 (£459,000 for the period from 16 May 2012 to 31 March 2013), a 'Senior Salary', for which the total spend for 2013-14 was £576,000 (£450,000 for the period from 16 May 2012 to 31 March 2013), and a Civic Salary, for which the total spend for 2013-14 was £38,000 (£37,000 for the period from 16 May 2012 to 31 March 2013). Prior to 16 May 2012 there were residual payments made under the old scheme prior to 16 May 2013 totalling £128,000. Because of the incremental transition that took place in 2012-13, the categories of payments are not yet directly comparable. Overall, the total spend in 2013-14 was £1.088 million compared to £1.050 million in 2012-13.

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

**17. External audit costs**

In 2013-14 Bridgend County Borough Council incurred the following fees relating to external audit and inspection:

2012-13 £'000		2013-14 £'000
190	Financial Statement Audit	190
135	Performance Audit	135
<b>325</b>	<b>External Audit Services</b>	<b>325</b>
-	Statutory Inspection	
82	Grant Claims and Returns	82
<b>407</b>	<b>Total</b>	<b>407</b>

**18. Group accounts**

In keeping with neighbouring Local Authorities in the South Wales area, the Council has interests in a number of organisations, such as Groundwork Bridgend and Neath Port Talbot, South East Wales Transport Alliance (SEWTA), Central South Joint Education Committee (JES), and Glamorgan Archives. These interests are not considered to be material, and consolidated accounts have therefore not been prepared.

**19. Related party transactions**

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



independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

### **Welsh Government**

Welsh Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills). Grants received from government departments are set out in Notes 4 and Note 5 above.

### **Members**

Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2013-14 is shown in Note 13. Grants were made to organisations whose senior management included members including Groundwork Bridgend and Neath Port Talbot £47,500 in 2013-14 (£47,500 in 2012-13), Bridgend County Borough Citizens Advice Bureau £228,690 (£228,690 in 2012-13) and Bridgend Association of Voluntary Organisations £166,299 in 2013-14 (£117,000 in 2012-13). 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. Details of all these transactions are recorded in the Register of Members' Interest.

### **Chief Officers**

During 2013-14, no chief officer declared any material interests/relationships in a related party. This was the same in 2012-13.

### **Joint Committees**

#### **Glamorgan Archives Joint Committee**

The Glamorgan Record Office is managed and administered by the Glamorgan Archives Joint Committee under powers conferred by the Local Government (Wales) Act 1994. During 2013-14, the Council contributed to the Joint Committee an amount of £106,040 (£106,830 in 2012-13). This was calculated proportionately based upon population.

#### **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.

#### **County Borough Supplies**

County Borough Supplies is administered by the Council and supplies goods such as stationery. It is a Joint Committee with Members from Bridgend CBC, Rhondda Cynon Taf CBC, Merthyr Tydfil CBC and Caerphilly CBC.

### **Other Public Bodies**

The Authority has a number of pooled budget arrangements with Abertawe Bro-Morgannwg University Health Board as detailed in Note 13.

## **20. Amounts Reported for Resource Allocation Decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of*

*Practice.* However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

The income and expenditure of the Council's principal Directorates recorded in the budget reports for the comparative year (2012-13) is as follows:

## Statement of Accounts

2013-14

Directorate Income and Expenditure 2012-13	Children £'000	Wellbeing £'000	Communities £'000	Other Services £'000	Total £'000
Fees, charges & other service income	(17,399)	(15,683)	(15,955)	(15,948)	<b>(64,985)</b>
Government grants	(24,098)	(4,488)	(13,238)	(62,955)	<b>(104,779)</b>
<b>Total Income</b>	<b>(41,497)</b>	<b>(20,171)</b>	<b>(29,193)</b>	<b>(78,903)</b>	<b>(169,764)</b>
Employee expenses	106,463	27,219	16,425	22,398	<b>172,505</b>
Other operating expenses	54,542	36,661	37,528	78,254	<b>206,985</b>
<b>Total operating expenses</b>	<b>161,005</b>	<b>63,880</b>	<b>53,953</b>	<b>100,652</b>	<b>379,490</b>
<b>Net Cost of Services</b>	<b>119,508</b>	<b>43,709</b>	<b>24,760</b>	<b>21,749</b>	<b>209,726</b>

Directorate Income and Expenditure 2013-14	Children £'000	Wellbeing £'000	Communities £'000	Other Services £'000	Total £'000
Fees, charges & other service income	(19,205)	(16,250)	(13,270)	(17,394)	<b>(66,119)</b>
Government grants	(22,962)	(1,865)	(14,748)	(49,793)	<b>(89,368)</b>
<b>Total Income</b>	<b>(42,167)</b>	<b>(18,115)</b>	<b>(28,018)</b>	<b>(67,187)</b>	<b>(155,487)</b>
Employee expenses	110,889	28,729	16,169	22,232	<b>178,019</b>
Other operating expenses	58,629	37,002	36,178	66,437	<b>198,246</b>
<b>Total operating expenses</b>	<b>169,518</b>	<b>65,731</b>	<b>52,347</b>	<b>88,669</b>	<b>376,265</b>
<b>Net Cost of Services</b>	<b>127,351</b>	<b>47,616</b>	<b>24,329</b>	<b>21,482</b>	<b>220,778</b>

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

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

	2013-14 £'000	2012-13 £'000
<b>Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement</b>		
Cost of Services in Service Analysis	<b>220,778</b>	<b>209,726</b>
Add services not included in main analysis	16,326	2,177
Add amounts not reported to management	27,199	19,762
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(1,509)	(1,368)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>262,794</b>	<b>230,297</b>

**Reconciliation to Subjective Analysis**

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

## Statement of Accounts

2013-14

Reconciliation to Subjective Analysis 2012-13	Directorate Analysis £'000	Services not in Analysis £'000	Not reported to mgmt £'000	Not included in I & E £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(64,985)			8,040	(56,945)	(8,040)	(64,985)
Surplus or deficit on associates and joint ventures					-		-
Interest and investment income					-	(522)	(522)
Income from council tax					-	(66,265)	(66,265)
Government grants and contributions	(104,779)	(8,753)			(113,532)	(202,959)	(316,491)
<b>Total Income</b>	<b>(169,764)</b>	<b>(8,753)</b>	<b>-</b>	<b>8,040</b>	<b>(170,477)</b>	<b>(277,786)</b>	<b>(448,263)</b>
Employee expenses	172,505	570	(1,253)		171,822	13,290	185,112
Other service expenses	206,985	10,360		(7,934)	209,411	7,934	217,345
Support Service recharges					-		-
Depreciation, amortisation and impairment			21,015		21,015		21,015
Interest Payments				(1,474)	(1,474)	6,313	4,839
Precepts & Levies					-	16,863	16,863
Payments to Housing Capital Receipts Pool					-		-
Gain or Loss on Disposal of Fixed Assets					-	(240)	(240)
<b>Total Expenditure</b>	<b>379,490</b>	<b>10,930</b>	<b>19,762</b>	<b>(9,408)</b>	<b>400,774</b>	<b>44,160</b>	<b>444,934</b>
<b>Surplus or deficit on the provision of services</b>	<b>209,726</b>	<b>2,177</b>	<b>19,762</b>	<b>(1,368)</b>	<b>230,297</b>	<b>(233,626)</b>	<b>(3,329)</b>

# Statement of Accounts

2013-14

Reconciliation to Subjective Analysis 2013-14	Directorate Analysis £'000	Services not in Analysis £'000	Not reported to mgmt £'000	Not included in I&E £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(66,119)			6,756	(59,363)	(6,756)	(66,119)
Surplus or deficit on associates and joint ventures					-		-
Interest and investment income					-	(607)	(607)
Income from council tax					-	(68,987)	(68,987)
Government grants and contributions	(89,368)	(4,048)			(93,416)	(211,597)	(305,013)
<b>Total Income</b>	<b>(155,487)</b>	<b>(4,048)</b>	<b>-</b>	<b>6,756</b>	<b>(152,779)</b>	<b>(287,947)</b>	<b>(440,726)</b>
Employee expenses	178,019	1,050	2,935		182,004	13,580	195,584
Other service expenses	198,246	19,324		(6,736)	210,834	6,736	217,570
Support Service recharges					-		-
Depreciation, amortisation and impairment			24,264		24,264		24,264
Interest Payments				(1,529)	(1,529)	6,235	4,706
Precepts & Levies					-	17,653	17,653
Payments to Housing Capital Receipts Pool					-		-
Gain or Loss on Disposal of Fixed Assets					-	6,292	6,292
<b>Total Expenditure</b>	<b>376,265</b>	<b>20,374</b>	<b>27,199</b>	<b>(8,265)</b>	<b>415,573</b>	<b>50,496</b>	<b>466,069</b>
<b>Surplus or deficit on the provision of services</b>	<b>220,778</b>	<b>16,326</b>	<b>27,199</b>	<b>(1,509)</b>	<b>262,794</b>	<b>(237,451)</b>	<b>25,343</b>

## Notes to the Balance Sheet

## 21. Tangible Fixed Assets

a) Capital commitments

As at 31 March 2014 commitments of approximately £6.78m existed on capital works contracts started before that date, details of which are shown in the table below.

2012-13 £'000		2013-14 £'000
808	Porthcawl Regeneration	88
4,442	Bridgend Town Centre Regeneration	873
1,421	Maesteg Regeneration	-
2,657	Highways Infrastructure Local Govt Borrowing Initiative	2,811
1,198	Refurbishment Requirements Healthy Living Partnership	-
13,036	Gateway to the Valleys	1,633
3,506	Pen y Fai Primary School	1,012
130	Litchard Primary Amalgamation	-
890	Bryncethin School Amalgamation	-
400	Coety / Parc Derwen Primary School	-
63	Tremains Primary Amalgamation	-
	Lewistown Flying Start Provision	363
<b>28,551</b>	<b>Total</b>	<b>6,780</b>

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

The Authority recognises its only Voluntary-controlled School on its Balance Sheet. This is Pen-y-Fai Church in Wales Primary School. The four voluntary-aided primary schools and one voluntary-aided comprehensive school are not assets of the Authority and therefore not included in the Balance Sheet. Guidance is expected in the future which could affect this recognition in future years.

Numbers of fixed assets by type

<b>Category</b>	<b>Number as at 31 March 2013</b>	<b>Number as at 31 March 2014</b>
Schools	66	68
Other educational establishments	8	8
Libraries	8	8
Car parks	14	14
Cemeteries and buildings	20	20
Crematoria	1	1
Reclaimed land	18	18
Markets	2	2
Shops	9	9
Public conveniences	16	16
Nature reserves	1	1
Social Services establishments	28	27
Bus stations	2	2
Sports pavilions	41	41
Recreation grounds & parks	17	17
Recreation & entertainment centres	12	12
Community centres	16	16
Swimming pools	6	6
Industrial estates	23	23
Civic offices	2	2
Other offices	5	5
Depots	8	8
Vehicles	48	55
Vehicles on Finance Leases	27	4
Miscellaneous assets	23	22
	<b>421</b>	<b>405</b>



# Statement of Accounts

2013-14

c) Summary of Property, Plant & Equipment (PPE)	Other Land and Buildings £'000	Vehicle, Plant and Equipment £'000	Infra-Structure £'000	Comm-unity Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE Assets £'000	PFI Assets Included In PPE £'000	Finance Leases In PPE £'000
<b>Cost or Valuation</b>									
At 1 April 2012	419,484	20,755	175,285	3,322	14,955	18,288	652,089	22,744	1,180
Additions	2,877	716	6,827	51	-	22,295	32,766	-	161
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,550)	-	-	-	1,009	-	(541)	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	625	-	-	-	(595)	(905)	(875)	-	-
Derecognition - Disposals	(60)	(8,878)	-	-	-	-	(8,938)	-	-
Assets reclassified (to)/from Held for Sale	(95)	-	-	-	(4,505)	-	(4,600)	-	-
Assets reclassified (to)/from Investment Property	75	-	-	-	-	-	75	-	-
Other Movements in Cost or Valuation	243	-	969	1,201	(409)	(3,531)	(1,527)	-	-
	-	-	-	-	-	-	-	-	-
<b>At 31 March 2013</b>	<b>421,599</b>	<b>12,593</b>	<b>183,081</b>	<b>4,574</b>	<b>10,455</b>	<b>36,147</b>	<b>668,449</b>	<b>22,744</b>	<b>1,341</b>
<b>Accumulated Depreciation and Impairments</b>									
At 1 April 2012	(34,286)	(16,706)	(87,499)	(37)	(867)	-	(139,395)	(717)	(946)
Depreciation Charge for 2012/13	(7,255)	(1,291)	(9,372)	-	(14)	-	(17,932)	(239)	(146)
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Acc. Depreciation WO to GCA	-	-	-	-	-	-	-	-	-
Acc. Impairment WO to GCA	-	-	-	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	(274)	-	-	-	-	-	(274)	-	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(1,685)	(60)	(703)	-	-	-	(2,448)	-	-
Derecognition - disposals	60	8,878	-	-	-	-	8,938	-	-
Assets reclassified (to)/from Held for Sale	2	-	-	-	-	-	2	-	-
Other Movements	1,148	-	-	-	379	-	1,527	-	-
<b>At 31 March 2013</b>	<b>(42,290)</b>	<b>(9,179)</b>	<b>(97,574)</b>	<b>(37)</b>	<b>(502)</b>	<b>-</b>	<b>(149,582)</b>	<b>(956)</b>	<b>(1,092)</b>
<b>Balance Sheet as at 1 April 2012</b>	<b>385,198</b>	<b>4,049</b>	<b>87,786</b>	<b>3,285</b>	<b>14,088</b>	<b>18,288</b>	<b>512,694</b>	<b>22,027</b>	<b>234</b>
<b>Balance Sheet as at 31 March 2013</b>	<b>379,309</b>	<b>3,414</b>	<b>85,507</b>	<b>4,537</b>	<b>9,953</b>	<b>36,147</b>	<b>518,867</b>	<b>21,788</b>	<b>249</b>

# Statement of Accounts

2013-14

c) Summary of Property, Plant & Equipment (PPE)	Other Land and Buildings £'000	Vehicle, Plant and Equipment £'000	Infra-Structure £'000	Comm-unity Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE Assets £'000	PFI Assets Included In PPE £'000	Finance Leases In PPE £'000
<b>Cost or Valuation</b>									
At 1 April 2013	421,599	12,593	183,081	4,574	10,455	36,147	668,449	22,744	1,341
Additions	2,275	2,916	7,166	-	-	21,561	<b>33,918</b>	-	943
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,829)	-	-	-	-	-	<b>(1,829)</b>	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(5,461)	-	-	-	53	-	<b>(5,408)</b>	-	-
Derecognition - Disposals	(6,825)	(399)	-	-	-	-	<b>(7,224)</b>	-	-
Derecognition - other	(84)	-	-	-	-	-	<b>(84)</b>	-	-
Assets reclassified (to)/from Held for Sale	(1,401)	-	-	-	(53)	-	<b>(1,454)</b>	-	-
Assets reclassified (to)/from Investment Property	-	-	-	-	-	-	-	-	-
Other Movements in Cost or Valuation	333	-	6,109	-	811	(8,251)	<b>(998)</b>	-	-
	-	-	-	-	-	-	-	-	-
<b>At 31 March 2014</b>	<b>408,607</b>	<b>15,110</b>	<b>196,356</b>	<b>4,574</b>	<b>11,266</b>	<b>49,457</b>	<b>685,370</b>	<b>22,744</b>	<b>2,284</b>
<b>Accumulated Depreciation and Impairments</b>									
At 1 April 2013	(42,290)	(9,179)	(97,574)	(37)	(502)	-	(149,582)	(956)	(1,092)
Depreciation Charge for 2013/14	(7,104)	(1,050)	(9,729)	-	(27)	-	<b>(17,910)</b>	<b>(239)</b>	(51)
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Acc. Depreciation WO to GCA	-	-	-	-	-	-	-	-	-
Acc. Impairment WO to GCA	-	-	-	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	(18)	-	-	-	-	-	<b>(18)</b>	-	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(1,550)	(78)	(394)	-	-	-	<b>(2,022)</b>	-	-
Derecognition - other	41	-	-	-	-	-	<b>41</b>	-	-
Derecognition - disposals	907	399	-	-	-	-	<b>1,306</b>	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-	-
Other Movements	1,066	-	-	-	(68)	-	<b>998</b>	-	-
<b>At 31 March 2014</b>	<b>(48,948)</b>	<b>(9,908)</b>	<b>(107,697)</b>	<b>(37)</b>	<b>(597)</b>	<b>-</b>	<b>(167,187)</b>	<b>(1,195)</b>	<b>(1,143)</b>
<b>Balance Sheet as at 1 April 2013</b>	<b>379,309</b>	<b>3,414</b>	<b>85,507</b>	<b>4,537</b>	<b>9,953</b>	<b>36,147</b>	<b>518,867</b>	<b>21,788</b>	<b>249</b>
<b>Balance Sheet as at 31 March 2014</b>	<b>359,659</b>	<b>5,202</b>	<b>88,659</b>	<b>4,537</b>	<b>10,669</b>	<b>49,457</b>	<b>518,183</b>	<b>21,549</b>	<b>1,141</b>

d) Fixed asset valuation

The freehold and leasehold properties of Bridgend County Borough Council were valued as at 1 April 2009 by Alder King Chartered Surveyors in accordance with the Statements of Asset Valuation, Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Fixed Assets are included in the Balance Sheet on the valuation basis set out in the Statement of Accounting Policies.

e) Sources of finance for Capital Expenditure

2012-13 £'000		2013-14 £'000
9,835	Loans	18,350
24,492	Government grants	14,547
519	Capital receipts	2,453
862	Revenue contribution	1,271
	<b>Finance Leases</b>	
161	HALO Financial Liability	943
952	Other contribution	231
<b>36,821</b>	<b>Total</b>	<b>37,795</b>

f) Revenue Expenditure Funded from Capital under Statute

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

2012-13 £'000		2013-14 £'000
4,055	Revenue Expenditure Funded from Capital under Statute	3,879
<b>4,055</b>	<b>Total</b>	<b>3,879</b>

## g) Capital financing requirement and the financing of capital expenditure

2012-13 £'000	Capital Financing Requirement	2013-14 £'000
162,178	Opening Capital Financing Requirement	165,581
	<b>Capital Investment</b>	
32,605	Property, Plant and Equipment	32,974
	Investment Properties	
4,055	Revenue Expenditure Funded from Capital under Statute	3,879
161	Recognition of Finance Leases within the Year	943
	<b>Sources of Finance</b>	
(25,445)	Grants & Contributions	(14,780)
(519)	Capital receipts applied	(2,453)
(862)	Revenue Contributions	(1,271)
(5,225)	Minimum Revenue Provision	(5,273)
(761)	Unsupported Borrowing MRP	(1,926)
(170)	Finance Leases MRP	(171)
(26)	Innovation Centre MRP	(28)
(410)	PFI School MRP	(442)
<b>165,581</b>	<b>Closing Capital Financing Requirement</b>	<b>177,033</b>
	<b>Explanation for Movements in Year</b>	
(458)	Decrease in Underlying Need to Borrow (supported by government financial assistance)	(1,327)
4,306	Increase in Underlying Need to Borrow (unsupported by government financial assistance)	12,477
(35)	Assets acquired under finance leases	744
(410)	Assets acquired under PFI Contract	(442)
<b>3,403</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>11,452</b>

h) Capital Grants Received in Advance

The table below shows the breakdown of capital grants received in advance:-

2012-13 £'000		2013-14 £'000
2,875	Developers' Contributions - capital element	2,388
9	Other Capital Grants & Contributions	
<b>2,884</b>	<b>Total</b>	<b>2,388</b>

**22. Investment Properties**

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

2012-13 £'000		2013-14 £'000
483	Rental Income from Investment Property	526
(145)	Direct Operating Expenses arising from Investment Property	(152)
<b>338</b>	<b>Net gain/(loss)</b>	<b>374</b>

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

2012-13 £'000		2013-14 £'000
3,374	<b>Balance at 1 April</b>	3,422
123	Net gain from fair value adjustments	(410)
(75)	Transfers to Property, Plant and Equipment	-
<b>3,422</b>	<b>Balance as at 31 March</b>	<b>3,012</b>

**23. Heritage Assets**

2012-13 £'000		2013-14 £'000
51	Civic Regalia	51
<b>51</b>	<b>Balance as at 31 March</b>	<b>51</b>

**24. Long term debtors**

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

2012-13 £'000		2013-14 £'000
56	Mortgages	29
503	Finance Leases	384
<b>559</b>	<b>Balance as at 31 March</b>	<b>413</b>

**25. Short Term Debtors**

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

2012-13 £'000	Short-term Debtors	2013-14 £'000
20,650	Central Government Bodies	12,492
772	Other Local Authorities	4,189
188	NHS Bodies	541
10,647	Other Entities and Individuals	9,841
<b>32,257</b>	<b>Balance as at 31 March</b>	<b>27,063</b>

The Council collects NNDR payments on behalf of Welsh Government. As at the 31 March 2014, the Council had paid over more cash than it collected, this excess was included in the Balance Sheet as a debtor of £3.102 million. The equivalent for 2012-13 was a debtor of £5.872 million which represented monies not yet paid over by Welsh Government.

## 26. Assets Held for Sale

2012-13 £'000	Assets Held for Sale	2013-14 £'000
1,264	Balance at 1 April	5,354
	Assets newly classified as held for sale:	
4,628	Property, Plant & Equipment	1,454
	Assets declassified as held for resale	
(30)	Property, Plant & Equipment	
60	Revaluation Gain/(Loss)	
(568)	Assets Sold	(87)
<b>5,354</b>	<b>Balance as at 31 March</b>	<b>6,721</b>

## 27. Short Term Creditors

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

2012-13 £'000	Short Term Creditors	2013-14 £'000
(4,828)	Central Government Bodies	(4,135)
(1,072)	Other Local Authorities	(6,379)
(197)	NHS Bodies	(94)
(31,264)	Other Entities and Individuals	(28,293)
<b>(37,361)</b>	<b>Balance as at 31 March</b>	<b>(38,901)</b>

## 28. Provisions

The Council has a number of provisions as detailed below:

2012-13		Expenditure	Increase	2013-14
£'000		£'000	£'000	£'000
4,356	Insurance (BCBC)	(1,075)	652	3,933
104	Equal Pay and Other	-	100	204
600	Waste Disposal	(50)	-	550
213	Carbon Reduction Commitment	(190)	190	213
<b>5,273</b>	<b>Balance as at 31 March</b>	<b>(1,315)</b>	<b>942</b>	<b>4,900</b>

#### Insurance Provision

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 2013-14 for Employer's Liability, Public Liability and Property. However the actual cost of individual claims and the timing of payments is uncertain. The Council also has an earmarked reserve for Insurance which acts as an additional buffer amount to the fund, over and above the total outstanding liability, to allow for unexpected events, worse than anticipated deterioration in the current reserves and higher than anticipated future losses both in frequency and cost.

#### Municipal Mutual Insurance (MMI) Limited

Prior to local government reorganisation the former Ogwr Borough Council and Mid Glamorgan County Council's insurance cover was provided by Municipal Mutual Insurance Limited. When this company hit severe financial difficulties both became a creditor under the Scheme of Arrangement, accepting liability to return to MMI some proportion of historical claim payments received from MMI if the Scheme were to trigger. The Board of Directors of MMI 'triggered' MMI's Scheme of Arrangement on 13 November 2012. During 2013-14, a payment was made of £100,000 to the administrators to cover claims relating to MMI Limited for the former Ogwr Borough Council.

#### Equal Pay / Other

This provision includes the anticipated costs of any valid equal pay claims which may be received and a new provision for a legal case that the Council is currently disputing.

#### Waste Disposal

The balance of the waste disposal liability of £550,000 will be paid at £50,000 per annum over the next eleven years.

#### Carbon Reduction Commitment Energy Efficiency Scheme

This provision represents the obligation to purchase Carbon Reduction Commitment (CRC) Allowances in relation to carbon dioxide emissions incurred during 2013-14. The payment will be made with the retrospective purchase of allowances in the summer 2014.

## 29. PFI and Other Long Term Liabilities

2012-13 £'000		Additions in Year £'000	Moved to Short Term Creditors £'000	2013-14 £'000
19,776	Maesteg School PFI Lease Liability	-	(476)	19,300
817	Innovation Centre Financial Liability	-	(47)	770
41	Finance Lease Liability	-	(41)	-
27	Healthy Living Contract Capital Liability	943	(117)	853
<b>20,661</b>	<b>Balance as at 31 March</b>	<b>943</b>	<b>(681)</b>	<b>20,923</b>

The PFI Finance Lease Liability matches the fair value of the fixed asset for the PFI School as at the date the asset came onto the Council's Balance Sheet being £21.898 million (July 2008). This will be written down over the life of the PFI contract by the value of the unitary payment deemed to be the finance lease element each year. For 2013-14, the amount written down was £442,000 and £476,000 has been transferred to Short Term Creditors leaving an outstanding long term liability of £19.3 million at year end.

The Innovation Centre Financial Liability of £0.917 million was recognised in 2009-10 as a loan in substance. This is being written down over the remaining fourteen years of the loan. The amount written down in 2013-14 was £28,000 and £47,000 was transferred to Short Term Creditors resulting in a long term financial liability of £0.77 million at 31 March 2014.

The liability for finance leases related to leases for vehicles, plant and equipment classed as operating leases under UK GAAP being reclassified as finance leases to meet IFRS requirements. The £41,000 balance for 2012-13 has been transferred to Short Term Creditors in 2013-14.

A new addition was recognised during 2012-13 to reflect the capital work being undertaken by Halo Leisure Services Ltd at the Bridgend Recreation Centre as part of the Healthy Living Partnership Contract which commenced on 1 April 2012. This has been recognised as a long term liability over the contract life. There were additions of £0.943 million for 2013-14 and the amount written down during the year was £117,000, which was transferred to Short Term Creditors resulting in a long term financial liability of £0.853 million at 31 March 2014.

## 30. Usable Reserves

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

## a) Useable capital receipts reserve

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



2012-13 £'000		2013-14 £'000
12,313	Balance at 1st April	12,505
685	Capital Receipts Received	166
26	Mortgage repayments (Council Fund)	27
-	Receipts adjustment previous year's financing	-
(519)	Receipts used to finance capital expenditure	(2,453)
<b>12,505</b>	<b>Balance as at 31st March</b>	<b>10,245</b>

## b) Revenue reserves

The revenue reserves in the Balance Sheet as at 31 March 2014 are detailed below with descriptions of what they represent:-

Opening Bal 2012-13 £'000	Move- ment 2012-13 £'000	Closing Bal 2012-13 £'000	Reserve	Move- ment 2013-14 £'000	Closing Bal 2013-14 £'000
7,199	121	7,320	<b>Council Fund Balance</b>	75	<b>7,395</b>
4,013	(276)	3,737	<b>Delegated Schools Balance</b>	(1,270)	<b>2,467</b>
2,171	468	2,639	<b>Maesteg School PFI Equalisation Fund</b>	412	<b>3,051</b>
			<b>Earmarked Balances :-</b>		
295	(177)	118	Asset Management Plan	230	<b>348</b>
908	342	1,250	Building Maintenance Reserve	(263)	<b>987</b>
200	-	200	Capital feasibility fund	100	<b>300</b>
-	-	-	Capital Programme Contribution	5,513	<b>5,513</b>
459	(284)	175	Car Parking Strategy	380	<b>555</b>
413	587	1,000	Change Management	1,069	<b>2,069</b>
314	(142)	172	Connecting Families	24	<b>196</b>
-	-	-	Directorate Issues	330	<b>330</b>
300	(149)	151	Election costs	50	<b>201</b>
365	541	906	ICT & Finance Systems	351	<b>1,257</b>
712	979	1,691	Insurance reserve	-	<b>1,691</b>
853	(83)	770	Invest to save / Joint projects	(359)	<b>411</b>
700	330	1,030	Looked After Children	(206)	<b>824</b>
24	(24)	-	Maesteg school PFI	-	-
12,269	3,755	16,024	Major Claims Reserve	(4,978)	<b>11,046</b>
521	(521)	-	Mid Glam CC post balance sheet events	-	-
-	490	490	Non-recurring Expenditure	(490)	-
143	58	201	Porthcawl regeneration	99	<b>300</b>
52	(52)	-	Regeneration Match Funding	-	-
400	500	900	Service Pressures Contingency	300	<b>1,200</b>
1,200	820	2,020	Service Reconfiguration / Severance Costs	1,032	<b>3,052</b>
25	(25)	-	Supporting People Review	-	-
644	400	1,044	Treasury Management Reserve	-	<b>1,044</b>
28	(28)	-	Unitary Development Plan	50	<b>50</b>
500	-	500	Welfare Reform Bill	(200)	<b>300</b>
895	(312)	583	Wellbeing Projects	124	<b>707</b>
<b>22,220</b>	<b>7,005</b>	<b>29,225</b>	<b>Balance as at 31 March</b>	<b>3,156</b>	<b>32,381</b>
<b>35,603</b>	<b>7,318</b>	<b>42,921</b>		<b>2,373</b>	<b>45,294</b>

The transfer to all Earmarked Balances excluding the Council Fund Balance was £2.298 million in 2013-14 (£7.197 million in 2012-13) and represents a charge to the Net Cost of Services within the Comprehensive Income and Expenditure Statement. This includes money transferred

into the Comprehensive Income and Expenditure Statement to match expenditure within the year and amounts set aside from revenue reserves in 2013-14 to be utilised in future years to finance expenditure.

**i) Delegated School Balances**

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

Analysis of Delegated Schools Balance

2012-13 Closing Balance £'000		2013-14 Over spends £'000	2013-14 Under spends £'000	2013-14 Closing Balance £'000
27	Nursery Schools	(27)	-	-
1,328	Primary Schools	(732)	549	1,145
1,703	Secondary Schools	(880)	7	830
679	Special Schools	(246)	59	492
<b>3,737</b>	<b>Total</b>	<b>(1,885)</b>	<b>615</b>	<b>2,467</b>

**ii) Maesteg School PFI Equalisation Fund**

As outlined in note 9 above, there is a need for an Equalisation Fund for the Unitary Charges received from Welsh Government as detailed below:-

2012-13 £'000	Maesteg School PFI Accounts	2013-14 £'000
2,639	Maesteg PFI Equalisation Fund	3,051
<b>2,639</b>	<b>Balance as at 31 March</b>	<b>3,051</b>

**iii) Other Earmarked Balances**

Accounting regulations require the Council to make adequate provision for all known potential liabilities. Any shortfall in these reserves will have to be met from the Council Fund Balance. These are explained below:-

- Major Claims Earmarked Reserve  
This reserve has been created to mainly cover the deficit on the pension fund, major capital contractual claims and mitigate potential equal pay claims.
- Insurance reserve  
This reserve is based on the assessment for future liabilities from the actuary.
- Other Reserves  
There are a number of other reserves as detailed below:-
  - Service Reconfiguration / Severance Costs  
This reserve has been established to meet potential costs relating to service remodelling and consequential severance costs.
  - Looked After Children Reserve

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

- Treasury Management  
This reserve has been set up to cover unforeseen treasury management liabilities and to facilitate longer term debt restructuring.
- Wellbeing Projects  
This has been established to allow one off injections of financial resources into service areas to facilitate change/development linked with the Health Service.
- Connecting Families  
This reserve will be used as the Council's contribution to the Connecting Families project. This is a multi-agency team which through collaboration across public service organisations seeks to improve outcomes for families and target resources more effectively.
- ICT & Finance Systems  
This reserve will fund the costs of planned system developments in 2014-15 to 2016-17.
- Welfare Reform Bill  
This reserve has been established to fund the potential impact of increases in demand for services resulting from the Welfare Reform Bill.
- Service Pressures Contingency  
This has been established to fund the potential impact of demand on Council Tax Reduction budget and other service budgets.
- Asset Management Plan  
This has been established to meet the on-going costs of CAD Plans and condition surveys.
- Car Parking Strategy  
This reserve has been established for the up front costs associated with new initiatives to generate income or reduce costs in relation to car parking.
- Election Costs  
The reserve has been established to fund costs associated with future Local Elections.
- Building Maintenance Reserve  
This reserve is for planned maintenance expenditure on the Council's buildings.
- Change Management  
This reserve will meet potential costs associated with corporate capacity requirements to facilitate and progress planned developments linked to achieving budget reductions in the Medium Term Financial Strategy and the Bridgend Change Programme.
- Invest to save / Joint Projects  
This fund meets the costs of previously approved 'invest to save' initiatives which are on-going.
- Capital feasibility fund  
This fund has been established to fund studies for proposed capital projects.

- Porthcawl Regeneration  
This reserve has been established to fund up front revenue costs associated with the proposed regeneration of Porthcawl.
- 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. This could include the costs of demolition of non-saleable surplus properties and related health and safety works.
- Directorate Issues  
This relates to specific directorate issues anticipated in 2014-15.

### 31. Unusable Reserves

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

#### a) Revaluation Reserve (RR)

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

2012-13 £'000		2013-14	
		£'000	£'000
104,510	<b>Balance at 1 April</b>		101,985
1,937	Upward Revaluation of Assets	278	
(2,751)	Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services	(2,125)	
<b>(814)</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of services</b>		<b>(1,847)</b>
(1,251)	Difference between fair value depreciation and historical cost depreciation	(1,228)	
(460)	Accumulated gains on assets sold or scrapped	(1,290)	
(1,711)	Amount written off to the Capital Adjustment Account		(2,518)
<b>101,985</b>	<b>Balance as at 31 March</b>		<b>97,620</b>

#### b) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly

responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2012-13 £'000		2013-14 £'000
(287,120)	<b>Balance at 1 April</b>	(318,170)
(19,060)	Actuarial gains or losses on pensions assets and liabilities	90,990
(30,450)	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	(34,060)
18,460	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	17,340
<b>(318,170)</b>	<b>Balance as at 31 March</b>	<b>(243,900)</b>

**c) Capital Adjustment Account (CAA)**

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

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

**Capital Adjustment Account (CAA)**

2012-13 £'000		2013-14	
		£'000	£'000
251,393	<b>Balance at 1 April</b>		260,687
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :</b>		
(20,380)	Charges for depreciation and impairment of non-current assets	(19,931)	
(815)	Revaluation losses on Property, Plant and Equipment	(5,408)	
(683)	Revenue Expenditure funded from Capital Under Statute	(605)	
(26)	Other amounts including Mortgage Payments	(27)	
	- Financial Liability Adjustment to Capital Receipts		
(568)	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	(4,758)	
(22,472)		(30,729)	
1,711	Adjusting amounts written out to the Revaluation Reserve		1,228
<b>(20,761)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(29,501)</b>
	<b>Capital financing applied in the year:</b>		
519	Use of the Capital Receipts Reserve to finance capital expenditure	2,453	
21,875	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that has been applied to capital financing	11,335	
83	Application of grants to capital financing from the Capital Grants Unapplied Account	52	
6,593	Statutory provision for the financing of capital investment charged against the Council Fund	7,840	
862	Capital expenditure charged against the Council Fund	1,271	
<b>29,932</b>			<b>22,951</b>
123	Movement in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement	(410)	(410)
<b>260,687</b>	<b>Balance as at 31 March</b>		<b>253,727</b>

## d) Financial Instruments Adjustment Account (FIAA)

This holds the difference between the amounts charged to income and expenditure in accordance with the Code for applying the transaction costs and assessing the fair cost of loan debts and investments and the amounts charged to the Council Fund Balance in accordance with statute.

2012-13 £'000		2013-14	
		£'000	£'000
(5,731)	<b>Balance at 1 April</b>		(5,526)
198	Premiums / Discounts Adjustments	198	
7	Loans / Investments Adjustments	7	
<b>(5,526)</b>	<b>Balance as at 31 March</b>		<b>(5,321)</b>

## e) Short Term Accumulated Absences Account

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

2012-13 £'000		2013-14	
		£'000	£'000
(3,990)	<b>Balance at 1 April</b>		(4,036)
3,990	Settlement or cancellation of accrual made at the end of the proceeding year	4,036	
(4,036)	Amounts accrued at the end of the current year	(3,832)	
(46)	Amounts by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in year in accordance with statutory requirements		204
<b>(4,036)</b>	<b>Balance as at 31 March</b>		<b>(3,832)</b>

## 32. Trust funds

The Council administers Trust Funds, which are mainly of an educational or recreational nature. A large proportion of the balances are invested in the Authority's internal balances. The Trust Funds do not represent assets of the Council and are accounted for separately. The principal categories of funds and balances as at 31 March 2014 are:

2012-13 £'000		2013-14 £'000
81	Social Services Home For The Elderly	328
52	Education	53
47	Nantymoel Workmans Hall	48
1	Other	1
<b>181</b>	<b>Balance as at 31 March</b>	<b>430</b>

The increase in Social Services Home for the Elderly Trust fund is due to a £250,000 bequest received in 2013-14.

**33. Escrow accounts**

As part of a planning condition relating to the sale of land to Asda previously used by Bridgend Town Football Club, the Authority held £1 million in escrow accounts at the start of the financial year. During the year, payments have been made and together with accrued interest during the year the value of the funds as at 31 March 2014 are £546,000 for the replacement of facilities and £88,000 for the replacement site. There are also escrows accounts of £57,000 recognised for Bocam Park and £130,000 for Wind Farms at Forch Ness and Pant y Wal which have resulted from planning conditions.

2012-13 £'000		2013-14 £'000
746	Replacement facilities account	546
217	Replacement site account	88
53	Bocam Park	57
123	Wind Farm	130
<b>1,139</b>	<b>Balance as at 31 March</b>	<b>821</b>

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

**34. Developers' Contributions**

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



	31 March 2013	Income	Expenditure	31 March 2014
	£'000	£'000	£'000	£'000
Redrow - Marlas Farm - Enlargement of Afon y Felin Primary School	177	(177)	0	0
Llanmoor Homes - Maesteg Rd Tondu – additional education facilities	181	0	(29)	152
Broadlands Consortium – Newbridge fields - provision of playing fields facilities	147	0	(16)	131
Redrow – Lock's Lane, Porthcawl –ongoing maintenance of playing field and pavilion	107	0	(26)	81
Redrow - Brackla Park & Ride – upgrade B4181	313	0	0	313
Rockwool - Pencoed	96	0	(13)	83
Parc Derwen Primary School Design fees - Persimmon Homes	580	0	(365)	215
Land at Tyn Y Coed Farm (Maendy Farm), Bryncethin - Sports Provision	565	4	0	569
Land at Tyn Y Coed Farm (Maendy Farm), Bryncethin - Education Capital	145	33	(162)	16
Former Maes Gwyn Hospital	163	0	(163)	0
Bridge Renewal Dowry	1	0	0	1
Coychurch Primary		0	(150)	(150)
Joslyn Road Affordable Housing		326	0	326
Other	894	258	(28)	1,124
<b>Total</b>	<b>3,369</b>	<b>444</b>	<b>(952)</b>	<b>2,861</b>

### 35. Contingent liabilities

#### Contractual Claims

The Council is currently in dispute with a contractor over the final costs of the Bridgend Resource Centre capital contract. There is an approximate gap of £1.5m between the Council's calculation of the total cost for the work, and that calculated by the Contractor. The Council is strongly refuting any of these additional costs being claimed by the contractor, but until the issue is resolved it has been identified as a Contingent Liability in accordance with the CIPFA Code.

**36. Pensions liabilities, IAS 19 disclosures**

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

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

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

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

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

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

The disclosures required for 2013-14 include information provided by the pension administrators, Rhondda Cynon Taff CBC and Aon Hewitt Associates Limited as the pensions actuary.

**Transactions Relating to Post-employment Benefits**

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

# Statement of Accounts

2013-14

Comprehensive Income & Expenditure Statement	Local Govt Pension Scheme		LGPS Unfunded Benefits		Teachers' Unfunded Benefits		Total	
	£m	£m	£m	£m	£m	£m	£m	£m
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
<b>Cost of Services :</b>								
<b>Service cost comprising:</b>								
current service cost	19.94	15.82	0.00	0.00	0.00	0.00	19.94	15.82
past service costs	0.50	2.38	0.00	0.01	0.04	0.11	0.54	2.50
(gain)/loss from settlements	0.00	(1.16)	0.00	0.00	0.00	0.00	0.00	(1.16)
<b>Financing &amp; Investment Income &amp; Expenditure :-</b>								
Net interest expense	13.01	12.69	0.30	0.32	0.27	0.28	13.58	13.29
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>33.45</b>	<b>29.73</b>	<b>0.30</b>	<b>0.33</b>	<b>0.31</b>	<b>0.39</b>	<b>34.06</b>	<b>30.45</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</b>								
<i>Remeasurements of the net defined benefit liability comprising:</i>								
Return on plan assets (excluding the amount included in the net interest expense)	(16.34)	(34.08)	0.00	0.00	0.00	0.00	(16.34)	(34.08)
Actuarial (gains) / losses due to changes in financial assumptions	(47.27)	52.98	(0.42)	0.60	(0.21)	0.53	(47.90)	54.11
Actuarial (gains) / losses due to changes in demographic assumptions	(15.40)	0.00	0.08	0.00	0.09	0.00	(15.23)	0.00
Actuarial (gains) / losses due to liability experience	(11.04)	(0.95)	0.93	(0.01)	(1.41)	(0.01)	(11.52)	(0.97)
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(90.05)</b>	<b>17.95</b>	<b>0.59</b>	<b>0.59</b>	<b>(1.53)</b>	<b>0.52</b>	<b>(90.99)</b>	<b>19.06</b>
<b>Movement in Reserves Statement:-</b>								
Reversal of net charges made for retirement benefits in accordance with IAS 19	(33.45)	(29.73)	(0.30)	(0.33)	(0.31)	(0.39)	(34.06)	(30.45)
<b>Actual amount charged against the Council Fund Balance for pensions in the year :-</b>								
Employers' Contributions payable to the scheme	16.40	17.50					16.40	17.50
Retirement Benefits Paid Out			0.50	0.50	0.44	0.46	0.94	0.96

## Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Govt Pension Scheme		LGPS Unfunded Benefits		Teachers' Unfunded Benefits		Total	
	£m	£m	£m	£m	£m	£m	£m	£m
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Present value of defined benefit obligation	614.31	654.92	7.94	7.55	5.10	6.76	627.35	669.23
Fair Value of Plan Assets	(383.45)	(351.06)	0.00	0.00	0.00	0.00	(383.45)	(351.06)
<b>Net liability arising from defined benefit obligation</b>	<b>230.86</b>	<b>303.86</b>	<b>7.94</b>	<b>7.55</b>	<b>5.10</b>	<b>6.76</b>	<b>243.90</b>	<b>318.17</b>

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

	Local Govt Pension Scheme	
	£m 2013-14	£m 2012-13
Opening fair value of scheme assets	351.06	303.13
Interest income on assets	15.47	14.34
Remeasurement gain/(loss): The return on plan assets, excluding the amount included in the net interest expense	16.34	34.08
Contributions by Employer	16.40	17.50
Contributions by Participants	4.77	4.96
Settlements	0.00	(4.65)
Net Benefits Paid Out	(20.59)	(18.30)
<b>Balance as at 31 March</b>	<b>383.45</b>	<b>351.06</b>

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

	Local Govt Pension Scheme		LGPS Unfunded Benefits		Teachers' Unfunded Benefits		Total	
	£m 2013-14	£m 2012-13	£m 2013-14	£m 2012-13	£m 2013-14	£m 2012-13	£m 2013-14	£m 2012-13
Opening balance at 1 April	654.92	576.81	7.55	7.13	6.76	6.31	669.23	590.25
Current Service Cost	19.94	15.82	0.00	0.00	0.00	0.00	19.94	15.82
Interest Cost	28.48	27.03	0.30	0.32	0.27	0.28	29.05	27.63
Contributions from scheme participants	4.77	4.96	0.00	0.00	0.00	0.00	4.77	4.96
Remeasurement (gains) and losses:								
Actuarial gains / losses arising from changes in financial assumptions	(47.27)	52.98	(0.42)	0.60	(0.21)	0.53	(47.90)	54.11
Actuarial gains / losses arising from changes in demographic assumptions	(15.40)	0.00	0.08	0.00	0.09	0.00	(15.23)	0.00
Actuarial gains / losses arising from changes in liability experience	(11.04)	(0.95)	0.93	(0.01)	(1.41)	(0.01)	(11.52)	(0.97)
Past Service Cost	0.50	2.38	0.00	0.01	0.04	0.11	0.54	2.50
Benefits Paid	(20.59)	(18.30)	(0.50)	(0.50)	(0.44)	(0.46)	(21.53)	(19.26)
Liabilities extinguished on settlements	0.00	(5.81)	0.00	0.00	0.00	0.00	0.00	(5.81)
<b>Balance as at 31 March</b>	<b>614.31</b>	<b>654.92</b>	<b>7.94</b>	<b>7.55</b>	<b>5.10</b>	<b>6.76</b>	<b>627.35</b>	<b>669.23</b>

## Local Government Pension Scheme assets comprised:

	Fair Value of Scheme Assets	Asset Split	Fair Value of Scheme Assets	Asset Split
	2013-14 £'m	2013-14 %	2012-13 £'m	2012-13 %
Equities	271.48	70.8	241.2	68.7
Bonds - Government	36.43	9.5	37.2	10.6
Bonds - Corporate	41.41	10.8	40.0	11.4
Property	22.24	5.8	20.7	5.9
Cash	11.89	3.1	11.9	3.4
Other	0.0	0.0	0.0	0.0
<b>Total</b>	<b>383.45</b>	<b>100</b>	<b>351.06</b>	<b>100</b>

**Basis for Estimating Assets and Liabilities**

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

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

The significant assumptions used by the Actuary were:

	2013-14	2012-13
	% pa	% pa
RPI Inflation Rate	3.4	3.7
Discount rate for scheme liabilities	4.3	4.4
Discount rate for pension costs over year	4.4	4.4
Rate of pension increases	2.4	2.8
Rate of salary increases	3.9	4.7
Mortality Assumptions:		
Longevity at 65 for current pensioners :-		
Men	22.9	23.3
Women	25.8	24.7
Longevity at 65 for future pensioners :-		
Men	25.1	25.2
Women	28.2	26.6

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

	Increase in Assumption £m	Decrease in Assumption £m
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(11.02)	11.22
Rate of increase in salaries (increase or decrease by 0.1%)	2.28	(2.26)
Rate of increase in pensions (increase or decrease by 0.1%)	8.83	(8.64)
Longevity (increase or decrease in 1 year)	14.12	(14.17)

### Impact on the Council's Cash Flows

The funded nature of the LGPS requires the Employer and its employees to pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets. The Actuary has recently carried out an Actuarial Valuation as at 31 March 2013, and has set the current Employer's contribution rate to achieve a funding level of 100% of scheme liabilities. Consequently, whilst there is a significant shortfall (liability) between the benefits earned by past and current employees and the resources the Authority 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 Employer's regular contributions to the Local Government Pension Scheme and payments directly to beneficiaries for the LGPS Unfunded and Teachers' Unfunded Schemes for the accounting period ending 31 March 2015 are :-

	2014-15 £m
Local Govt Pension Scheme	16.57
LGPS Unfunded	0.51
Teachers' Unfunded	0.45

### Teachers

In 2013-14, the Council paid £6.8 million (£6.8 million for 2012-13) 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 2013-14, these amounted to £0.5 million (£0.5 million for 2012-13).

### 37. Financial Instruments Disclosures

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

### Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets. Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure Section of the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable together with any accrued interest and interest charged to the Comprehensive Income and Expenditure Statement for the year according to the loan agreement.

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

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

The Council's non-derivative financial liabilities are carried in the Balance Sheet at amortised cost split between short and long term.

The Short Term Borrowing in the Balance Sheet is detailed below:

<b>Short Term Borrowing &amp; Other Short Term Financial Liabilities</b>	<b>31 March 2014 £'000</b>	<b>31 March 2013 £'000</b>
Public Works Loan Board (<1 year)	16	16
Short Term Loans (Accrued Int. Long Term)	275	1,954
Escrow ( Football Club) Short Term	634	962
Escrow ( Bocam Park) Short Term	57	53
Escrow (Wind Farms) Short Term	130	123
Other Trust Funds	431	181
<b>Short Term Borrowing</b>	<b>1,543</b>	<b>3,289</b>
Short Term Trade Payables(Creditors)	3,546	4,877
Other Short Term Financial Liabilities(Creditors)	1,301	1,418
<b>Total Current Financial Liabilities</b>	<b>6,390</b>	<b>9,584</b>

The short term trade payables (creditors) figure £3.546 million relates to trade payables for goods and services received. 86% of this is not overdue for payment, 14% is due within 6 months with less than 1% due in more than 6 months. The other short term financial liabilities figure of £1.301 million represents monies held by the Council on behalf of different third parties.

The value of the short term liability relating to Other Long Term Liabilities for 2013-14, is made up as follows:-

Short Term Liability relating to Other Long Term Liabilities	31 March 2014	31 March 2013
	£'000	£'000
Maesteg School PFI Lease Liability	476	442
Innovation Centre Financial Liability	47	28
Finance Lease Liability	41	54
HALO Financial Liability	117	117
<b>Total</b>	<b>681</b>	<b>641</b>

The £3.546 million, £1.301 million and £0.681 million shown in the tables above are all included in the Short Term Creditors Balance Sheet figure of £38.821 million which also includes creditors that do not meet the definition of a financial liability so is not detailed here. Note 27 provides more detailed information of the total short term creditors figure.

The long term borrowing figure in the balance sheet of £97.451 million is made up as follows:

Long Term Borrowing	31 March 2014			31 March 2013		
	Principal Sum Outstanding	Balance Sheet	Fair Value	Principal Sum Outstanding	Balance Sheet	Fair Value
	£'000	£'000	£'000	£'000	£'000	£'000
PWLB (long term)	77,617	77,617	96,644	77,632	77,632	103,620
<b>Total PWLB debt</b>	<b>77,617</b>	<b>77,617</b>	<b>96,644</b>	<b>77,632</b>	<b>77,632</b>	<b>103,620</b>
LOBO's	19,250	19,834	24,902	19,250	19,842	28,193
<b>Total Market Loans</b>	<b>19,250</b>	<b>19,834</b>	<b>24,902</b>	<b>19,250</b>	<b>19,842</b>	<b>28,193</b>
<b>Total Long Term Borrowing</b>	<b>96,867</b>	<b>97,451</b>	<b>121,546</b>	<b>96,882</b>	<b>97,474</b>	<b>131,813</b>

PFI and other long term liabilities figure in the balance sheet of £20.923 million are detailed below:

Other Long Term Liabilities	31 March 2014		31 March 2013	
	Balance Sheet	Fair Value	Balance Sheet	Fair Value
	£'000	£'000	£'000	£'000
Maesteg PFI Lease Liability	19,300	26,710	19,776	27,067
Finance Leases	-	-	41	42
Innovation Centre Financial Liability	770	1,109	817	1,119
HALO Financial Liability	853	1,569	27	1,557
<b>Total Other Long Term Liabilities</b>	<b>20,923</b>	<b>29,388</b>	<b>20,661</b>	<b>29,785</b>

The fair value of an instrument is determined by calculating the Net Present Value (NPV) of the remaining contractual cash flows at 31 March 2014, which provides an estimate of the value of payments in the future in today's terms. The fair value of short-term instruments, including trade payables is assumed to approximate to the carrying amount so these have not been disclosed above. The fair value of long-term borrowing and other 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 current rates available for similar loans as at the Balance Sheet date.



The Public Works Loan Board (PWLB) fair values of loans were provided by the PWLB based on premature repayment rates.

The fair values of long-term "Lender's Option Borrower's Option" (LOBO) loans have been calculated by discounting the contractual cash flows over the whole life of the instrument at the appropriate interest rate swap rate on 31 March plus a margin for local authority credit risk and adding the value of the embedded options.

The fair values of, PFI scheme liabilities, finance lease liabilities and other financial liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA corporate bond yield.

### Financial Assets

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

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

Investments and Cash and Cash Equivalents	31 March 2014 Balance Sheet £'000	31 March 2013 Balance Sheet £'000
Investments (< 1 year)	4,005	-
<b>Total Short Term Investments</b>	<b>4,005</b>	<b>-</b>
Cash & Cash Equivalents (Deposits)	6,500	15,705
Cash in Hand/Overdrawn	(2,031)	(1,015)
<b>Total Cash &amp; Cash Equivalents</b>	<b>4,469</b>	<b>14,690</b>
Short Term Trade Receivables (Debtors)	6,301	5,338
<b>Total Current Financial Assets</b>	<b>10,770</b>	<b>20,028</b>

The £6.301 million trade receivable (debtor) figure above is for goods and services delivered and an age debt analysis of these trade debtors is shown below in the Credit Risk section. This figure is included in the Short Term Debtors figure of £27.063 million in the balance sheet which also includes debtors that do not meet the definition of a financial liability and Note 25 provides more detailed information of the total short term debtors figure.

The fair value of short-term instruments, including trade receivables are assumed to approximate to the carrying amount so are not detailed in this disclosure.

There were no long term investments taken out during 2013-14 or outstanding at 31 March 2014. There are Long Term Debtors carried in the Balance Sheet which are financial assets. These are Housing Advances (£29,000) which are made of 26 long term loans made by the

Council to former tenants and private households for mortgages and a lease receivable carried in the balance sheet as Finance Leases (£384,000) for vehicles linked to the waste contract.

### Financial Instruments - Risk

The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks. The Council meeting of the 27 February 2013 accepted the Treasury Management Strategy 2013-14 and the Treasury Management and Prudential Indicators.

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

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

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

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined in the Investment Strategy contained within the Treasury Management Strategy 2013-14.

Cipfa's Code of Practice for Treasury Management requires all local authorities to conduct a mid-year review of its treasury management policies, practices and activities. As a result of this review it was deemed beneficial for the Council to make some revisions to the Investment Strategy to enable increased flexibility in an ever changing financial market and to increase the investment opportunities available to the Council whilst still maintaining security. The Council meeting of 13 November 2013 approved the revisions as a result of the half year review of the Treasury Management Strategy and approved the following definition of "high credit quality" within the revised Investment Strategy which was deemed to be:

	Credit Rating (or equivalent)	Time Limit	Counterparty Cash Limit
UK registered banks, building societies and other organisations whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:	AAA	6 years	£8m each of which no more than £3m over 1 year
	AA+	5 years	
	AA	4 years	
	AA-	3 years	
	A+	2 years	£6m of which no more than £3m over 1 year
	A	1 year	£5m
	A-	6 months	£5m
UK registered building societies whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is:	BBB	100 days	£5m
		2 months	£3m
Money market funds* and similar pooled vehicles whose lowest published credit rating is:	AAA	1 year	£2m
UK Central Government	n/a	10 years	No limit
UK Local Authorities**but excluding parish and community councils	n/a	2 years	£15m

\* as defined in the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003

\*\*as defined in the Local Government Act 2003, and similar authorities in Scotland

The Annual Investment Strategy states which investments the Council may use for the prudent management of its treasury balances during the financial year under the heads of Specified Investments and Non-Specified Investments.

A Specified Investment is one which offers high security and high liquidity. It is a low risk investment where the possibility of loss of principal or investment income is negligible and satisfies the conditions below (extract WG Guidance on Local Government Investments):-

- The investment is denominated in sterling and any payments or repayments of the investment are payable only in sterling.
- The investment is not a long-term investment (contractually committed to be paid within 12 months/364 days).
- The making of the investment is not defined as capital expenditure by virtue of regulation 20(1)(d) of the Local Authorities (Capital Finance and Accounting)(Wales) Regulations 2003 [SI 3239 as amended].
- The investment is made with:
  - a)** a body or in an investment scheme of high credit quality; or
  - b)** the UK Government;
  - c)** or a local authority in England or Wales (as defined in section 23 of the 2003 Act) or similar body in Scotland or Northern Ireland;
  - d)** a parish council or community council.

A Non-Specified Investment is any investment that does not fall into the criteria detailed above under the Specified definition. The WG Guidance requires the Council's Investment Strategy to set an overall limit for non-specified investments which was set at £20 million. Therefore, at any one point in time a maximum of £20 million of investments could have been in one of the following non-specified categories:

- If the credit rating of the Authority's bankers falls below the minimum criteria in the table above, and following approval from the Authority's Treasury Management Advisers deposits repayable on demand with the Authority's bankers (limit £3 million).
- UK Building Societies without credit ratings with assets greater than £500 million with a time limit of 3 months (counterparty limit £1million category limit £4 million)
- Banks owned and domiciled in foreign countries with sovereign credit ratings no lower than AA+ (but still based on the lowest of the 3 credit rating agencies) with a long term credit rating no lower than A+ or equivalent and with a time limit of 6 months (counterparty limit £3 million category limit £5 million)
- Long-term investments with UK central government, UK local authorities or UK banks and buildings societies of "high credit quality" (subject to the counterparty limits detailed in the "high credit quality" table above and category limit £15 million)
- Money market funds rated AAA (category limit £6 million)
- Organisations and pooled funds which do not meet the above criteria, subject to an external credit assessment and a specific recommendation from the Council's treasury management adviser (category limit of £5m). This would also require approval from the Section 151 Officer (or officer nominated by them as per the Roles of Officers in Schedule E).

The combined values of short and long term investments with any one organisation were subject to the counterparty limits detailed above. A group of banks under the same ownership were treated as a single organisation for limit purposes. Overseas subsidiaries of foreign banking groups are normally assessed according to the country of domicile of the parent organisation. However, Santander UK plc (a subsidiary of Spain's Banco Santander) was classed as a UK bank due to its substantial UK franchise and the arms-length of the parent-subsidary relationship.

The Council uses credit ratings published by Fitch Ratings Ltd, Standard & Poor's and Moody's Investors Service to establish the credit quality of counterparties (issuers and issues) and investment schemes. Decisions are based on the lowest available credit rating. In the current climate, relying mainly on credit ratings is considered to be inappropriate. Full regard is given to other available information on the credit quality of banks and building societies, including credit default swap prices, and other factors such as whether the counterparty has any explicit or implicit government support. This has been endorsed by the revised edition of the Treasury Management Code of Practice and the Welsh Government's Guidance on Local Authority Investments which states that authorities should not place an over-reliance on credit ratings.

The Council's primary objective for the management of its investments is to give priority to the security and liquidity of its funds before seeking the best rate of return so not all the options available to the Council as detailed above have been utilised. The majority of the Council's surplus funds during 2013-14 were therefore kept in the form of short-term investments and all were placed with UK registered banks and building societies satisfying the above credit criteria, UK local government and the UK Debt Management Office (DMO - executive agency of the UK government) and spread over a number of counterparties. This was deemed a much safer option even though it may be at the expense of extra basis points in interest. The counterparty limits were constantly reviewed and where market conditions dictated, the limit was dropped below the limits detailed above. No breaches of the Council's counterparty criteria occurred during 2013-14 and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council's investments outstanding at 31 March 2014 totalled £10.50 million as detailed below and shown in the balance sheet as both Short Term Investments (£4.005 million) and included within Cash and Cash Equivalents (£6.500 million). The maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2014 that this was likely to crystallise. The table below summarises the credit risk exposures of the Council's investment portfolio by credit rating, based on the lowest long term rating:

Counterparty Category	Credit Rating	Instant Access Deposit Accounts £'000	Deposits Maturing Within 1 Month £'000	Deposits Maturing Within 6 Months £'000	Total £'000
Central Govt (DMO)	AAA*	-	500	-	500
Banks (Sweden)	AA-	3,000	-	-	3,000
Bank (UK registered)	A	3,000	-	2,000	5,000
Building Societies	A	-	-	2,000	2,000
<b>Total</b>		<b>6,000</b>	<b>500</b>	<b>4,000</b>	<b>10,500</b>

\* Assumed credit rating as DMO is an executive agency of UK Government

The Council does not generally allow credit for its customers (trade debtors) such that all the trade debtors is short term, however, £1.933 million of the £6.301 million balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

Trade Debtors Past Due but not impaired	31 March 2014	31 March 2013
	£'000	£'000
Less than three months	1,238	734
Three to six months	136	204
Six months to one year	116	174
More than one year	443	476
<b>Total</b>	<b>1,933</b>	<b>1,588</b>

The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

### 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 ready access to borrowing from the Money Markets or other local authorities to cover any day to day cash flow need and the Public Works Loan Board (PWLB) provides access to borrowing at favourable rates. The Council arranges fixed term loans and investments with a range of maturity dates within the framework and indicators approved each year. There is no perceived risk that the Council will be unable to raise finance to meet its commitments, instead the risk relates to replenishing a significant proportion of its borrowings at a time of unfavourable interest rates.

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

Maturity structure of fixed rate borrowing	Upper Limit	Lower Limit	Actual	Principal Outstanding
	2013-14	2013-14	31/03/2014	£'000 31/03/2014
Less than one year	50%	0%	0.02%	16
Between 1 and 2 years	25%	0%	0.02%	16
Between 2 and 5 years	50%	0%	0.00%	0
Between 5 and 10 years	60%	0%	0.00%	0
More than ten years	100%	40%	80.10%	77,601
Uncertain date *	-	-	19.87%	19,250
<b>Total</b>			<b>100.00%</b>	<b>96,883</b>

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

Maturity Analysis Financial Liabilities	31 March 2014	31 March 2013
	£'000	£'000
Less than one year	7,071	10,227
Between one and two years	680	607
Between two and five years	2,319	1,826
Between five and ten years	5,147	4,214
More than ten years	90,691	91,644
Uncertain date*	19,834	19,842
<b>Total Financial Liabilities</b>	<b>125,742</b>	<b>128,360</b>

\* The £19.250 million (19.87%) and £19,835 in the two tables above showing an uncertain date relates to Lender's Option Borrower's Option (LOBO) loans which may be re-scheduled in advance of their maturity date of 2054. The LOBO rate and term may vary in the future depending upon the prevailing market rates, the lender exercising their option to increase rates at one of the bi-annual trigger points (the next trigger date being 22 July 2014) and therefore, the Authority being given the option to accept the increase or to repay the loan without incurring a penalty. Due to current low interest rates, the Council is not anticipating that this will occur during 2014-15 however in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

### Market Risk

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

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

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

- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fixed rate prevents the Council from receiving higher investment income from the same principal invested. The fair value of the investment (asset) will fall

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

	<b>Upper Limit TMS 2013-14 £m</b>	<b>Actual Principal Outstanding 31-03-14 £m</b>
Total Projected Principal Outstanding on Borrowing	108.88	96.88
Total Projected Principal Outstanding on Investments (including cash/cash equivalents deposits)	12.00	10.50
<b>Net Principal Outstanding</b>	<b>96.88</b>	<b>86.38</b>
Fixed interest rates (net principal) exposure	131.00	73.13
Variable interest rates Exposure (net principal) exposure	45.00	13.25

The Council’s borrowings and investments are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the Council Fund Balance, subject to influences from Government grants.

The Financial Control Team monitors market and forecast interest rates within the year to adjust exposures appropriately, to allow any adverse changes to be accommodated. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposure to losses. According to this strategy, at 31 March 2014, if there had been a 1% change in interest rates with all other variables held constant, the financial effect would be approximately:

	<b>Estimated £'000 + 1%</b>	<b>Estimated £'000 -1%</b>
Interest payable on variable rate borrowings	133	0
Interest receivable on variable rate investments	(90)	90
<b>Impact on Surplus or Deficit on Provision of Services</b>	<b>43</b>	<b>90</b>



The figures for an approximate impact of a 1% fall in interest rates are not the same figures as the 1% increase ( but reversed) as the variable rate borrowing relates to our LOBO loans where it is assumed that the lender would not exercise their option if there was a fall in interest rates.

**38. Post Balance Sheet Events**

There are no Post Balance Sheet Events.

## Notes to the Cash Flow Statement

## 39. Adjustments for Non-Cash Movements

2012-13		2013-14
£'000		£'000
(21,194)	Depreciation & Impairment of Assets	(25,340)
14,637	Movement in Stock, Debtors & Creditors	(4,419)
(682)	Revenue Expenditure Funded from Capital Under Statute	(195)
(11,990)	Pension Fund Adjustments	(16,720)
1,154	Provisions	373
123	Changes in Fair Value of Investment Properties	(5,882)
117	Gain/loss on disposal of Non Current Asset	(410)
5,986	Minimum Revenue Provision	7,201
862	Revenue Contribution to Capital	1,271
<b>(10,987)</b>	<b>Adjustments to net deficit on the provision of services for non-cash movements</b>	<b>(44,121)</b>

## 40. Operating Activities

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

2012-13		2013-14
£'000		£'000
2,068	Cash Flow on Revenue Activities	(14,775)
4,673	Interest Paid	6,305
1,553	Interest element of finance lease and PFI rental payments	1,609
(584)	Interest Received	(607)
<b>7,710</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(7,468)</b>

## 41. Investing Activities

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

2012-13		2013-14
£'000		£'000
32,766	Purchase of Property, Plant and Equipment and Investment Property	33,918
(5,563)	Purchase / (Proceeds) from Short Term Investments	4,005
(710)	Proceeds from sale of Property, Plant and Equipment and Investment Property	(274)
<b>26,493</b>	<b>Net Cash Flows from Investing Activities</b>	<b>37,649</b>

## 42. Financing Activities

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

2012-13 £'000		2013-14 £'000
-	Cash Receipts of short and long term borrowing	-
(28,575)	Other Receipts from financing activities	(20,684)
1,570	Repayments of short and long term borrowing	84
606	Cash Payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	641
<b>(26,399)</b>	<b>Net Cash Flows from Financing Activities</b>	<b>(19,959)</b>

## **Glossary Of Terms**

### **Accrual**

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

### **Actuary**

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

### **Amortisation**

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

### **Audit**

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

### **Balance Sheet**

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

### **Budget**

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

### **Capital expenditure**

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

### **Capital Adjustment Account**

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

### **Capital receipt**

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

### **Cash flow Statement**

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

### **Comprehensive Income and Expenditure Statement**

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

### **Contingent liabilities**

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

### **Corporate and Democratic Core (CDC)**

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

### **Creditor**

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

**Current assets**

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

**Current liabilities**

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

**Debtor**

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

**Delegated schools balances**

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

**Depreciation**

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

**Earmarked reserves**

These are reserves set aside for a specific purpose.

**Escrow account**

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

**Financial Year**

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

**Finance leases**

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

**Fixed asset**

These are long-term assets that are used in the provision of services (usually for more than one year).

**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 an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

**International Financial Reporting Standard (IFRS)**

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

**Inventories**

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

**Leasing**

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

**Liability**

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

**Minimum Revenue Provision (MRP)**

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

**Movement in Reserves Statement (MIRS)**

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

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

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

**Net Realisable Value**

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

**Non Distributable Costs (NDC)**

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

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

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

OMVEU is a basis for valuation of fixed assets.

**Operating assets**

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

**Operating leases**

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

**Post balance sheet events**

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

**Precepts**

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

**Prior year adjustment**

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

**Provision**

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

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

**Public Works Loan Board (PWLB)**

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

**Related party transactions**

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

**Revaluation Reserve**

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

**Revenue account**

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

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

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

**Temporary borrowing or investment**

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

**Trust fund**

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

**Work in progress (WIP)**

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