Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr

BRIDGEND County Borough Council

# Statement of Accounts 2014-15

**Electronic Version - unsigned**

# Contents

# Explanatory Foreword

## 1. The Statement Of Accounts

The accounts for 2014-15 have been produced in line with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2014-15. This is in accordance with International Financial Reporting Standards (IFRS). The main changes include the adoption of the following standards:-

**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.

**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.

**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'.

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 £0.055 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 2014-15, the Council showed a deficit on the Comprehensive Income and Expenditure Statement of £77.076 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 2015, where the net worth was £72.035 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 £2.104 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

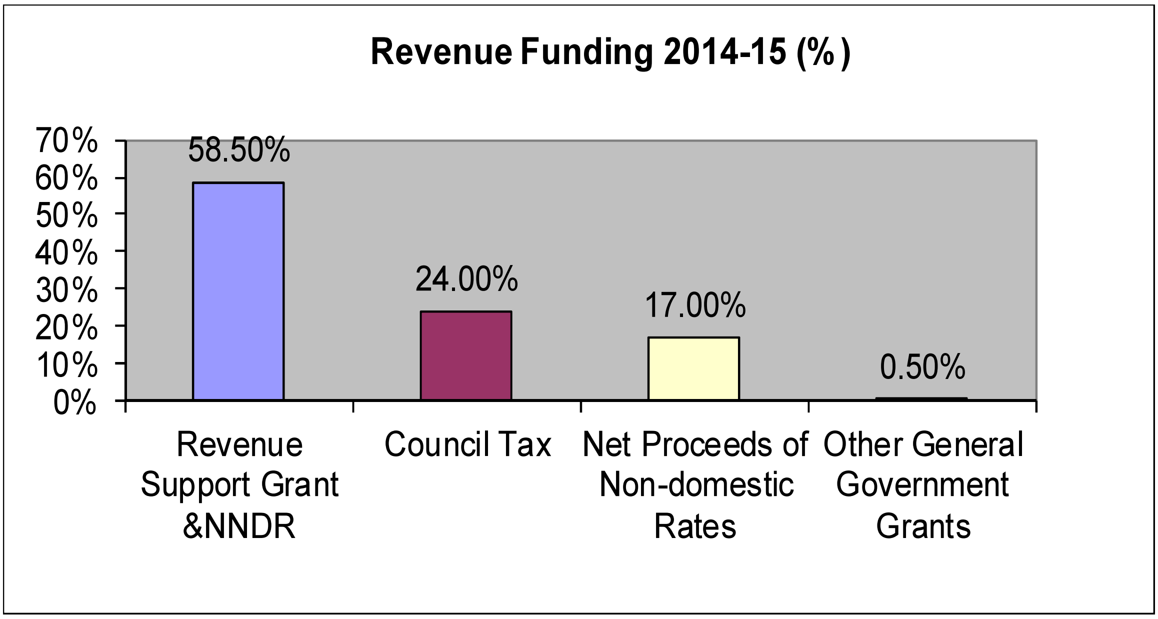
The Council incurs two types of expenditure – revenue expenditure and capital expenditure.

**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.

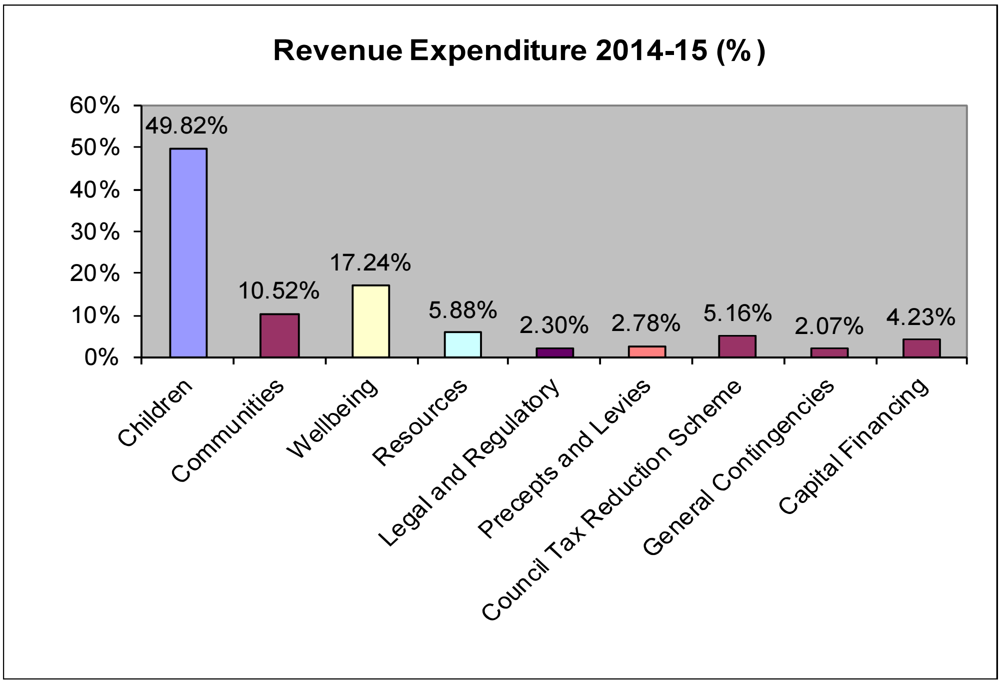
**Capital expenditure** covers spending on assets such as roads, new schools, redevelopment and the major renovation of buildings. These assets will provide benefits to the community for several years and the expenditure is mainly financed by borrowing and capital grants.

### a) Revenue spending on council services

**Where the money came from…..**



**Where the money was spent……..**




In 2014-15, the net spend on revenue services was £215.168 million. This compares to £216.946 million anticipated when the budget was revised, resulting in a £1.796 million under-spend on Directorate Budgets. The overall position for the Council was a slight under-spend of £55,000 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 2014-15 compared with the budget set for the year. Explanations are provided for significant differences between spend and budget.

Comparison of actual spend with budget 2014-15

| | Original Budget 14-15 £'000 | Budget Transfers In Year £'000 | Revised Budget 14-15 £'000 | Actual 14-15 £'000 | Variance 14-15 £'000 |
|---|---|---|---|---|---|
| **Directorates** | | | | | |
| Children | 125,557 | (417) | 125,140 | 124,996 | (144) |
| Wellbeing | 46,875 | (3,397) | 43,478 | 43,259 | (219) |
| Communities | 22,869 | 3,817 | 26,686 | 26,382 | (304) |
| Resources | 16,128 | (984) | 15,144 | 14,758 | (386) |
| Legal & Regulatory Services | 5,689 | 827 | 6,516 | 5,773 | (743) |
| **Total Directorate Budgets** | **217,118** | **(154)** | **216,964** | **215,168** | **(1,796)** |
| Precepts & Levies | 7,030 | - | 7,030 | 6,974 | (56) |
| General Contingencies | 7,590 | 154 | 7,744 | 5,944 | (1,800) |
| Council Tax reduction Scheme | 13,825 | - | 13,825 | 12,938 | (887) |
| Capital Financing | 10,515 | - | 10,515 | 10,607 | 92 |
| **Net Expenditure** | **256,078** | **-** | **256,078** | **251,631** | **(4,447)** |
| General Government Grants | (1,414) | - | (1,414) | (1,412) | 2 |
| NNDR Discretionary Rate Relief | 111 | - | 111 | 125 | 14 |
| Appropriation to/(from) Reserves | 356 | - | 356 | 6,429 | 6,073 |
| **Net Budget** | **255,131** | **-** | **255,131** | **256,773** | **1,642** |
| Revenue Support Grant | (150,943) | - | (150,943) | (150,943) | - |
| Non Domestic Rates | (43,919) | - | (43,919) | (43,919) | - |
| Council Tax | (60,269) | - | (60,269) | (61,966) | (1,697) |
| **Net (Under)/Overspend on Services** | **-** | **-** | **-** | **(55)** | **(55)** |

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 2015 showed an under-spend on service expenditure within the year of £1.796 million. A summary of the most significant variances is outlined below:-

**Children's Directorate**

The net budget for the Directorate for 2014-15 was £125.140 million and the actual outturn was £124.996 million, resulting in an under spend of £144,000. An over spend of over £567,000 on Looked After Children has been offset by under spends across other services in the directorate. The under spends across the Directorate have negated the need for draw down of the Looked After Children earmarked reserves in 2014-15. However, there was £1.225 million drawn down from other earmarked reserves for specific pressures.

The most significant variances are detailed below:

| CHILDREN'S DIRECTORATE | Net Budget £'000 | Outturn £'000 | Variance Over/ (Under) budget £'000 | % Variance |
|---|---|---|---|---|
| Schools Special Needs | 2,529 | 2,240 | (289) | -11.4% |
| Youth Service | 730 | 604 | (126) | -17.3% |
| Education Otherwise Than At School (EOTAS) | 324 | 451 | 127 | 39.2% |
| Catering Services | 881 | 449 | (432) | -49.0% |
| Integrated Working | 561 | 383 | (178) | -31.7% |
| Looked After Children | 11,154 | 11,721 | 567 | 5.1% |
| Other Child and Family Services | 767 | 1,064 | 297 | 38.7% |
| Commissioning and Social Work | 4,265 | 4,609 | 344 | 8.1% |

**School Special Needs**

There is an under spend of £289,000 in relation to support for special educational needs services for schools following the restructuring of the service to deliver 2015-16 budget reduction proposals. As such the under spend is not expected to recur in 2015-16.

**Youth Service**

There is a total under spend of £126,000 on youth services following restructure of the service and receipt of additional grant income at year end.

**Education Otherwise Than At School**

The over spend of £127,000 has arisen due to increased demand on the service and an increased provision for pupils outside of school settings, including individual training packages at College or at other settings.

**Catering Service**

The under spend on the catering service was £432,000. 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. In addition, savings were generated through vacancy management and lower than anticipated costs of repairs and maintenance.

**Integrated Working**

The under spend of £178,000 on the Integrated Working teams was as a result of strict vacancy management in anticipation of budget reductions in 2015-16.

**Looked After Children (LAC)**

The over spend of £567,000 is due to the number and costs of placements being higher than forecast. As at the end of March the Council had 390 looked after children. While this is 22 less children than as at 31st March 2014 and shows LAC numbers on a downward trajectory it is 17 more than the target of 373.

**Other Child and Family Services**

The over spend of £297,000 is a combination of an over spend on the adoption service of £379,000 due to higher numbers of children being placed for adoption, partly offset by savings on the Leaving Care service. The target number of adoptions for 2014-15 was 15, but the actual number of placements made was 24, which has had a positive impact on the number of LAC in the County Borough. From April 2015 a joint adoption service has been provided across the Western Bay region.

**Commissioning and Social Work**

The over spend of £344,000 is mainly due to the high costs associated with the temporary backfilling of social worker posts through employment agencies to cover vacancies. At the year end there were 5 agency workers being employed in the service.

**Schools' Delegated Budgets**

School balances reduced from £2.467 million at the end of 2013-14 to £2.410 million at the end of March 2015 (a reduction of £57,000), representing 2.67% of the funding available. Total deficit budgets equate to £735,000 and total surplus budgets equate to £3.145 million.

There are 7 schools (5 primary, 2 secondary) with deficit budgets and 20 schools (13 primary, 5 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. These balances will be analysed by the Corporate Director - Education and Transformation, in line with the agreed 'Guidance and procedures on managing surplus school balances'.

**Wellbeing Directorate**

The Directorate's net budget for 2014-15 was £43.478 million and the actual outturn was £43.259 million resulting in an under spend of £219,000. This is made up of an under spend of £142,000 on Adult Social Care and an under spend of £77,000 on Sport, Play and Active Wellbeing services. The Adult Social Care outturn has reduced by approximately £316,000 compared to the projection at quarter 3 reflecting increased income from residential placements and service user charges and maximisation of grant and other funding. 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. There was £0.123 million drawn down from earmarked reserves throughout the year for specific pressures.

The most significant variances are detailed below:

| WELLBEING DIRECTORATE | Net Budget £'000 | Outturn £'000 | Variance Over/(Under) Budget £'000 | % Variance |
|---|---|---|---|---|
| Older People Residential Care | 8,269 | 8,062 | (207) | -2.5% |
| Physical Disabilities Residential Care | 501 | 416 | (85) | -17.0% |
| Learning Disabilities Residential Care | 1,990 | 2,346 | 356 | 17.9% |
| Learning Disabilities Home Care | 4,471 | 4,575 | 104 | 2.3% |
| Mental Health Residential Care | 1,169 | 1,074 | (95) | -8.1% |
| Sports Centres and Swimming Pools | 2,606 | 2,549 | (57) | -2.2% |

**Older People Residential Care**

During the financial year, expenditure on residential clients has remained fairly constant however additional income has been generated from service user charges, offset in part by additional staffing cost pressures, such as sickness cover, resulting in a net under spend of £207,000.

More generally the full year effect of the changes in the Fairer Charging policy, as well as the increase in the Fairer Charging cap from £55 to £60 per week and increased demand for domiciliary care, resulted in higher than anticipated income across this client group.

**Physical Disabilities Residential Care**

The under spend of £85,000 has arisen as a result of a reduction in the number of residential placements during the year. The service overall generated an under spend of £176,000, with staff vacancies in-year contributing to this total.

**Learning Disabilities Residential Care**

The over spend of £356,000 relates in the main to the delays in implementing the resettlement programme for residents at Bryneithin and Maesglas into independent homes, which has led to delays in securing new accommodation for service users. The service also met the costs of redundancy associated with the restructuring of the service.

**Learning Disabilities Home Care**

The over spend of £104,000 on home care is as a direct result of the increased number of service users accessing the service, which places additional costs on the service. The directorate continues to work closely with its independent providers to ensure that services provided meet the needs of clients. Provision for this budget pressure has been recognised within the 2015-16 budget.

**Mental Health Residential Care**

The under spend of £95,000 results from increased contributions from health to client costs, and increased contributions from clients via Fairer Charging. This additional income offset increased service costs resulting from additional placements.

**Sports Centres and Swimming Pools**

The service generated an under spend of £57,000 as a result of savings realised in relation to the HALO partnership arrangement and client side efficiencies.

**Communities Directorate**

The net budget for the Directorate for 2014-15 was £26.686 million and the actual outturn is £26.382 million resulting in an under spend of £304,000. There was £0.531 million from earmarked reserves for specific pressures.

The most significant variances are detailed below:

| COMMUNTIES DIRECTORATE | Net Budget £'000 | Outturn £'000 | Variance Over/(Under) Budget £'000 | % Variance |
|---|---|---|---|---|
| Development | 461 | 328 | (133) | -28.9% |
| Housing and Community Regeneration | 1,379 | 1,209 | (170) | -12.3% |
| Regeneration | 1,887 | 1,814 | (73) | -3.9% |
| Waste Collection and Disposal | 6,500 | 6,687 | 187 | 2.9% |
| Highways and Fleet | 6,536 | 6,814 | 278 | 4.3% |
| Transport and Engineering | 1,048 | 1,067 | 19 | 1.8% |
| Culture | 3,391 | 3,140 | (251) | -7.4% |

**Development**

There is an under spend of £133,000 on the Development budget. This mainly consists of an increase in planning application fees over and above budgeted income. The Bridgend Local Development Plan (LDP) was adopted in late 2013 and a number of allocated housing sites (including some in Council ownership) have been submitted as major planning applications. In addition plans have been submitted for a number of infrastructure projects including two large solar farms at Court Colman and Caerau and a major extension to the existing Pant-y-Wal wind farm. These applications attract a high fee although some of this income is offset against the need to seek external expert advice.

**Housing and Community Regeneration**

There is an under spend of £170,000 on the Housing & Community Regeneration service. This comprises an under spend of £70,000 relating to the ongoing improved management of demand for temporary accommodation, with the balance from staff vacancy management. There is a risk that demand for Bed & Breakfast accommodation will increase once the full impact of the Housing Act is felt, so close on-going budget monitoring will be required in 2015-16.

**Regeneration**

There is an under spend of £73,000 on the Regeneration budget. This is a combination of staff vacancy management and under spends within other budget headings.

**Waste Collection and Disposal**

The over spend on the Waste budget of £187,000 primarily relates to waste disposal costs resulting from a higher than predicted tonnage of black bag waste presented at the kerbside. This increase in tonnage has also attracted a higher unit charge per tonne for its disposal through the Council's waste treatment partnership with Neath Port Talbot County Borough Council (NPT). The disposal arrangements with NPT are currently under review and it is anticipated that unit rates for the treatment and disposal of the Council's residual black bag waste will reduce from 2016-17, though further budget pressures may be experienced during the current 2015-16 financial year.

**Highways and Fleet**

The £278,000 over spend on this budget is partly attributable to the repayment of £225,000 of prudential borrowing to generate reduced finance charges which will contribute to the MTFS budget reduction realisation in 2015-16 and beyond. The remaining £51,000 over spend is mainly due to additional expenditure on highways maintenance borne by the directorate, which was partly offset by reduced energy costs on street lighting. This position is unlikely to continue into 2015-16 as energy costs are predicted to steadily increase. To offset the increase, and also to meet the Council's MTFS budget reductions, significant energy savings targets have been set for street lighting energy consumption in the current and future years, to be achieved through a programme of street lighting replacement to LED units, to deliver significant savings on energy usage.

**Transport & Engineering**

There is an over spend of £19,000 against the Transport & Engineering budget. Part of the over spend has arisen as a result of a number of health and safety issues which have had to be resolved within our car parks and the bus station. In addition there was a shortfall on staff car parking income. Whilst the one off costs in respect of the health and safety issues have now been addressed the directorate will need to address the income target for staff car parking.

**Culture**

The under spend of £251,000 within cultural services is attributable to the reduction in salary and activity expenditure in advance of the 2015-16 MTFS budget reduction, along with deliberate measures to restrict spend to off-set any potential over spend risk posed by the historical position at Bryngarw House. In the event, the transformation project at Bryngarw House was completed to schedule with a favourable financial outcome. The under spend was also generated from the management of vacancies, in particular within the library service, along with the realisation of additional income across service other areas.

**Resources Directorate**

The net budget for the Directorate for 2014-15 was £15.144 million and the actual outturn was £14.758 million resulting in an under spend of £386,000. There was £0.822 million from earmarked reserves during the year for specific pressures.

The most significant variances are detailed below:

| RESOURCES DIRECTORATE | Net Budget £'000 | Outturn £'000 | Variance Over/(Under) Budget £'000 | % Variance |
|---|---|---|---|---|
| Financial Services | 3,616 | 3,430 | (186) | -5.2% |
| Human Resources & OD | 4,389 | 4,041 | (348) | -7.9% |
| ICT | 4,096 | 4,163 | 67 | 1.6% |
| Property (Estates) | 1,732 | 1,843 | 111 | 6.4% |
| Property (Built Environment) | 592 | 571 | (21) | -3.5% |

**Financial Services**

The under spend of £186,000 arises from strict vacancy management and staff restructures linked to 2015-16 budget reductions as well as in year reductions in external and internal audit fees which will contribute to the MTFS in future years.

**Human Resources & Organisational Development**

The under spend of £348,000 in this service is primarily due to vacancy management to deliver 2015-16 budget reduction requirements as well as anticipated DBS/CRB checks, lower than anticipated learning and development activities and earlier than expected changes from paper to electronic communication techniques.

**ICT**

The over spend of £67,000 is attributable to the repayment of £353,000 of prudential borrowing as outlined in paragraph 4.1.5, off set by under spends resulting from vacancies held and a team restructure to deliver 2015-16 budget reductions and under spends on ICT Supplies and Services as a result of delivery delays by a supplier.

**Property Estates and Built Environment**

There is an over spend of £111,000 primarily due to under-recovery of income at the Innovation Centre following the temporary re-location of Legal Services during the refurbishment of the Civic Offices.

Despite a forecast over spend in respect of changes to CIPFA rules on capital charging, the service has achieved an under spend of £21,000 as a result of challenging productivity rates and a full workbook for the whole year in relation to the design functions. As part of the ongoing process of developing this service model, targets and structures will be reviewed annually.

**Legal and Regulatory Services**

The net budget for the Directorate for 2014-15 was £6.516 million and the actual outturn was £5.773 million resulting in an under spend of £743,000. There was £0.128 million drawn down from earmarked reserves during the year for specific pressures.

The most significant variances are detailed below:

| LEGAL & REGULATORY SERVICES | Net Budget £'000 | Outturn £'000 | Variance Over/(Under) Budget £'000 | % Variance |
|---|---|---|---|---|
| Legal Services | 2,184 | 1,890 | (294) | -13.5% |
| Regulatory Services | 1,930 | 1,771 | (159) | -8.2% |
| Partnership Services | 406 | 254 | (152) | -37.4% |

The majority of the under spend has arisen due to strict vacancy management across all services in anticipation of budget reduction savings in 2015-16 and the planned joint regulatory service with Cardiff and the Vale of Glamorgan Councils. A further £40,000 of the under spend relates to the reversal of a provision made in 2013-14 in respect of a complex fraud case, which was not required in full in 2014-15. There was also additional income raised by the registrars and regulatory services of £113,000.

**Council Wide Budgets**

The net budget for council wide services and budgets was £38.167 million and the actual outturn was £35.176 million, resulting in an under spend of £2.991 million. The most significant variances are detailed below:

| COUNCIL WIDE BUDGETS | Net Budget £'000 | Outturn £'000 | Variance Over/(Under) Budget £'000 | % Variance |
|---|---|---|---|---|
| Building Maintenance / Feasibility | 890 | 674 | (216) | -24.3% |
| Council Tax Reduction Scheme | 13,825 | 12,938 | (887) | -6.4% |
| Insurance Costs | 1,737 | 966 | (771) | -44.4% |
| Other Corporate Budgets | 4,170 | 3,017 | (1,153) | -27.6% |

**Building Maintenance/Feasibility**

There was an under spend of £216,000 on the corporate budget for feasibility work and minor works, due to slippage in some building works. This funding has therefore been transferred into an earmarked reserve for 2015-16.

**Council Tax Reduction Scheme**

The under spend of £887,000 is a result of lower demand than forecast for the Council Tax Reduction Scheme. This a demand led budget which is based on full take up, but actual take up is not known until year end.

**Insurance Costs**

The under spend of £771,000 on insurance costs is primarily due to £479,000 in fortuitous and unexpected rebates in respect of the Maesteg PFI scheme and lower than anticipated payments made by the Council's claim handlers. The balance is attributable to a reduction in premiums following an in-year assessment of liabilities and is an MTFS budget reduction proposal for 2015-16 and beyond.

**Other Corporate Budgets**

The under spend of £1.153 million on other corporate budgets has arisen as a result of:

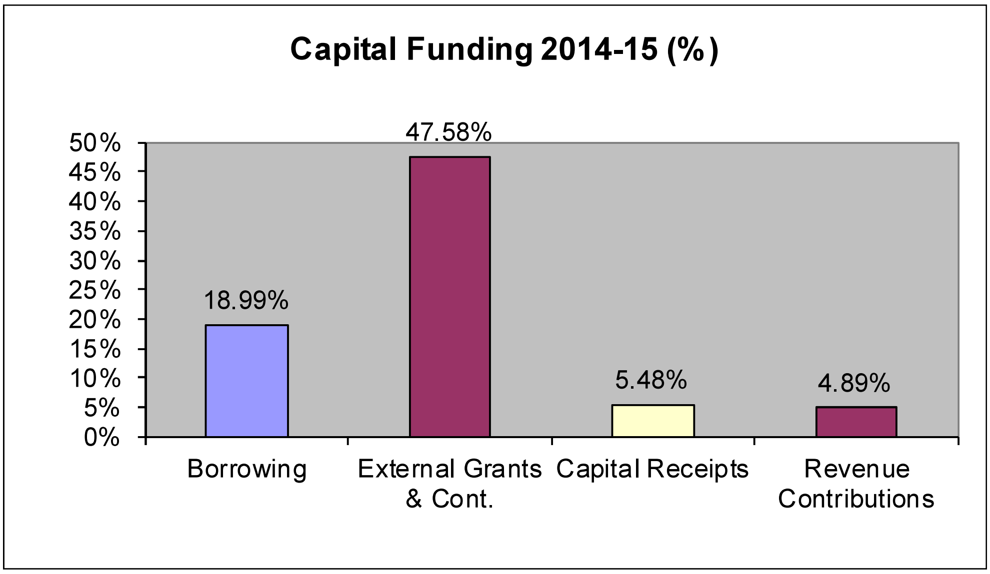
- Less demand from Directorates to meet in year pay and price inflationary pressures such as energy costs and job evaluation;
- Later than anticipated introduction of the removal of employers' national insurance rebate;
- Lower than expected in-year cost of implementing auto enrolment for new entrants. This cost is due to increase incrementally as the Council works towards September 2017 by which time all eligible employees must be enrolled in the Local Government Pension Scheme; and
- A mild winter resulting in no call for contingency funding for winter maintenance.

**b) <u>Capital spending in 2014-15</u>**

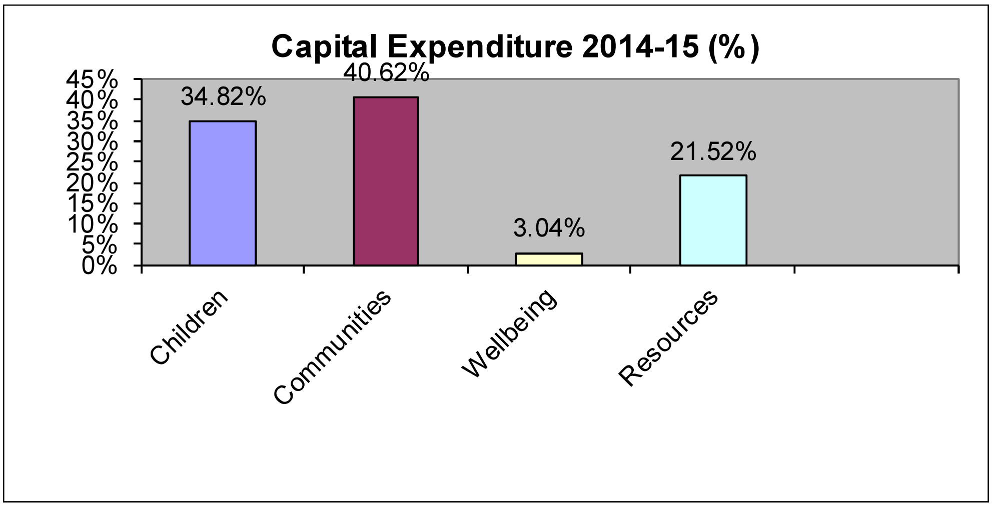
In addition to spending money on providing services on a day to day basis, the Council also spends money on providing new facilities, improving assets and the infrastructure, enhancing assets or providing capital grants to others. The total capital spending in 2013-14 was £28.230 million. Assets created, improved or work in progress as a result of this spend included:

- Bridgend Market Regeneration
- All Wales Community Care Information System
- Parc Derwen Primary School
- Developments at the former Ogmore Comprehensive School
- Disabled Facility Grants
- Carriage reconstruction and street lighting

**Where the money came from……….**




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




**c) <u>Borrowing arrangements and sources of funds</u>**

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:-

| | 2014-15 £m |
|---|---|
| **Authorised limit for external debt** | |
| Borrowing | 140 |
| Other long term liabilities | 30 |
| **Total** | **170** |
| **Operational Boundary** | |
| Borrowing | 125 |
| Other long term liabilities | 25 |
| **Total** | **150** |

As can be seen from the Balance Sheet as at 31 March 2015 long term borrowing totalled £ 97.444 million (£97.451 million 2013-14) and long term liabilities totalled £20.847 million (£20.923 million 2013-14) 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 2015 can be summarised as follows:

| | Opening Balance £'000 | Movement £'000 | Closing Balance £'000 |
|---|---|---|---|
| Council Fund | 7,395 | 55 | 7,450 |
| Delegated Schools | 2,467 | (57) | 2,410 |
| Maesteg School PFI Equalisation Fund | 3,051 | 356 | 3,407 |
| Earmarked Reserves | 32,381 | 3,256 | 35,637 |
| **Total** | **45,294** | **3,610** | **48,904** |

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 2015-16. 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 2015. 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 2014-15 is £273.010 million (£243.900 million in 2013-14). 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 2014-15 compared to 2013-14

The Council's accounts for the financial year 2014-15 have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 ('the Code'). This specifies the principles and practices of accounting required to prepare a Statement of Accounts which presents fairly the financial position and transactions of a Local Authority. As identified at the beginning of the Explanatory Foreword, a number of IFRS changes have been considered in the production of the Statement of Accounts for 2014-15. IFRS 10 – Consolidated Financial Statements, IFRS11 Joint Arrangements, and IFRS 12 – Disclosures of Involvement with Other Entities, have all required a review of current arrangements, and has impacted on the way in which the Authority recognises its Schools accounts within the main statements.

## 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.

| **Chair of Audit Committee Certificate** |
| --- |
| Signed : |
| Date: |

**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 2015 and of its income and expenditure for the year ended 31 March 2015. |
| **Signed :** |
| **Section 151 Officer :** |
| **Date :** |

## Annual Governance Statement 2014-15

### 1. Scope of Responsibility

1.1 Bridgend County Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

1.2 The Council also has a duty under the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in the exercise of its functions in terms of strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.

1.3 In discharging its overall responsibilities, the Council is 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 2015. The description of the arrangements in place is built around the core principles set out in the Council's Code of Corporate Governance. This was updated during 2014-15 and approved by Audit Committee in June 2014.

### 3. The Governance Framework

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

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

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

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

4.1 The Council'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, citizens' needs, resource availability, 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 achievement;
- Working with children and families to tackle problems early;
- Working together to help vulnerable people to stay independent;
- Working together to tackle health issues and encourage healthy lifestyles;
- Working together to make the best use of our resources.

4.3 These improvement priorities 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 2015-16 to 2018-19. 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 on the Council was received in May 2014. The Report recognised that the Council had made good progress in delivering improvement in most of its priority areas and recognised the need to accelerate improvements in education. Also, the Council had 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 Report recognised that the Council has sound plans for improvement. The Auditor General arrived at his views by:-

- reviewing the Council's own self assessment on what progress it considers it has made since the Auditor General published his last Annual Improvement Report on the Council early in 2013;
- assessing contributions from Welsh inspectorates, Estyn (for education), the Care and Social Services Inspectorate for Wales (the CSSIW) and the Welsh Language Commissioner.

The Auditor General carried out an audit of the Council's Improvement Plan for 2014-15 and certified in June 2014 that the Council discharged its duties to prepare and publish an Improvement Plan in accordance with statutory requirements set out in the Measure and statutory guidance.

The Auditor General also audited the Council's assessment of its performance in 2013-14 in accordance with the Measure and his Code of Audit Practice and certified in November 2014 that the Council discharged its duties under pertinent sections of the Measure and acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

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 Members and the Leader allocates their 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. These are reviewed by the committee during the year and updated as required. 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 ensuring that the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The corporate finance function provides a range of support to departments and determines the budget preparation and financial monitoring process.

5.9 The Corporate Director – Wellbeing is statutory Director for Social Services, as defined by the Local Authority Social Services Act 1970, which outlines the 6 core responsibilities across all the Social Services functions, including ensuring that the Authority has proper safeguards to protect vulnerable children and adults.

5.10 Similarly, the Corporate Director – Education and Performance, has been identified as the Chief Education Officer, as prescribed by the Education Act 1996.

5.11 The Monitoring Officer carries overall responsibility for ensuring compliance with the law and his staff work closely with departments to advise on legal matters.

5.12 In December 2014, Council approved the realignment of responsibilities for the line management of the Safeguarding Children Teams under the Director of Wellbeing who therefore became the Director of Social Services and Wellbeing. This means that the social care functions for children and adults are now located within the same directorate of Bridgend County Borough Council. The increased responsibilities of the Social Care and Wellbeing Act places a greater emphasis on local authorities considering children and adults at risk more holistically and the new arrangement will support this and will be key to the successful delivery of a number of objectives including the sustained reduction in the number of looked after children.

5.13 The revised Performance Management Framework was launched in December 2013 and adopted by Cabinet in June 2014. 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. During 2014-15, the Council introduced CMB challenge on Performance Management, which complements the Corporate Performance Assessment (CPA). This structured challenge focuses on a wide range of issues as well as Performance Indicators. The introduction of a bespoke Performance Management system provides timely, consistent management information for managing service improvement and decision making.

## 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
- Anti-Money Laundering Policy
- HR policies regarding the disciplining of staff involved in such incidents
- Corporate Complaints Policy

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

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

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

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

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

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

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

7.5 Policies and procedures that assist the governance of Council's operations include Financial Procedure Rules (FPRs); Contract Procedure Rules (CPRs) and the Risk Management Policy. All managers have responsibility to ensure compliance with these policies.

7.6 The Council's Performance Management Framework describes the 'Golden Thread' for planning which links the Council's vision of "Working together to improve lives" through services delivered at the frontline of the Council and how external factors influence the vision. The external factors include national priorities from both Welsh and UK Government and local priorities from Citizens, Partners, 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 2014-15 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. |
| 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. |

During the latter half of the financial year, the risk of Local Government Reorganisation was identified and this was incorporated into the Risk Register within the MTFS that Council received in February 2015. The costs of Local

Government Reorganisation are unknown, but will be high. These costs have not been factored into the 2015-16 to 2018-19 MTFS. There is also a risk because greater demands will be placed on senior management as they plan for Local Government Reorganisation, whilst bringing about the transformative change required to deliver services within reduced budgets. In the longer term there are also other risks as three workforces and sets of financial arrangements are brought together necessitating harmonisation of pay and conditions and council tax.

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. There was an Annual Report 2013-14 on the Strategic Equality Plan which went to Cabinet in March 2015. The report reviewed and reflected on previous work and outlines progress made by the Council on each of its equality objectives and themes. Heads of Service and Senior Service Managers are responsible for ensuring the actions in the Strategic Equality Action Plan are achieved. Quarterly updates are provided to the Bridgend Equality Forum, membership of which includes a number of third sector groups and organisations as well as a number of key local service providers. 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 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 In 2014-15 a cross party group of 13 Elected Members participated in an in-house Leadership academy co-ordinated by the Welsh Local Government Agency (WLGA) consisting of 3 modules including Leading through relationships, Leading Innovation and Change and Community Leadership. There were also 5 other senior Elected Members who attended the All Wales Leadership Academy which supported the personal development of these Members and promoted collaborative working across Wales.

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, such as strategic needs assessment, 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 2014-15, the Council consulted on a wide range of issues including the following (this list is not exhaustive):

- Budget Review 2015;
- Learner Travel Review;
- Nursery Education Policy;
- Local Transport Plan;
- Various schools proposals.

The Budget Review 2015 included six community engagement workshops throughout the county borough, an on-line survey and access to a budget simulator which captured the views of the public on how to achieve the budget savings necessary for the financial year 2015-16

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 Housing Association
- Wales Probation
- Welsh Government

9.8 In 2014, the LSB undertook a comprehensive review of its priorities and its approach to delivering those priorities, taking into consideration a series of factors, including diminishing resources faced by partner organisations. As a result, the LSB now focuses on a smaller number of priorities that require really partnership working, with those priorities being delivered through flagship projects. As part of the review, the LSB also restructured its constituent boards by abolishing both the People's Board and Communities' Board and reducing the Programme Boards to five:

- Wealthy Programme Board
- Healthy Programme Board
- Wise Programme Board
- Place Programme Board
- Community Safety Partnership

The new structure is aligned with the population outcomes of the Single Integrated partnership Plan and supported by a reformed Neighbourhood Network (NHN), which focuses on local priorities and takes forward local projects underpinned by local information, citizen engagement, co-production, and investment in local infrastructure.

9.9 In the development of the Medium Term Financial Strategy 2015-16 to 2018-19, 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 and the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). This is informed by the work of Internal Audit and chief officers within the Council who have responsibility for the development and maintenance of the internal control environment. The Council also draws assurance on its governance arrangements from independent sources and in particular Internal Audit, External Audit and other external regulators.

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

- The Constitution, which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. It also includes the Codes of Conduct for both members and employees.

- The Cabinet (as Executive) who are responsible for considering overall financial and performance management and receive comprehensive reports on a regular basis. The Cabinet is also responsible for key decisions and for initiating corrective action in relation to risk and internal control issues.

- The Scrutiny function which holds the Cabinet to account. The Corporate Resources and Improvement Scrutiny Committee is responsible for maintaining an overview of financial performance including value for money. The Partnerships and Governance Overview and Scrutiny Committee maintain an overview of cross-cutting matters. In the Committee's Terms of Reference it has a responsibility "to consider the Council's policies and strategies in relation to collaborative and partnership working arrangements". The Committee will liaise with other Scrutiny Committees who will be responsible for scruntinising 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 2015, the Audit Committee received training on the Treasury Management to assist them in scrutinising the Annual Treasury Management Strategy of the Council. Also, it was noted by the Estyn Inspection that training provided to elected members to increase their understanding and ability to interrogate data to enable them to challenge the performance of the Children's Directorate and schools was well received.

10.5 This is being further enhanced with the use of role descriptions for all committee Member and Chairpersons including the Audit Committee. 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 also form part of Personal Development Review Process which 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. The Budget Research & Evaluation Panel was commended in June 2014 by the Wales Audit Office and the Centre for Public Scrutiny as an example of best practice at the Scrutiny in the Spotlight Event

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 2014-15, 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 2015. The review showed that the Internal

Audit Shared Service is fully compliant with all relevant parts of the Standards. However, in relation to Standard 1312 'External Assessment' the two negative answers can only be addressed once the Internal Audit Shared Service has agreed a timetable for being assessed externally. An external assessment needs to be carried out before the end of March 2018.

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.

10.10 In 2014-15, the Council's financial management arrangements were found to be conforming to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

10.11 The Council is subject to an annual programme of independent external audits and statutory inspections which report on the Council's governance, performance and accounting arrangements. 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 2013-14 confirmed that the appointed auditor issued an unqualified audit opinion on the accounting statements for 2013-14 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 there were not any other matters specifically required by auditing standards to be communicated to those charged with governance.

10.12 The Wales Audit Office issued two reports to Audit Committee, one on the Audit of the Financial Statements Report 2013-14 in September 2014 and one on the Certification of Grants and Returns 2013-14 in March 2015. The first report did not identify any material weaknesses in the Council's internal controls. The second report concluded that the Council had generally good arrangements in place for the production and submission of its 2013-14 grant claims. Improvements were noted from 2012-13 but it did highlight some scope for further improvement which are being followed up by management. One recommendation related to discretionary relief awards, management have now undertaken a full review of all discretionary rate reliefs during 2014-15 and a number have been cancelled as a result.

10.13 During the period March to May 2014, the Wales Audit Office completed a review of the assurance and accountability arrangements of the Council for ensuring that safeguarding of Children policies and procedures are in place and are being adhered to. This reviewed examined how the Council discharged its safeguarding responsibilities at all levels including Cabinet, Senior Management Team, Scrutiny and individual officers. The review found that the governance, accountability and management arrangements for overseeing whether the Council is meeting its safeguarding responsibilities to children are adequate but some improvements could be made. It recommended that a Corporate Safeguarding Policy be developed. This was taken onboard and Cabinet approved the Policy in February 2015. One other proposal for improvement was to identify and agree an appropriate internal audit programme of work for safeguarding. The Internal Audit Plan 2015-16 allocated 20 days for Safeguarding which will also incorporate an assessment of the Council's overall operating model for safeguarding.

10.14 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 and "the Council has discharged its duties to prepare and publish an improvement Plan in accordance with statutory requirements".

10.15 The Public Services Ombudsman for Wales reports on each council in Wales the number of complaints received and investigated. In July 2014, the Council received its Annual Letter for 2013-14. The letter noted an increase in the number of complaints received, 39 in 2013-14 compared to 24 in 2012-13. The comparative figure for the local authority average was 40 for 2013-14 (36 for 2012-13). Only 1 complaint was investigated by the Ombudsman which was the same as 2013-14. The increases in the number of complaints received relate to 'Children Social Services' and 'Planning and Building Control'. The Ombudsman did not find it necessary to issue any 'upheld' reports against the Council during 2013-14.

10.16 The Care and Social Services Inspectorate Wales (CSSIW) Annual Review for Bridgend 2013-14 concluded that the Council has continued to work towards its change agenda and the development of new models of service delivery, in line with the expectations of the Social Services and Wellbeing (Wales) Act 2014. The review identified the appointment of two new Corporate Directors for Wellbeing and Children and how they take a strong lead in supporting the service by providing oversight of strategic delivery and operational components of the service. It recognised that the Wellbeing Business Plan covers the new way of working with greater integrated working with health and the third sector. It also recognised that the Council has mechanisms in place for identifying and addressing gaps in performance. A number of specific areas for improvement have been identified within the report and the Council's progress towards these will be discussed during regular engagement meetings and site visits during 2015-16.

10.17 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. Progress against the PIAP was monitored closely by Estyn and there were follow up visits in March and December 2014. In December, Estyn Inspectors revisited to undertake a full re-inspection which consisted of discussions with elected members, head teachers and governors, senior officers and a range of other staff. The team scrutinised documentation including evidence on the progress made against each of the recommendations since the 2012 inspection. Estyn concluded that the Council “is judged to have made sufficient progress in relation to the recommendations following the inspection of October 2012. As a result, Her Majesty’s Chief Inspector of Education and Training in Wales considers that the authority is no longer in need of Estyn monitoring and is removing it from further follow-up activity”.

10.18 The previous Annual Governance Statement 2013-14 that was presented to Audit Committee in June 2014 identified the governance risk of the retirement of the deputy Section 151 officer in July 2014 at the same time that the Section 151 Officer was unable to perform her duties. The Chief Executive addressed this with interim arrangements being put in place to cover the statutory role in the short term and the Council was able to appoint a new Head of Finance and ICT who took up his post in September 2014. The Corporate Director Resources also returned to perform her duties in September 2014.

## 11. Significant Governance Issues

11.1 The Annual Governance Statement 2013-14 was reviewed and an update was provided to Audit Committee in November 2014. This reported that the governance issue surrounding the requirement to review and update the Code of Corporate Governance had been addressed with Audit Committee approving the revised Code of Governance in July 2014.

11.2 As mentioned above, one of the significant governance issues in 2013-14 related to the Estyn Report on the quality of local authority education services for children and young people. However, the confirmation in January 2015 that the Council is no longer in need of Estyn monitoring means that this governance issue can be removed from the updated Action Plan.

11.3 As reported to Audit Committee in November 2014, Directorates undertook a series of reviews of third sector organisations over the summer, to determine the extent to which the services they provide meet corporate priorities and are providing value for money. This was as a result of a WAO review of Council’s arrangements for ensuring value for money from its working with the Third Sector identified a specific governance issue. A Report was taken to the Community Safety and Governance Overview and Scrutiny Committee in March 2015. The budget reductions currently identified fall short of the budget savings of £150,000 for 2015-16 and 2016-17 built into the MTFS. The Council is working with those organisations to identify ways of managing the reductions to minimize impact on front line services. A number of payments to the Third Sector are for services provided on behalf of the Council, rather than general grant funding. If the Council were to cease this payment, depending on the statutory nature of the provision, the Council may have to provide this service itself, and this could be at a higher cost. The project has now been brought under the Director of Education and Transformation as part of the overall Transformation Programme. It is the intention for the project to be reviewed and a revised business plan presented to PMB in the first instance.

11.4 The Annual Governance Statement 2013-14 highlighted the significant financial challenge facing the Council in terms of delivering a savings target of the £36m savings identified in the Medium Term Financial Strategy (MTFS) 2014-15 to 2017-18. In July 2014, the MTFS was updated following further analysis of assumptions to increase the estimated budget reductions to £50m over the period to 2018-19.

11.5 The implementation of the MTFS 2014-15 to 2017-18 has been led by Cabinet and the Corporate Management Board. This has now been rolled forward a year to cover the period 2016-17 to 2019-20 taking account of auditors' views and any issues which need to be addressed from 2014-15, 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 The Annual Internal Audit Opinion is due to be reported to the Audit Committee in July 2015, for the period April 2014 to March 2015. It stated that based on the work undertaken and taking into account all available evidence "the adequacy and effectiveness of internal control at Bridgend CBC is reasonable". Although reasonable assurance demonstrates good control across the board, the Opinion states that "it is important that control weaknesses in systems where the assurance level has been rated as Limited or No Assurance are dealt with and given priority by management". During 2014-15, there were 9 reviews which limited assurance was given and 1 where no assurance could be given. This related to the Section 117 Process within the Wellbeing Directorate. The significant control issues identified have tended to relate to specific service areas rather than a general breakdown in controls. The relevant managers have agreed to implement the recommendations made within the reports. Internal Audit has already revisited the area with no assurance and 4 with limited assurance with a plan to revisit the remaining areas shortly.

## 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 2014-15 financial year and its position at the year end of 31 March 2015. 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) 2014-15 and the *Service Reporting Code of Practice* 2014-15 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 2014-15 (SeRCOP).* For 2014-15, 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.

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

No prior period adjustment needs have arisen during 2014-15

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.

## 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. Carbon Reduction Commitments Allowances**

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

**26. Local Authority Schools**

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

Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr
Bridgend County Borough Council

# Core Financial Statements 2014-15

## Movement in Reserves Statement For Years Ended 31 March 2014 & 2015

| | Council Fund Balance £'000 | Earmarked Reserves £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves £'000 | Total Unusable Reserves £'000 | Total Authority Reserves £'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2013 carried forward** | **7,320** | **35,601** | **12,505** | **176** | **55,602** | **34,940** | **90,542** |
| **Movement in Reserves during 2013-14** | | | | | | | |
| **Surplus or (deficit) on provision of services** | (22,118) | | | | (22,118) | | (22,118) |
| **Other Comprehensive (Expenditure) and Income** | | | | | - | 91,020 | 91,020 |
| **Total Comprehensive Expenditure and Income** | **(22,118)** | **-** | **-** | **-** | **(22,118)** | **91,020** | **68,902** |
| Adjustments between accounting basis & funding basis under regulations (Note 4) | 24,491 | | (2,260) | 333 | 22,564 | (22,564) | - |
| **Net Increase/(Decrease) before Transfers to Earmarked Reserves** | **2,373** | **-** | **(2,260)** | **333** | **446** | **68,456** | **68,902** |
| **Transfers to Earmarked Reserves (Note 30)** | (2,298) | 2,298 | - | - | - | - | - |
| **Increase/(Decrease) in 2013-14** | **75** | **2,298** | **(2,260)** | **333** | **446** | **68,456** | **68,902** |
| **Balance at 31 March 2014 carried forward** | **7,395** | **37,899** | **10,245** | **509** | **56,048** | **103,396** | **159,444** |

| | Council Fund Balance £'000 | Earmarked Reserves £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves £'000 | Total Unusable Reserves £'000 | Total Authority Reserves £'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2014 carried forward** | **7,395** | **37,899** | **10,245** | **509** | **56,048** | **103,396** | **159,444** |
| **Movement in Reserves during 2014-15** | | | | | | | |
| **Surplus or (deficit) on provision of services** | (77,076) | | | | (77,076) | | (77,076) |
| **Other Comprehensive (Expenditure) and Income** | | | | | - | (10,333) | (10,333) |
| **Total Comprehensive Expenditure and Income** | **(77,076)** | **-** | **-** | **-** | **(77,076)** | **(10,333)** | **(87,409)** |
| Adjustments between accounting basis & funding basis under regulations (Note 4) | 80,686 | | 4,289 | (356) | 84,619 | (84,619) | - |
| **Net Increase/(Decrease) before Transfers to Earmarked Reserves** | **3,610** | **-** | **4,289** | **(356)** | **7,543** | **(94,952)** | **(87,409)** |
| **Transfers to Earmarked Reserves (Note 30)** | (3,555) | 3,555 | - | - | - | - | - |
| **Increase/(Decrease) in 2014-15** | **55** | **3,555** | **4,289** | **(356)** | **7,543** | **(94,952)** | **(87,409)** |
| **Balance at 31 March 2015 carried forward** | **7,450** | **41,454** | **14,534** | **153** | **63,591** | **8,444** | **72,035** |

## Comprehensive Income and Expenditure Statement 2014-15

| 2013-14 (restated) | | | | 2014-15 | | | |
|---|---|---|---|---|---|---|---|
| Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 | | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 | Notes |
| 173,727 | (35,364) | 138,363 | Children's and Education Services | 227,613 | (34,142) | 193,471 | |
| 59,907 | (14,575) | 45,332 | Adult Social Care | 61,464 | (16,237) | 45,227 | |
| 27,624 | (9,241) | 18,383 | Highways, Roads and Transport Services | 28,331 | (9,443) | 18,888 | |
| 57,464 | (55,059) | 2,405 | Housing Services | 58,704 | (55,802) | 2,902 | |
| 28,929 | (8,876) | 20,053 | Central Services to the Public | 34,619 | (7,883) | 26,736 | |
| 15,105 | (3,243) | 11,862 | Cultural and Related Services | 19,091 | (3,028) | 16,063 | |
| 21,232 | (8,855) | 12,377 | Environmental and Regulatory Services | 22,397 | (10,430) | 11,967 | |
| 13,364 | (8,798) | 4,566 | Planning Services | 15,340 | (10,024) | 5,316 | |
| 5,502 | (126) | 5,376 | Corporate and Democratic Core | 4,941 | (417) | 4,524 | |
| 853 | | 853 | Non-Distributed Costs | 560 | - | 560 | |
| **403,707** | **(144,137)** | **259,570** | **Cost Of Services** | **473,060** | **(147,406)** | **325,654** | |
| | | | **Other Operating Expenditure** | | | | |
| 10,590 | | 10,590 | Payments of precepts | 11,199 | - | 11,199 | **5** |
| 7,063 | | 7,063 | Levies payable | 6,894 | - | 6,894 | **5** |
| 5,882 | | 5,882 | (Gain) / loss on disposal of non current (fixed) assets | 718 | | 718 | |
| **23,535** | **-** | **23,535** | **Other Operating Expenditure** | **18,811** | **-** | **18,811** | |
| | | | **Financing and Investment Income and Expenditure** | | | | |
| 4,625 | | **4,625** | Interest payable on debt | 4,577 | - | 4,577 | |
| 104 | | **104** | Interest element of finance leases (lessee) | 167 | - | 167 | |
| 1,505 | | **1,505** | Interest payable on PFI unitary payments | 1,471 | - | 1,471 | **12** |
| 13,580 | | **13,580** | Net Interest on Net Defined Benefit Liability | 10,090 | - | 10,090 | |
| | (607) | **(607)** | Investment Interest & Other Interest Receivable | - | (853) | (853) | |
| 410 | | **410** | Changes in fair value of investment properties | - | (647) | (647) | |
| 6,736 | (6,756) | **(20)** | (Gain) / loss on trading accounts (not applicable to a service) | 7,000 | (7,056) | (56) | **6** |
| **26,960** | **(7,363)** | **19,597** | **Financing and Investment Income and Expenditure** | **23,305** | **(8,556)** | **14,749** | |
| | | | **Taxation and Non-Specific Grant Income** | | | | |
| | (154,722) | **(154,722)** | RSG | | (150,943) | (150,943) | **7** |
| | (68,987) | **(68,987)** | Council tax | | (73,164) | (73,164) | **9** |
| | (43,026) | **(43,026)** | NNDR | | (43,794) | (43,794) | **10** |
| | (11,310) | **(11,310)** | Recognised capital grants and contributions | | (12,825) | (12,825) | **8** |
| | (2,539) | **(2,539)** | Non service related government grants | | (1,412) | (1,412) | **8** |
| **-** | **(280,584)** | **(280,584)** | **Taxation and Non-Specific Grant Income** | **-** | **(282,138)** | **(282,138)** | |
| | | | | | | | |
| **454,202** | **(432,084)** | **22,118** | **(Surplus) or Deficit on Provision of Services** | **515,176** | **(438,100)** | **77,076** | |
| | (278) | (278) | (Surplus) or deficit on revaluation of Property, Plant and Equipment | | (58,371) | (58,371) | |
| | 248 | 248 | Impairment losses on non-current assets charged to the Revaluation reserve | 48,614 | | 48,614 | |
| | (90,990) | (90,990) | Actuarial (gains) / losses on pension liabilities | 20,090 | | 20,090 | |
| | | **(91,020)** | **Other Comprehensive Income and Expenditure** | | | **10,333** | |
| | | | | | | | |
| | | **(68,902)** | **Total Comprehensive Income and Expenditure** | | | **87,409** | |

## Balance Sheet for Years Ended 31 March 2014 and 2015

| 31 March 2014 £'000 | | 31 March 2015 £'000 | Notes |
|---|---|---|---|
| | **Property, Plant & Equipment** | | **21** |
| 398,102 | - other land and buildings | 331,665 | |
| 5,202 | - vehicles, plant, furniture and equipment | 7,927 | |
| 88,659 | - infrastructure | 83,373 | |
| 4,537 | - community assets | 4,808 | |
| 16,115 | - assets under construction | 15,848 | |
| 10,669 | - surplus assets not held for sale | 9,767 | |
| 51 | **Heritage Assets** | 73 | **23** |
| | **Investment Property** | | |
| 3,011 | - Investment property | 4,103 | **22** |
| | **Long Term Debtors** | | |
| 29 | Housing Advances | 17 | **24** |
| 384 | Finance Leases | 261 | |
| **526,759** | **Long Term Assets** | **457,842** | |
| 4,005 | **Short Term Investments** | 11,027 | **37** |
| 6,721 | **Assets held for sale** | 7,478 | **26** |
| 433 | **Inventories** | 463 | |
| 27,063 | **Short Term Debtors** | 29,272 | **25** |
| 4,469 | **Cash and Cash Equivalents** | 6,573 | |
| **42,691** | **Current Assets** | **54,813** | |
| (1,543) | **Short Term Borrowing** | (879) | **37** |
| (38,901) | **Short Term Creditors** | (43,458) | **27** |
| **(40,444)** | **Current Liabilities** | **(44,337)** | |
| (4,900) | **Provisions** | (2,424) | **28** |
| (97,451) | **Long Term Borrowing** | (97,444) | **37** |
| | **Other Long Term Liabilities** | | |
| (20,923) | PFI & Other Long Term Liabilities | (20,847) | **29** |
| (243,900) | Net pensions liability | (273,010) | **31b** |
| (2,388) | **Capital Grants Receipts in Advance** | (2,558) | |
| **(369,562)** | **Long Term Liabilities** | **(396,283)** | |
| **159,444** | **Net Assets** | **72,035** | |
| | **Usable reserves** | | **30** |
| 7,395 | - Council Fund | 7,450 | |
| 37,899 | - Earmarked reserves | 41,454 | **30b** |
| 10,245 | - Capital Receipts Reserve | 14,534 | **30a** |
| 509 | - Capital Grants Unapplied | 153 | |
| | **Unusable Reserves** | | **31** |
| 98,804 | - Revaluation Reserve | 100,292 | **31a** |
| (243,900) | - Pensions Reserve | (273,010) | **31b** |
| 257,644 | - Capital Adjustment Account | 189,018 | **31c** |
| (5,320) | - Financial Instruments Adjustment Account | (3,632) | **31d** |
| (3,832) | - Short-term Accumulating Compensated Absences Account | (4,224) | **31e** |
| **159,444** | **Total Reserves** | **72,035** | |

## Cash Flow Statement as at 31 March 2014 and 2015

| 2013-14 £'000 | | 2014-15 £'000 | Notes |
|---|---|---|---|
| 22,118 | Net (surplus)/deficit on the Provision of Services | 77,076 | |
| (41,063) | Adjustments to net deficit on the provision of services for non-cash movements | (103,311) | 39 |
| 11,476 | Adjustments for Items included in the net deficit on the provision of services that are investing and financing activities | 12,825 | |
| **(7,469)** | **Net Cash Flows from Operating Activities** | **(13,410)** | 40 |
| 37,649 | Investing Activities | 23,972 | 41 |
| (19,959) | Financing Activities | (12,666) | 42 |
| **10,221** | **Net increase in Cash & Cash Equivalents** | **(2,104)** | |
| (14,690) | Cash & Cash Equivalent at the beginning of the Reporting Period | (4,469) | |
| **(4,469)** | **Cash & Cash Equivalent at the end of the Reporting Period** | **(6,573)** | |

# Notes to the Core Financial Statements 2014-15

## Contents for Notes to the Core Financial Statements

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

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015-16 Code:-

**IFRS 13 – Fair Value Measurement -** This standard provides a consistent definition of fair value and sets out a single IFRS framework for measuring fair value. It also requires significant disclosures about fair value measurements. The adoption of this standard will require surplus assets to be revalued at market value rather than its existing use value. Operational property, plant and equipment assets are outside the scope of IFRS 13, so this standard is not expected to 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 previously 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 final balances of these leases were charged to the 2014-15 accounts, and consequently there are no balances remaining.

**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 2015 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 was revalued at 1 April 2015. The value of those assets is based upon calculations and estimation techniques following the Royal Institute of Chartered Surveyors (RICS) guidance, and in accordance with IFRS. Changes in asset values are largely influenced by market forces and build cost indices 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.

## 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 2013-14 for comparative purposes and the adjustments for 2014-15:-

| 2013-14 | Council Fund Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Movement in Usable Reserves £'000 | Revaluation Reserve £'000 | Pensions Reserve £'000 | Capital Adjustment Account £'000 | Financial Instruments Adjustment Account £'000 | Short term Compen-sated Absences £'000 | Movement in Unusable Reserves £'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Adjustments between accounting basis & funding basis under regulations** | | | | | | | | | | |
| **Adjustments Primarily Involving the Capital Adjustment Account** | | | | | | | | | | |
| **Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement** | | | | | | | | | | |
| Charges for Depreciation & Impairment of Non-Current Assets | 21,887 | | | **21,887** | | | (21,887) | | | **(21,887)** |
| Revaluation losses on Property, Plant & Equipment | 228 | | | **228** | | | (228) | | | **(228)** |
| 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** | | | (683) | | | **(683)** |
| 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** | (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 | | | **-** |
| **Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement** | | | | | | | | | | |
| 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** |
| **Adjustments primarily involving the Capital Grants Unapplied Account :** | | | | **-** | | | | | | **-** |
| 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)** | | | 83 | | | **83** |
| **Adjustments primarily involving the Capital Receipts Reserve** | | | | | | | | | | |
| 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)** | | | 519 | | | **519** |
| | | 27 | | | | | | | | |
| **Adjustments primarily involving the Financial Instrument Adjustment Account** | | | | | | | | | | |
| 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** |
| **Adjustments primarily involving the Pensions Reserve** | | | | | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | 34,060 | | | **34,060** | | (30,450) | | | | **(30,450)** |
| Employer's contributions to pension schemes | (17,340) | | | **(17,340)** | | 18,460 | | | | **18,460** |
| **Adjustments primarily involving the Accumulated Absences Account** | | | | | | | | | | |
| 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)** | | | | | (46) | **(46)** |
| **Total Adjustments 2012/13 (Restated)** | **24,491** | **(2,260)** | **333** | **22,537** | **(1,711)** | **(11,990)** | **(1,016)** | **205** | **(46)** | **(14,558)** |

| 2014-15 | Council Fund Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Movement in Usable Reserves £'000 | Revaluation Reserve £'000 | Pensions Reserve £'000 | Capital Adjustment Account £'000 | Financial Instruments Adjustment Account £'000 | Short term Compen-sated Absences £'000 | Movement in Unusable Reserves £'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Adjustments between accounting basis & funding basis under regulations** | | | | | | | | | | |
| **Adjustments Primarily Involving the Capital Adjustment Account** | | | | | | | | | | |
| **Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement** | | | | | | | | | | |
| Charges for Depreciation & Impairment of Non-Current Assets | 94,764 | | | **94,764** | | | (94,764) | | | **(94,764)** |
| Revaluation losses on Property, Plant & Equipment | | | | - | | | | | | - |
| Movement in market value of investment property | (646) | | | **(646)** | | | 646 | | | **646** |
| Capital grant and contributions applied | (12,817) | | | **(12,817)** | | | 12,817 | | | **12,817** |
| Revenue Expenditure Funded from Capital under Statute | 774 | | (340) | **434** | | | (434) | | | **(434)** |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account | 7,014 | | | **7,014** | (5,574) | | (1,440) | | | **(7,014)** |
| Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost. | | | | | (2,695) | | 2,695 | | | **-** |
| **Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement** | | | | | | | | | | |
| Statutory Provision for the financing of capital investment | (8,020) | | | **(8,020)** | | | 8,020 | | | **8,020** |
| Capital expenditure charged against the Council Fund balance | (1,803) | | | **(1,803)** | | | 1,803 | | | **1,803** |
| **Adjustments primarily involving the Capital Grants Unapplied Account :** | | | | - | | | | | | - |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | (8) | | 8 | - | | | | | | - |
| Application of grants to capital financing transferred to the Capital Adjustment Account | | | (24) | **(24)** | | | 24 | | | **24** |
| **Adjustments primarily involving the Capital Receipts Reserve** | | | | | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (6,296) | 6,296 | | - | | | | | | - |
| Use of Capital Receipts Reserve to finance new capital expenditure | | (2,019) | | **(2,019)** | | | 2,019 | | | **2,019** |
| Other Amounts (including Mortgage Repayments) | | 12 | | **12** | | | (12) | | | **(12)** |
| **Adjustments primarily involving the Financial Instrument Adjustment Account** | | | | | | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | (1,688) | | | **(1,688)** | | | | 1,688 | | **1,688** |
| **Adjustments primarily involving the Pensions Reserve** | | | | | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | 26,800 | | | **26,800** | | (26,800) | | | | **(26,800)** |
| Employer's contributions to pension schemes | (17,780) | | | **(17,780)** | | 17,780 | | | | **17,780** |
| **Adjustments primarily involving the Accumulated Absences Account** | | | | | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 392 | | | **392** | | | | | (392) | **(392)** |
| **Total Adjustments 2013/14** | **80,686** | **4,289** | **(356)** | **84,619** | **(8,269)** | **(9,020)** | **(68,626)** | **1,688** | **(392)** | **(84,619)** |

## 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:

| 2013-14 £'000 | | 2014-15 £'000 |
|---|---|---|
| | **Precepts** | |
| 9,078 | Police and Crime Commissioner for South Wales | 9,625 |
| 1,512 | Community Councils | 1,574 |
| **10,590** | **Sub total** | **11,199** |
| | **Levies** | |
| 6,659 | South Wales Fire and Rescue Authority | 6,585 |
| 263 | Coroners Service | 208 |
| 106 | Archive Service | 95 |
| 17 | Margam Crematorium Joint Committee | (14) |
| 18 | Swansea Bay Port Health Authority | 19 |
| **7,063** | **Sub total** | **6,893** |
| **17,653** | **Total** | **18,092** |

## 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:

| 2013-14 Income £'000 | 2013-14 Exp. £'000 | 2013-14 Deficit/ (Surplus) £'000 | Activity | 2014-15 Income £'000 | 2014-15 Exp. £'000 | 2014-15 Deficit/ (Surplus) £'000 | Target £'000 | Variance £'000 |
|---|---|---|---|---|---|---|---|---|
| (2,681) | 2,747 | 66 | Building Maintenance | (3,266) | 3,281 | 15 | (13) | 28 |
| (1,175) | 1,094 | (81) | Building Cleaning | (1,076) | 1,008 | (68) | (108) | 40 |
| (2,900) | 2,895 | (5) | Fleet Services | (2,714) | 2,711 | (3) | (17) | 14 |
| **(6,756)** | **6,736** | **(20)** | **Transfer to I & E Account** | **(7,056)** | **7,000** | **(56)** | **(138)** | **82** |

## 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 2014-15 was £150.9 million (£154.7 million for 2013-14).

## 8. Government grants

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

| 2013-14<br>£'000 | Specific Grants credited to Services | 2014-15<br>£'000 |
|---|---|---|
| 47,948 | Housing Benefit Subsidy | 49,512 |
| 6,717 | DCELLS Post 16 Grant | 6,307 |
| 4,187 | Foundation Phase Grants | 4,143 |
| 1,681 | PFI Grant | - |
| 3,041 | Other Children | 7,275 |
| 434 | Other Wellbeing | 1,196 |
| 5,071 | Others | 1,504 |
| 6,101 | Supporting People | 6,152 |
| - | Sport Play & Active Wellbeing | 386 |
| 2,920 | Concessionary Fares Grant | 2,806 |
| 2,486 | Flying Start | 3,025 |
| 2,960 | Sustainable Waste Grant | 2,854 |
| 1,104 | Housing/Council Tax Benefit Administration | 813 |
| 357 | Local Transport Services | 390 |
| 952 | Communities First | 1,511 |
| 1,913 | Families First | 1,840 |
| **87,872** | **Total** | **89,714** |

| 2013-14<br>£'000 | Other Government Grants credited to Taxation and Non-specific Grant Income | 2014-15<br>£'000 |
|---|---|---|
| 1,401 | Improvement Agreement Grant | 1,412 |
| 1,138 | Council Tax Reduction Grant | - |
| 11,310 | Capital Grants and Conributions | - |
| **13,849** | **Total** | **1,412** |
| **101,721** | | **91,126** |

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 – 50,566.20 dwellings for 2014-15 (50,075.92 in 2013-14). The average amount for a Band D property is £1,413.33 in 2014-15 (£1,346.83 in 2013-14 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** | 28 | 10,048 | 14,757 | 13,789 | 9,624 | 6,917 | 3,882 | 1,352 | 283 | 84 |

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

| 2013-14 £'000 | | 2014-15 £'000 |
|---|---|---|
| 68,987 | Council Tax Collectable | 73,164 |
| | Less: | |
| (1,512) | Payable to Community Councils | (1,574) |
| (9,078) | Payable to South Wales Police | (9,625) |
| 68 | Provision for non-payment of Council Tax (Increase) | (1,159) |
| **58,465** | **Net Proceeds from Council Tax** | **60,806** |

## 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 47.3p in 2014-15 (46.4p in 2013-14). 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 £43.794 million in 2014-15 (£43.026 million in 2013-14).

## 11. Leases

Council as a Lessee

Finance Leases (excluding Private Finance Initiative)
Under IFRS, a number of leases for vehicles, plant and equipment were previously reclassified as finance leases, and were carried as Property, Plant and Equipment in the Balance Sheet. As shown in the table below, the last elements of these costs were charged to 2014-15, and there are no balances remaining:

| 31 March 2014 £'000 | | 31 March 2015 £'000 |
|---|---|---|
| 37 | Vehicles, Plant & Equipment Finance Leases | - |

| 31 March 2014 £'000 | | 31 March 2015 £'000 |
|---|---|---|
| | Finance Lease Liabilities (Net Present Value of minimum lease payments) :- | - |
| 41 | * current | |
| | * non-current | |
| 2 | Finance Costs payable in future years | - |
| **43** | **Minimum lease payments** | **-** |
| 43 | Not later than one year | - |
| - | Later than one year | - |
| **43** | **Total** | **-** |

Operating Leases

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

| 31 March 2014 £'000 | | 31 March 2015 £'000 |
|---|---|---|
| 1,327 | Not later than one year | 1,058 |
| 3,676 | Later than one year | 2,469 |
| 8,486 | Later than five years | 8,034 |
| **13,489** | **Total** | **11,561** |

Expenditure charged in the year to the Service areas was £0.975 million made up of minimum lease payments of £0.574 million and £0.401 million for contingent rents (£1.459 million in 2013-14 made up of £0.884 million minimum lease payments and £0.575 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 2014 £'000 | | 31 March 2015 £'000 |
|---|---|---|
| 171 | Not later than one year | 39 |
| 182 | Later than one year | 170 |
| 851 | Later than five years | 824 |
| **1,204** | **Total** | **1,033** |

## 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:-

| 2013-14 £'000 | Unitary Charge | 2014-15 £'000 |
|---|---|---|
| 589 | Service Charge Element | 635 |
| 1,505 | Interest Element | 1,470 |
| 442 | Finance Lease Liability | 476 |
| **2,536** | **Total** | **2,581** |

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 | 2015-16 £'000 | 2016-17 to 2020-21 £'000 | 2021-22 to 2025-26 £'000 | 2026-27 to 2030-31 £'000 | 2031-32 to 2033-34 £'000 |
|---|---|---|---|---|---|
| Service Charge Element | 502 | 2,511 | 2,511 | 2,511 | 1,500 |
| Interest Element | 1,434 | 6,513 | 5,063 | 2,959 | 409 |
| Finance Lease Liability | 513 | 3,221 | 4,672 | 6,775 | 4,119 |
| **Total** | **2,449** | **12,245** | **12,246** | **12,245** | **6,028** |

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 2015, the balance on the PFI equalisation earmarked reserve is £3.406 million (£3.051 million as at 31 March 2014).

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

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

| 2013-14 | | | | | 2014-15 | | |
|---|---|---|---|---|---|---|---|
| Gross Income Of Partnership £'000 | Gross Expenditure of Partnership £'000 | Authority's Contribution £'000 | Partner | Purpose of Partnership | Gross Income Of Partnership £'000 | Gross Expenditure of Partnership £'000 | Authority's Contribution £'000 |
| 564 | 564 | 294 | Abertawe Bro-Morgannwg University Health Board | Integrated Service Provision using a Pooled Fund. Provision of day opportunities for people recovering from mental health problems. | 608 | 608 | 325 |
| 2,236 | 2,407 | 471 | 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 | 2,261 | 2,686 | 492 |

## 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 2014-15 has been calculated as shown in the table below. It is based on the opening Capital Financing Requirement (CFR) of the Council.

| 2013-14 £'000 | | 2014-15 £'000 |
|---|---|---|
| 165,581 | CFR 1 April | 177,033 |
| 943 | HALO Adjustment 12-13 | 108 |
| (20,217) | PFI School | (19,776) |
| (845) | Innovation Centre | (816) |
| (95) | Finance Leases | (41) |
| (1,087) | Healthy Living Contract Capital Liability | (1,078) |
| (82) | Factor A Adjustment | (82) |
| - | Supported Borrowing significant asset adjustment | (3,946) |
| (12,368) | CFR Adj Para 19 2008/Unsupported Borrowing Adj | (24,845) |
| **131,830** | **Adjusted CFR** | **126,557** |
| 5,273 | MRP - 4% | 5,062 |
| - | MRP significant asset | 132 |
| 442 | PFI School - MRP Charge | 476 |
| 28 | Innovation Centre MRP Charge | 47 |
| 54 | Finance Leases MRP Charge | 41 |
| 117 | Healthy Living Contract MRP Charge | 117 |
| 1,926 | Unsupported Borrowing MRP | 2,145 |
| **7,840** | **Total MRP** | **8,020** |

## 15. Officers' Remuneration

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

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

This is a new requirement of the Accounts and Audit (Wales) Regulations 2014. The ratio for Bridgend is 6.49, i.e. the Remuneration of the Chief Executive is 6.49 times more than the median remuneration of the Council's employees. The comparable ratio in 2013-14 was 6.72

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

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

| 2013-14 | | Number of Employees | | | | |
|---|---|---|---|---|---|---|
| Number of Employees inc Redundancy Costs (re-stated) | Remuneration Band | Movement in Bandings | 2014-15 inc Redundancy Costs | 2014-15 exc Redundancy Costs (Note 1) | Number of Teachers inc in Figures exc Redun-dancy (note 1) | Number of Non-Teachers inc in Figures exc Redun-dancy (note 1) |
| 15 | £60,000 - £64,999 | 3 | **18** | 16 | 16 | - |
| 13 | £65,000 - £69,999 | 1 | **14** | 13 | 12 | 1 |
| 3 | £70,000 - £74,999 | 3 | **6** | 6 | 5 | 1 |
| 6 | £75,000 - £79,999 | (1) | **5** | 3 | - | 3 |
| 2 | £80,000 - £84,999 | 1 | **3** | 2 | 2 | - |
| 1 | £85,000 - £89,999 | - | **1** | 1 | 1 | - |
| 3 | £90,000 - £94,999 | 1 | **4** | 3 | 2 | 1 |
| 4 | £95,000 - £99,999 | - | **4** | 3 | 1 | 2 |
| 1 | £100,000 - £104,999 | 3 | **4** | 3 | 1 | 2 |
| 1 | £105,000 - £109,999 | (1) | **-** | - | - | - |
| 1 | £110,000 - £114,999 | (1) | **-** | - | - | - |
| - | £115,000 - £119,999 | - | **-** | - | - | - |
| - | £120,000 - £124,999 | - | **-** | - | - | - |
| 1 | £125,000 - £129,999 | - | **1** | 1 | - | 1 |
| **51** | | **9** | **60** | **51** | **40** | **11** |

**Note 1**: This confirms there are 51 individuals with remuneration of £60,000 or more, comprising:-

a) 40 Headteachers and Deputy Headteachers, and
b) 11 Senior Managers of the Council, including the Senior Officers shown in Disclosure 3 below, and Heads of Service.

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

This is a requirement to disclose individual remuneration details for all senior employees under the Accounts and Audit (Wales) (amendment) Regulations 2010.

| Job Title | Salary | | Expenses (see note 4 below) | | Benefits in Kind (see note 4 below) | | Pension Contributions (see note 3 below) | | Total Remuneration including Pension Contributions | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 14-15 | 13-14 | 14-15 | 13-14 | 14-15 | 13-14 | 14-15 | 13-14 | 14-15 | 13-14 |
| | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| **Chief Executive Officer & Head of Paid Service (see Note 1 below)** | 128,169 | 125,246 | - | - | - | - | 26,051 | 26,051 | **154,220** | **151,297** |
| **Corporate Director - Education and Transformation** | | | | | | | | | | |
| Previous Post Holder until 31 August 2013 | | 43,362 | - | - | - | 2,275 | - | 9,019 | **-** | **54,656** |
| Current Post Holder from 1 September 2013 | 99,646 | 56,837 | - | - | - | - | 20,726 | 11,822 | **120,372** | **68,659** |
| **Corporate Director - Communities** | 101,857 | 98,620 | - | - | - | 13,066 | 21,186 | 20,513 | **123,043** | **132,199** |
| **Corporate Director - Wellbeing** | | | | | | | | | | |
| Previous Post Holder until 30 April 2013 | - | 5,368 | - | - | - | - | - | - | **-** | **5,368** |
| Current Post Holder Interim from 1 September 2013 and formally appointed from 1 November 2013 | 99,646 | 56,837 | | | - | 10,089 | 20,726 | 11,822 | **120,372** | **78,748** |
| **Corporate Director - Resources & s151 Officer (see Note 2 below)** | 104,068 | 104,068 | - | - | - | - | 21,646 | 21,004 | **125,714** | **125,072** |
| **Assistant Chief Executive - Legal & Regulatory Services** | 93,661 | 92,360 | - | - | - | 16,060 | 19,482 | 19,211 | **113,143** | **127,631** |

### Notes

Note 1 : The Chief Executive Officers Salary excludes payment for Election Duties. These amounted to £4819 for the European Election and two local elections

Note 2 : The post of Corporate Director - Resources was created on 1 June 2013 replacing the role of Assistant Chief Executive-Performance.

Note 3 : Pension Contributions relate to actual payments made

Note 4 : Expenses' and 'Benefits in Kind' exclude non-taxable reimbursements.

## Disclosure 4: Table on Exit Packages

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

| Exit Package Cost Band (including Special Payments) | Number of Compulsory Redundancies | | Number of Other Departures Agreed | | Total Number of Exit Packages by Cost Band | | Total Cost of Exit Packages in Each Band | |
|---|---|---|---|---|---|---|---|---|
| | 14-15 | 13-14 | 14-15 | 13-14 | 14-15 | 13-14 | 14-15 £ | 13-14 £ |
| £0 - £20,000 | 73 | 53 | 45 | 30 | 118 | 83 | 955,813 | 566,652 |
| £20,001 - £40,000 | 21 | 7 | 27 | 10 | 48 | 17 | 1,391,579 | 500,503 |
| £40,001 - £60,000 | 7 | 1 | 5 | 2 | 12 | 3 | 563,059 | 138,140 |
| £60,001 - £80,000 | 1 | 1 | - | 2 | 1 | 3 | 67,383 | 205,406 |
| £80,001 - £100,000 | - | 1 | - | - | - | 1 | - | 80,101 |
| £100,001 - £120,000 | - | - | 1 | - | 1 | - | 112,117 | - |
| £120,001 - £140,000 | - | - | 1 | 1 | 1 | 1 | 125,483 | 124,507 |
| £140,001 - £180,000 | - | - | - | 2 | - | 2 | - | 309,500 |
| | **102** | **63** | **79** | **47** | **181** | **110** | **3,215,434** | **1,924,809** |

## 16. Members' allowances

As a result of the December 2011 Report of the Independent Remuneration Panel for Wales, a new system of 'salary' payments for Members came into effect in full from 16 May 2012. The Council now has in place a 'Basic Salary' for all members, a 'Senior Salary', and a Civic Salary. 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, and this is the first year that real comparative information can be presented, as shown in the table below.

| Total Expenditure 2013-14 £'000 | | Total Expenditure 2014-15 £'000 |
|---|---|---|
| 474 | Basic Salary (all Members) | 515 |
| 576 | Senior Salary | 524 |
| 38 | Civic Salary | 40 |
| **1,088** | **Total** | **1,079** |

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 2014-15 Bridgend County Borough Council incurred the following fees relating to external audit and inspection:

| 2013-14 £'000 | | 2014-15 £'000 |
|---|---|---|
| 197 | Financial Statement Audit | 174 |
| 135 | Performance Audit | 98 |
| **332** | **External Audit Services** | **272** |
| - | Statutory Inspection | 1 |
| 82 | Grant Claims and Returns | 47 |
| **414** | **Total** | **320** |

## 18. Group accounts

### School Accounting

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

| School Types | Nos in Category | 2014-15 Budget £'000 | 2014-15 Spend £'000 | 2014-15 Closing Balances £'000 |
|---|---|---|---|---|
| Nursery Schools | 1 | 88 | 88 | - |
| Primary Schools | 50 | 43,532 | 41,961 | 1,571 |
| Secondary Schools | 9 | 42,238 | 41,837 | 401 |
| Special Schools | 2 | 7,277 | 6,838 | 438 |
| **Total** | **62** | **93,134** | **90,724** | **2,410** |

**Associates, Subsidiaries and Joint Ventures**

The Council has no Subsidiary, Associate or Joint Venture interests, as defined by the CIPFA Code.

**Joint Operations**

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

- Glamorgan Archives Service
- Civil Parking Enforcement
- Central South Consortium Joint Education Service
- South East Wales Transport Alliance

## 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. Members' external interests are maintained in a register, which is available for inspection on the Council's website. The total of members' allowances paid in 2014-15 is shown in Note 13. Grants were made to organisations whose senior management included Members including Groundwork Bridgend and Neath Port Talbot £43,748 in 2014-15

(£47,500 in 2013-14), Bridgend County Borough Citizens Advice Bureau £228,690 (£228,690 in 2012-13) and Bridgend Association of Voluntary Organisations £139,795 in 2014-15 (£166,299 in 2013-14). In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants.

**Chief Officers**
During 2014-15, no chief officer declared any material interests/relationships in a related party. This was the same in 2013-14.

**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 2014-15, the Council contributed to the Joint Committee an amount of £95,437 (£106,040 in 2013-14). This was calculated proportionately based upon population. Financial statements for this Joint Committee are available on the Cardiff CC website (www.cardiff.gov.uk)

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

**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. Financial statements for this Joint Committee are available on the Bridgend CBC website (www.bridgend.gov.uk).

**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 (2013-14) is as follows:

| 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) | **(66,119)** |
| Government grants | (22,962) | (1,865) | (14,748) | (49,793) | **(89,368)** |
| **Total Income** | **(42,167)** | **(18,115)** | **(28,018)** | **(67,187)** | **(155,487)** |
| Employee expenses | 110,889 | 28,729 | 16,169 | 22,232 | **178,019** |
| Other operating expenses | 55,405 | 37,002 | 36,178 | 66,437 | **195,022** |
| **Total operating expenses** | **166,294** | **65,731** | **52,347** | **88,669** | **373,041** |
| | | | | | |
| **Net Cost of Services** | **124,127** | **47,616** | **24,329** | **21,482** | **217,554** |

| Directorate Income and Expenditure 2014-15 | Children £'000 | Wellbeing £'000 | Communities £'000 | Other Services £'000 | Total £'000 |
|---|---|---|---|---|---|
| Fees, charges & other service income | (18,645) | (14,901) | (14,992) | (18,353) | **(66,891)** |
| Government grants | (22,968) | (2,554) | (14,815) | (50,780) | **(91,117)** |
| **Total Income** | **(41,613)** | **(17,455)** | **(29,807)** | **(69,133)** | **(158,008)** |
| Employee expenses | 111,040 | 25,826 | 18,238 | 21,190 | **176,294** |
| Other operating expenses | 55,569 | 34,888 | 37,951 | 68,474 | **196,882** |
| **Total operating expenses** | **166,609** | **60,714** | **56,189** | **89,664** | **373,176** |
| | | | | | |
| **Net Cost of Services** | **124,996** | **43,259** | **26,382** | **20,531** | **215,168** |

### 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 :-

| Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement | 2014-15 £'000 | 2013-14 £'000 |
|---|---|---|
| Cost of Services in Service Analysis | **215,168** | **217,554** |
| Add services not included in main analysis | 18,931 | 16,326 |
| Add amounts not reported to management | 93,057 | 27,199 |
| Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement | (1,502) | (1,509) |
| **Net Cost of Services in Comprehensive Income and Expenditure Statement** | **325,654** | **259,570** |

### Reconciliation to Subjective Analysis

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

| Reconciliation to Subjective Analysis 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)** |
| **Total Income** | **(155,487)** | **(4,048)** | **-** | **6,756** | **(152,779)** | **(287,947)** | **(440,726)** |
| | | | | | | | |
| Employee expenses | 178,019 | 1,050 | 2,935 | | **182,004** | 13,580 | **195,584** |
| Other service expenses | 195,022 | 19,324 | | (6,736) | **207,610** | 6,735 | **214,345** |
| 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** |
| Gain or Loss on Disposal of Fixed Assets | | | | | **-** | 6,292 | **6,292** |
| **Total Expenditure** | **373,041** | **20,374** | **27,199** | **(8,265)** | **412,349** | **50,495** | **462,844** |
| | | | | | | | |
| **Surplus or deficit on the provision of services** | **217,554** | **16,326** | **27,199** | **(1,509)** | **259,570** | **(237,452)** | **22,118** |

| Reconciliation to Subjective Analysis 2014-15 | 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 | (66,891) | | | 7,056 | **(59,835)** | (7,056) | **(66,891)** |
| Surplus or deficit on associates and joint ventures | | | | | **-** | | **-** |
| Interest and investment income | | | | | **-** | (853) | **(853)** |
| Income from council tax | | | | | **-** | (73,164) | **(73,164)** |
| Government grants and contributions | (91,117) | (6,380) | | | **(97,497)** | (208,974) | **(306,471)** |
| **Total Income** | **(158,008)** | **(6,380)** | **-** | **7,056** | **(157,332)** | **(290,047)** | **(447,379)** |
| | | | | | | | |
| Employee expenses | 176,294 | 2,738 | (678) | | **178,354** | 10,090 | **188,444** |
| Other service expenses | 196,882 | 22,573 | | (7,000) | **212,455** | 6,999 | **219,454** |
| Support Service recharges | | | | | **-** | | **-** |
| Depreciation, amortisation and impairment | | | 93,735 | | **93,735** | | **93,735** |
| Interest Payments | | | | (1,558) | **(1,558)** | 6,215 | **4,657** |
| Precepts & Levies | | | | | **-** | 18,093 | **18,093** |
| Gain or Loss on Disposal of Fixed Assets | | | | | **-** | 72 | **72** |
| **Total Expenditure** | **373,176** | **25,311** | **93,057** | **(8,558)** | **482,986** | **41,469** | **524,455** |
| | | | | | | | |
| **Surplus or deficit on the provision of services** | **215,168** | **18,931** | **93,057** | **(1,502)** | **325,654** | **(248,578)** | **77,076** |

# Notes to the Balance Sheet

**21. Tangible Fixed Assets**

a) Capital commitments

As at 31 March 2015 commitments of approximately £11.608million existed on capital works contracts started before that date, details of which are shown in the table below.

| 2013-14 £'000 | | 2014-15 £'000 |
|---|---|---|
| 88 | Porthcawl Regeneration | - |
| 873 | Bridgend Town Centre Regeneration | 107 |
| 2,811 | Highways Infrastructure Local Govt Borrowing Initiative | - |
| 1,633 | Gateway to the Valleys | - |
| 1,012 | Pen y Fai Primary School | - |
| - | Coychurch Crematoria Cremators | 840 |
| - | Celtic Court Refurbishment | 1,209 |
| - | Community Care Information System | 2,744 |
| - | Ogmore Comprehensive | 894 |
| | Coety / Parc Derwen Primary School | 5,049 |
| - | Maximising Space | 730 |
| 363 | Lewistown Flying Start Provision | 35 |
| **6,780** | **Total** | **11,608** |

b) Notes on Fixed Assets

Voluntary-aided & Voluntary-controlled Schools

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

Numbers of fixed assets by type

| Category | Number as at 31 March 2014 - restated | Number as at 31 March 2015 |
|---|---|---|
| Schools | 61 | 60 |
| Other educational establishments | 7 | 7 |
| Libraries | 11 | 11 |
| Car parks | 29 | 29 |
| Cemeteries and buildings | 20 | 20 |
| Crematoria | 1 | 1 |
| Reclaimed land | 7 | 7 |
| Markets | 2 | 2 |
| Shops | 9 | 9 |
| Public conveniences | 16 | 16 |
| Nature reserves | 1 | 1 |
| Social Services establishments | 18 | 18 |
| Bus stations | 2 | 2 |
| Sports pavilions | 41 | 41 |
| Recreation grounds & parks | 28 | 28 |
| Recreation & entertainment centres | 11 | 11 |
| Community centres | 20 | 20 |
| Swimming pools | 6 | 6 |
| Industrial estates | 6 | 6 |
| Civic offices | 2 | 1 |
| Other offices | 2 | 2 |
| Depots | 8 | 8 |
| Vehicles | 34 | 24 |
| Vehicles on Finance Leases | 4 | 0 |
| | **346** | **330** |

| 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 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | | |
| At 1 April 2013 | 421,599 | **12,593** | **183,081** | **4,574** | **10,455** | **36,147** | **668,449** | **22,744** | **1,341** |
| | | | | | | | | | |
| Additions | 2,274 | 2,916 | 7,166 | - | - | 21,561 | **33,917** | - | 943 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 48 | - | - | - | - | - | **48** | | - |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (281) | - | - | - | 53 | - | **(228)** | - | - |
| Derecognition - Disposals | (6,825) | (399) | | | | | **(7,224)** | - | - |
| Derecognition - other | (84) | - | - | - | - | - | **(84)** | - | - |
| Assets reclassified (to)/from Held for Sale | (1,401) | - | - | - | (53) | - | **(84)** | | |
| Assets reclassified (to)/from Investment Property | - | - | - | - | - | - | **(1,454)** | | |
| Other Movements in Cost or Valuation | 34,639 | - | 6,109 | - | 811 | (41,593) | **(34)** | | |
| | | | | | | | | - | - |
| **At 31 March 2013** | **449,969** | **15,110** | **196,356** | **4,574** | **11,266** | **16,115** | **693,306** | **22,744** | **2,284** |
| | | | | | | | | | |
| **Accumulated Depreciation and Impairments** | | | | | | | | | |
| At 1 April 2013 | (42,290) | (9,179) | (97,574) | (37) | (502) | - | (149,582) | (956) | (1,092) |
| | | | | | | | | | |
| Depreciation Charge for 2013/14 | (9,059) | (1,050) | (9,729) | - | (27) | - | **(19,865)** | **(239)** | (51) |
| Depreciation written out to the Revaluation Reserve | - | - | - | - | - | - | **-** | - | - |
| Impairment Losses/(Reversals) recognised in the Revaluation Reserve | (18) | - | - | - | - | - | **(18)** | | - |
| Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services | (1,550) | (78) | (394) | - | - | - | **(2,022)** | | - |
| Derecognition - other | 41 | - | - | - | - | - | **41** | | |
| Derecognition - disposals | 907 | 399 | - | - | - | - | **1,306** | - | - |
| Assets reclassified (to)/from Held for Sale | - | | | | | | **-** | | |
| Other Movements | 102 | **-** | **-** | **-** | **(68)** | **-** | **34** | **-** | **-** |
| | | | | | | | | | |
| **At 31 March 2013** | **(51,867)** | **(9,908)** | **(107,697)** | **(37)** | **(597)** | **-** | **(170,106)** | **(1,195)** | **(1,143)** |
| | | | | | | | | | |
| **Balance Sheet as at 1 April 2013** | **379,309** | **3,414** | **85,507** | **4,537** | **9,953** | **36,147** | **518,867** | **21,788** | **249** |
| | | | | | | | | | |

| 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 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | | |
| At 1 April 2014 | 449,969 | 15,110 | 196,356 | 4,574 | 11,266 | 16,115 | **693,390** | 22,744 | 2,284 |
| Additions | 5,752 | 4,184 | 5,356 | - | - | 7,537 | **22,829** | - | 108 |
| Accumulated Depreciation and Impairment written out to GCA | (52,940) | (8,765) | - | - | (736) | - | **(62,441)** | (1,195) | (112) |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 9,619 | - | - | - | 818 | - | **10,437** | 4,462 | (57) |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (66,839) | - | - | (196) | (233) | - | **(67,268)** | (4,446) | (401) |
| Derecognition - Disposals | (1,469) | (29) | | - | (55) | | **(1,553)** | | - |
| Derecognition - other | - | - | - | - | - | - | **-** | - | - |
| Assets reclassified (to)/from Held for Sale | (4,235) | - | - | - | (2,260) | - | **(6,495)** | - | - |
| Assets reclassified (to)/from Investment Property | - | - | - | - | - | - | **-** | - | - |
| Other Movements in Cost or Valuation | 5,984 | - | (361) | 467 | 1,106 | (7,196) | **-** | - | - |
| **At 31 March 2015** | **345,841** | **10,500** | **201,351** | **4,845** | **9,906** | **16,456** | **588,899** | **21,565** | **1,822** |
| **Accumulated Depreciation and Impairments** | | | | | | | | | |
| At 1 April 2014 | (51,869) | (9,908) | (107,697) | (37) | (597) | - | (170,108) | (1,195) | (1,143) |
| Depreciation Charge for 2014/15 | (14,240) | (1,382) | (10,211) | - | (268) | - | **(26,101)** | **(772)** | (50) |
| Accumulated Depreciation and Impairment written out to GCA | **52,833** | **8,765** | **-** | **-** | **736** | **-** | **62,334** | 1,195 | 55 |
| Depreciation written out to the Revaluation Reserve | - | - | - | - | - | - | **-** | - | - |
| Impairment Losses/(Reversals) recognised in the Revaluation Reserve | (702) | - | - | - | - | - | **(702)** | - | 57 |
| Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services | (1,068) | (48) | (170) | - | - | - | **(1,286)** | | - |
| Derecognition - other | - | - | - | - | - | - | **-** | | |
| Derecognition - disposals | 351 | - | - | - | - | - | **351** | - | - |
| Assets reclassified (to)/from Held for Sale | 1 | - | | | | | **1** | | |
| Other Movements | 518 | **-** | **100** | **-** | **(10)** | **(608)** | **-** | **-** | **-** |
| **At 31 March 2015** | **(14,176)** | **(2,573)** | **(117,978)** | **(37)** | **(139)** | **(608)** | **(135,511)** | **(772)** | **(1,081)** |
| | | | | | | | | | |
| **Balance Sheet as at 1 April 2014** | **398,100** | **5,202** | **88,659** | **4,537** | **10,669** | **16,115** | **523,282** | **21,549** | **1,141** |
| | | | | | | | | | |
| **Balance Sheet as at 31 March 2015** | **331,665** | **7,927** | **83,373** | **4,808** | **9,767** | **15,848** | **453,388** | **20,793** | **741** |

d) Fixed asset valuation

The freehold and leasehold properties of Bridgend County Borough Council were valued as at 1 April 2015 by Council 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

| 2013-14 £'000 | | 2014-15 £'000 |
|---|---|---|
| 18,350 | Loans | 6,997 |
| 14,547 | Government grants | 15,888 |
| 2,453 | Capital receipts | 2,019 |
| 1,271 | Revenue contribution | 1,803 |
| 943 | Healthy Living Contract Capital Liability | 108 |
| 231 | Other contribution | 1,647 |
| **37,795** | **Total** | **28,462** |

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.

| 2013-14 £'000 | | 2014-15 £'000 |
|---|---|---|
| 3,879 | Revenue Expenditure Funded from Capital under Statute | 5,113 |
| **3,879** | **Total** | **5,113** |

g) Capital financing requirement and the financing of capital expenditure

| 2013-14 £'000 | Capital Financing Requirement | 2014-15 £'000 |
|---|---|---|
| 165,581 | Opening Capital Financing Requirement | 177,033 |
| | **Capital Investment** | |
| 32,974 | Property, Plant and Equipment | 22,721 |
| | Investment Properties | 520 |
| 3,879 | Revenue Expenditure Funded from Capital under Statute | 5,113 |
| 943 | Recognition of Healthy Living Commitment | 108 |
| | **Sources of Finance** | |
| (14,780) | Grants & Contributions | (17,643) |
| (2,453) | Capital receipts applied | (2,019) |
| (1,271) | Revenue Contributions | (1,803) |
| (5,273) | Minimum Revenue Provision | (5,194) |
| (1,926) | Unsupported Borrowing MRP | (2,145) |
| (117) | Healthy Living Contract MRP | (117) |
| (54) | Finance Leases MRP | (41) |
| (28) | Innovation Centre MRP | (47) |
| (442) | PFI School MRP | (476) |
| **177,033** | **Closing Capital Financing Requirement** | **176,010** |
| | **Explanation for Movements in Year** | |
| (1,327) | Decrease in Underlying Need to Borrow (supported by government financial assistance) | (1,262) |
| 12,477 | Increase in Underlying Need to Borrow (unsupported by government financial assistance) | 812 |
| 744 | Assets acquired under finance leases | (97) |
| (442) | Assets acquired under PFI Contract | (476) |
| **11,452** | **Increase/(Decrease) in Capital Financing Requirement** | **(1,023)** |

h) Capital Grants Received in Advance

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

| 2013-14 £'000 | | 2014-15 £'000 |
|---|---|---|
| 2,388 | Developers' Contributions - capital element | 2,558 |
| **2,388** | **Total** | **2,558** |

## 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:

| 2013-14 £'000 | | 2014-15 £'000 |
|---|---|---|
| 526 | Rental Income from Investment Property | 573 |
| (152) | Direct Operating Expenses arising from Investment Property | (281) |
| **374** | **Net gain/(loss)** | **292** |

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

| 2013-14 £'000 | | 2014-15 £'000 |
|---|---|---|
| 3,421 | **Balance at 1 April** | 3,011 |
| | Acquisitions | 520 |
| | Disposals | (74) |
| (410) | Net gain / (loss) from fair value adjustments | - |
| - | Transfers to Property, Plant and Equipment | 646 |
| **3,011** | **Balance as at 31 March** | **4,103** |

## 23. Heritage Assets

| 2013-14 £'000 | | 2014-15 £'000 |
|---|---|---|
| 51 | Civic Regalia | 73 |
| **51** | **Balance as at 31 March** | **73** |

## 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.

| 2013-14 £'000 | | 2014-15 £'000 |
|---|---|---|
| 29 | Mortgages | 17 |
| 384 | Finance Leases | 261 |
| **413** | **Balance as at 31 March** | **278** |

## 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:

| 2013-14 £'000 | Short-term Debtors | 2014-15 £'000 |
|---|---|---|
| 12,492 | Central Government Bodies | 12,818 |
| 4,189 | Other Local Authorities | 4,774 |
| 541 | NHS Bodies | 1,277 |
| 9,841 | Other Entities and Individuals | 10,403 |
| **27,063** | **Balance as at 31 March** | **29,272** |

The Council collects NNDR payments on behalf of Welsh Government. As at the 31 March 2015, the Council had paid over more cash than it collected, this excess was included in the Balance Sheet as a debtor of £0.199 million. The equivalent for 2013-14 was a debtor of £3.102 million which represented monies not yet paid over by Welsh Government.

## 26. Assets Held for Sale

| 2013-14 £'000 | Assets Held for Sale | 2014-15 £'000 |
|---|---|---|
| 5,354 | Balance at 1 April | 6,721 |
| | Assets newly classified as held for sale: | |
| 1,454 | Property, Plant & Equipment | 6,494 |
| | Assets declassified as held for resale | |
| - | Property, Plant & Equipment | |
| - | Revaluation Gain/(Loss) | - |
| (87) | Assets Sold | (5,737) |
| **6,721** | **Balance as at 31 March** | **7,478** |

## 27. Short Term Creditors

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

| 2013-14 £'000 | Short Term Creditors | 2014-15 £'000 |
|---|---|---|
| (4,135) | Central Government Bodies | (2,594) |
| (6,379) | Other Local Authorities | (6,228) |
| (94) | NHS Bodies | (39) |
| (28,293) | Other Entities and Individuals | (34,597) |
| **(38,901)** | **Balance as at 31 March** | **(43,458)** |

## 28. Provisions

The Council has a number of provisions as detailed below:

| 2013-14 £'000 | | Expenditure £'000 | Increase £'000 | 2014-15 £'000 |
|---|---|---|---|---|
| 3,933 | Insurance (BCBC) | (1,912) | 77 | 2,098 |
| 204 | Equal Pay and Other | (204) | - | 0 |
| 550 | Waste Disposal | (550) | - | 0 |
| 213 | Carbon Reduction Commitment | (166) | 279 | 326 |
| **4,900** | **Balance as at 31 March** | **(2,832)** | **356** | **2,424** |

Insurance Provision(Self-funding / MMI)

Self-Fund

The Council has a self-insurance fund. This Insurance Provision has been set aside to meet the estimated cost to the Council of outstanding liability for policy years up to 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.

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 2014-15. The payment will be made with the retrospective purchase of allowances in the summer 2015.

## 29. PFI and Other Long Term Liabilities

| 2013-14 £'000 | | Additions in Year £'000 | Moved to Short Term Creditors £'000 | 2014-15 £'000 |
|---|---|---|---|---|
| 19,300 | Maesteg School PFI Lease Liability | - | (513) | 18,787 |
| 770 | Innovation Centre Financial Liability | - | (51) | 719 |
| - | Waste Contract | 500 | (50) | 450 |
| - | Escrow (Football Club) | 47 | - | 47 |
| 853 | Healthy Living Contract Capital Liability | 108 | (117) | 844 |
| **20,923** | **Balance as at 31 March** | **655** | **(731)** | **20,847** |

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 2014-15, the amount written down was £476,000 and £513,000 has been transferred to Short Term Creditors leaving an outstanding long term liability of £18.78 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 2014-15 was £47,000 and £51,000 was transferred to Short Term Creditors resulting in a long term financial liability of £0.719 million at 31 March 2015.

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 £0.108 million for 2014-15 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 £0.844 million at 31 March 2015.

The Waste Contract liability was previously a provision. However a £500k liability has now been recognised, payable at £50k p.a. instalments.

## 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.

| 2013-14 £'000 | | 2014-15 £'000 |
|---|---|---|
| 12,505 | Balance at 1st April | 10,245 |
| 166 | Capital Receipts Received | 6,296 |
| 27 | Mortgage repayments (Council Fund) | 12 |
| (2,453) | Receipts used to finance capital expenditure | (2,019) |
| **10,245** | **Balance as at 31st March** | **14,534** |

## b) Revenue reserves

The revenue reserves in the Balance Sheet as at 31 March 2015 are detailed below with descriptions of what they represent:-

| Opening Bal 2013-14 £'000 | Move-ment 2013-14 £'000 | Closing Bal 2013-14 £'000 | Reserve | Move-ment 2014-15 £'000 | Closing Bal 2014-15 £'000 |
|---|---|---|---|---|---|
| **7,320** | 75 | **7,395** | **Council Fund Balance** | 55 | **7,450** |
| **3,737** | (1,270) | **2,467** | **Delegated Schools Balance** | (57) | **2,410** |
| **2,639** | 412 | **3,051** | **Maesteg School PFI Equalisation Fund** | 356 | **3,407** |
| | | | **Earmarked Balances :-** | | |
| 118 | 230 | 348 | Asset Management Plan | 354 | **702** |
| - | - | - | Building Control Reserve | 10 | **10** |
| 1,250 | (263) | 987 | Building Maintenance Reserve | (687) | **300** |
| 200 | 100 | 300 | Capital feasibility fund | 327 | **627** |
| - | 5,513 | 5,513 | Capital Programme Contribution | 921 | **6,434** |
| 175 | 380 | 555 | Car Parking Strategy | - | **555** |
| 1,000 | 1,069 | 2,069 | Change Management | 329 | **2,398** |
| 172 | 24 | 196 | Connecting Families | (165) | **31** |
| - | - | - | DDA Emergency Works | 115 | **115** |
| - | 330 | 330 | Directorate Issues | 1,160 | **1,490** |
| 151 | 50 | 201 | Election costs | - | **201** |
| 906 | 351 | 1,257 | ICT & Finance Systems | (396) | **861** |
| 1,691 | - | 1,691 | Insurance reserve | 1,486 | **3,177** |
| 770 | (359) | 411 | Invest to save / Joint projects | (150) | **261** |
| 1,030 | (206) | 824 | Looked After Children | - | **824** |
| 16,024 | (4,978) | 11,046 | Major Claims Reserve | (515) | **10,531** |
| 490 | (490) | - | Non-recurring Expenditure | - | **-** |
| 201 | 99 | 300 | Porthcawl regeneration | (175) | **125** |
| 900 | 300 | 1,200 | Service Pressures Contingency | (1,200) | **-** |
| 2,020 | 1,032 | 3,052 | Service Reconfiguration / Severence Costs | 1,697 | **4,749** |
| 1,044 | - | 1,044 | Treasury Management Reserve | - | **1,044** |
| - | 50 | 50 | Unitary Development Plan | 42 | **92** |
| - | - | - | Waste Management Contract | 210 | **210** |
| 500 | (200) | 300 | Welfare Reform Bill | - | **300** |
| 583 | 124 | 707 | Wellbeing Projects | (107) | **600** |
| **29,225** | **3,156** | **32,381** | **Balance as at 31 March** | **3,256** | **35,637** |
| **42,921** | **2,373** | **45,294** | | **3,610** | **48,904** |

The transfer to all Earmarked Balances excluding the Council Fund Balance was £3.201 million in 2014-15 (£2.298 million in 2013-14) 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 2014-15 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

| 2013-14 Closing Balance £'000 | | 2014-15 Over spends £'000 | 2014-15 Under spends £'000 | 2014-15 Closing Balance £'000 |
|---|---|---|---|---|
| - | Nursery Schools | 0 | 0 | - |
| 1,145 | Primary Schools | (320) | 746 | 1,571 |
| 830 | Secondary Schools | (753) | 324 | 401 |
| 492 | Special Schools | (55) | 0 | 438 |
| **2,467** | **Total** | **(1,127)** | **1,069** | **2,410** |

**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:-

| 2013-14 £'000 | Maesteg School PFI Accounts | 2014-15 £'000 |
|---|---|---|
| 3,051 | Maesteg PFI Equalisation Fund | 3,406 |
| **3,051** | **Balance as at 31 March** | **3,406** |

**iii) Other Earmarked Balances**

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

- Major Claims Earmarked Reserve
  This reserve has been created to mainly cover the deficit on the pension fund, major capital contractual claims and mitigate potential equal pay claims.

- Insurance Reserve
  This reserve is based on the assessment for potential future liabilities.

- Equalisation of Spend Reserves
  These reserves ensure that expenditure that is incurred in a particular future year is smoothed over the period of the MTFS. These include the costs of elections and the preparation of the Local Development Plan and the Building Control Earmarked Reserves.

- Other Reserves
  There are a number of other reserves which are either Corporate or Directorate based. These are detailed below:-

**Corporate Reserves**

- Service Reconfiguration / Severance Costs
  This reserve has been established to meet potential costs relating to service remodelling and consequential severance costs.

- Treasury Management
  This reserve has been set up to cover unforeseen treasury management liabilities and to facilitate longer term debt restructuring.

- ICT & Finance Systems
  This reserve will fund the costs of planned system developments from 2016-17 to 2017-18. It includes developments including the roll out of the cashless catering system and bringing the financial ledger system in-house.

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

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

- Building Maintenance Reserve
  This reserve is for planned maintenance expenditure on the Council's buildings.

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

- Waste Management Contract
  This earmarked reserve is to facilitate the procurement of the next waste collection contract with the current contract expiring in 2017.

- DDA Emergency/Prevention Works
  This earmarked reserve is to cover the costs of emergency works within schools as well fund a temporary post a 2 year period to ensure Fire Risk Assessments are updated and maintained within schools.

- 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.

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

**Directorate Reserves**

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

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

- 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.

- 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.

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

- Directorate Issues
  This relates to specific directorate issues anticipated in 2015-16, totalling £1.490 million, allocated to directorates as shown below:-

| | £'000 |
|---|---|
| Childrens Directorate | 140 |
| Communities Directorate | 298 |
| Legal and Regulatory | 692 |
| Resources Directorate | 360 |

**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.

| 2013-14 £'000 | | 2014-15 £'000 | 2014-15 £'000 |
|---|---|---|---|
| 101,985 | **Balance at 1 April** | | 98,804 |
| 278 | Upward Revaluation of Assets | 58,371 | |
| (248) | Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services | (48,614) | |
| **30** | **Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of services** | | **9,757** |
| (1,921) | Difference between fair value depreciation and historical cost depreciation | (2,695) | |
| (1,290) | Accumulated gains on assets sold or scrapped | (5,574) | |
| (3,211) | Amount written off to the Capital Adjustment Account | | (8,269) |
| **98,804** | **Balance as at 31 March** | | **100,292** |

## 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.

| 2013-14 £'000 | | 2014-15 £'000 |
|---|---|---|
| (318,170) | **Balance at 1 April** | (243,900) |
| 90,990 | Actuarial gains or losses on pensions assets and liabilities | (20,090) |
| (34,060) | Reversal of Items relating to Retirement Benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | (26,800) |
| 17,340 | Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year | 17,780 |
| **(243,900)** | **Balance as at 31 March** | **(273,010)** |

## 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)

| 2013-14 £'000 | | 2014-15 £'000 | 2014-15 £'000 |
|---|---|---|---|
| **260,687** | **Balance at 1 April** | | **257,644** |
| | **Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :** | | |
| (21,887) | Charges for depreciation and impairment of non-current assets | (29,173) | |
| (228) | Revaluation losses on Property, Plant and Equipment | (65,591) | |
| (605) | Revenue Expenditure funded from Capital Under Statute | (434) | |
| (27) | Other amounts including Mortgage Payments | (12) | |
| | Financial Liability Adjustment to Capital Receipts | | |
| (4,758) | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (1,440) | |
| (27,505) | | (96,650) | |
| 1,921 | Adjusting amounts written out to the Revaluation Reserve | 2,695 | |
| **(25,584)** | **Net written out amount of the cost of non-current assets consumed in the year** | | **(93,955)** |
| | **Capital financing applied in the year:** | | |
| 2,453 | Use of the Capital Receipts Reserve to finance capital expenditure | 2,019 | |
| 11,335 | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that has been applied to capital financing | 12,817 | |
| 52 | Application of grants to capital financing from the Capital Grants Unapplied Account | 24 | |
| 7,840 | Statutory provision for the financing of capital investment charged against the Council Fund | 8,020 | |
| 1,271 | Capital expenditure charged against the Council Fund | 1,803 | |
| **22,951** | | | **24,683** |
| (410) | Movement in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement | | 646 |
| **257,644** | **Balance as at 31 March** | | **189,018** |

## 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.

| 2013-14 £'000 | | 2014-15 £'000 | £'000 |
|---|---|---|---|
| (5,526) | **Balance at 1 April** | | (5,320) |
| 199 | Premiums / Discounts Adjustments | 198 | |
| 7 | Loans / Investments Adjustments | 7 | |
| | Premiuims Paid | 1,483 | |
| **(5,320)** | **Balance as at 31 March** | | **(3,632)** |

## 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.

| 2013-14 £'000 | | 2014-15 £'000 | £'000 |
|---|---|---|---|
| (4,036) | **Balance at 1 April** | | (3,832) |
| 4,036 | Settlement or cancellation of accrual made at the end of the proceeding year | 3,832 | |
| (3,832) | Amounts accrued at the end of the current year | (4,224) | |
| 204 | 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 | | (392) |
| **(3,832)** | **Balance as at 31 March** | | **(4,224)** |

## 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 2015 are:

| 2013-14 £'000 | | 2014-15 £'000 |
|---|---|---|
| 328 | Social Services Home For The Elderly | 312 |
| 53 | Education | 53 |
| 48 | Nantymoel Workmans Hall | 48 |
| 1 | Other | 1 |
| **430** | **Balance as at 31 March** | **414** |

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

There are also escrow 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. Also, the Authority has been holding an escrow linked to the sale of land to Asda previously used by Bridgend Town Football Club. This was initially £1 million, but payments made during 2013-14 and 2014-15 mean that the value of the funds held at 31 March 2015 are £47,000, which will be held to meet the future costs of replacement works.

| 2013-14 £'000 | | 2014-15 £'000 |
|---|---|---|
| 546 | Replacement facilities account | 47 |
| 88 | Replacement site account | 0 |
| 57 | Bocam Park | 57 |
| 130 | Wind Farm | 132 |
| **821** | **Balance as at 31 March** | **236** |

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 2014 £'000 | Income £'000 | Expenditure £'000 | 31 March 2015 £'000 |
|---|---|---|---|---|
| Llanmoor Homes - Maesteg Rd Tondu – additional education facilities | **152** | 0 | (152) | **0** |
| Broadlands Consortium – Newbridge fields - provision of playing fields facilities | **131** | 0 | (5) | **126** |
| Redrow – Lock's Lane, Porthcawl –ongoing maintenance of playing field and pavilion | **81** | 0 | 0 | **81** |
| Redrow - Brackla Park & Ride – upgrade B4181 | **313** | 0 | (11) | **302** |
| Rockwool - Pencoed | **83** | 0 | (13) | **70** |
| Parc Derwen Primary School Design fees - Persimmon Homes | **215** | 0 | 0 | **215** |
| Parc Derwen Primary School - WG | **0** | 488 | (488) | **0** |
| Parc Derwen Primary School - Consortium | **0** | 415 | (249) | **166** |
| Land at Tyn Y Coed Farm (Maendy Farm), Bryncethin - Sports Provision | **569** | 0 | (59) | **510** |
| Land at Tyn Y Coed Farm (Maendy Farm), Bryncethin - Education Capital | **16** | 0 | 0 | **16** |
| Bridge Renewal Dowry | **1** | 0 | 0 | **1** |
| Coychurch Primary | **(150)** | 75 | 0 | **(75)** |
| Affordable Housing | **404** | 97 | 0 | **501** |
| Other | **1046** | 46 | (67) | **1025** |
| **Total** | **2,861** | **1,216** | **(1,049)** | **3,028** |

## 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 by 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 2014-15 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:-

| Comprehensive Income & Expenditure Statement | Local Govt Pension Scheme | | LGPS Unfunded Benefits | | Teachers' Unfunded Benefits | | Total | |
|---|---|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m | £m | £m |
| | 2014-15 | 2013-14 | 2014-15 | 2013-14 | 2014-15 | 2013-14 | 2014-15 | 2013-14 |
| **Cost of Services :** | | | | | | | | |
| **Service cost comprising:** | | | | | | | | |
| current service cost | 16.15 | 19.94 | 0.00 | 0.00 | 0.00 | 0.00 | **16.15** | **19.94** |
| past service costs | 0.56 | 0.50 | 0.00 | 0.00 | 0.00 | 0.04 | **0.56** | **0.54** |
| (gain)/loss from settlements | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | **0.00** | **0.00** |
| **Financing & Investment Income & Expenditure :-** | | | | | | | | |
| Net interest expense | 9.57 | 13.01 | 0.32 | 0.30 | 0.20 | 0.27 | **10.09** | **13.58** |
| **Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services** | **26.28** | **33.45** | **0.32** | **0.30** | **0.20** | **0.31** | **26.80** | **34.06** |
| **Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement** | | | | | | | | |
| *Remeasurements of the net defined benefit liability comprising:* | | | | | | | | |
| Return on plan assets (excluding the amount included in the net interest expense) | (39.72) | (16.34) | 0.00 | 0.00 | 0.00 | 0.00 | **(39.72)** | **(16.34)** |
| Actuarial (gains) / losses due to changes in financial assumptions | 62.72 | (47.27) | 0.59 | (0.42) | 0.26 | (0.21) | **63.57** | **(47.90)** |
| Actuarial (gains) / losses due to changes in demographic assumptions | 0.00 | (15.40) | 0.00 | 0.08 | 0.00 | 0.09 | **0.00** | **(15.23)** |
| Actuarial (gains) / losses due to liability experience | (3.63) | (11.04) | (0.08) | 0.93 | (0.05) | (1.41) | **(3.76)** | **(11.52)** |
| **Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement** | 19.37 | (90.05) | 0.51 | 0.59 | 0.21 | (1.53) | **20.09** | **(90.99)** |
| **Movement in Reserves Statement:-** | | | | | | | | |
| Reversal of net charges made for retirement benefits in accordance with IAS 19 | (26.28) | (33.45) | (0.32) | (0.30) | (0.20) | (0.31) | **(26.80)** | **(34.06)** |
| **Actual amount charged against the Council Fund Balance for pensions in the year :-** | | | | | | | | |
| Employers' Contributions payable to the scheme | 16.84 | 16.40 | | | | | **16.84** | **16.40** |
| Retirement Benefits Paid Out | | | 0.50 | 0.50 | 0.44 | 0.44 | **0.94** | **0.94** |

## 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 |
| | 2014-15 | 2013-14 | 2014-15 | 2013-14 | 2014-15 | 2013-14 | 2014-15 | 2013-14 |
| Present value of defined benefit obligation | 698.52 | 614.31 | 8.27 | 7.94 | 5.07 | 5.10 | **711.86** | **627.35** |
| Fair Value of Plan Assets | (438.85) | (383.45) | 0.00 | 0.00 | 0.00 | 0.00 | **(438.85)** | **(383.45)** |
| **Net liability arising from defined benefit obligation** | **259.67** | **230.86** | **8.27** | **7.94** | **5.07** | **5.10** | **273.01** | **243.90** |

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

| | Local Govt Pension Scheme | |
|---|---|---|
| | £m 2014-15 | £m 2013-14 |
| Opening fair value of scheme assets | 383.45 | 351.06 |
| Interest income on assets | 16.48 | 15.47 |
| Remeasurement gain/(loss):<br>The return on plan assets, excluding the amount included in the net interest expense | 39.72 | 16.34 |
| Contributions by Employer | 16.84 | 16.40 |
| Contributions by Participants | 4.84 | 4.77 |
| Settlements | 0.00 | 0.00 |
| Net Benefits Paid Out | (22.48) | (20.59) |
| **Balance as at 31 March** | **438.85** | **383.45** |

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

| | Local Govt Pension Scheme | | LGPS Unfunded Benefits | | Teachers' Unfunded Benefits | | Total | |
|---|---|---|---|---|---|---|---|---|
| | £m 2014-15 | £m 2013-14 | £m 2014-15 | £m 2013-14 | £m 2014-15 | £m 2013-14 | £m 2014-15 | £m 2013-14 |
| Opening balance at 1 April | 614.31 | 654.92 | 7.94 | 7.55 | 5.10 | 6.76 | 627.35 | 669.23 |
| Current Service Cost | 16.15 | 19.94 | 0.00 | 0.00 | 0.00 | 0.00 | 16.15 | 19.94 |
| Interest Cost | 26.05 | 28.48 | 0.32 | 0.30 | 0.20 | 0.27 | 26.57 | 29.05 |
| Contributions from scheme participants | 4.84 | 4.77 | 0.00 | 0.00 | 0.00 | 0.00 | 4.84 | 4.77 |
| Remeasurement (gains) and losses:<br>Actuarial gains / losses arising from changes in financial assumptions | 62.72 | (47.27) | 0.59 | (0.42) | 0.26 | (0.21) | 63.57 | -47.90 |
| Actuarial gains / losses arising from changes in demographic assumptions | 0.00 | (15.40) | 0.00 | 0.08 | 0.00 | 0.09 | 0.00 | -15.23 |
| Actuarial gains / losses arising from changes in liability experience | (3.63) | (11.04) | (0.08) | 0.93 | (0.05) | (1.41) | (3.76) | (11.52) |
| Past Service Cost | 0.56 | 0.50 | 0.00 | 0.00 | 0.00 | 0.04 | 0.56 | 0.54 |
| Benefits Paid | (22.48) | (20.59) | (0.50) | (0.50) | (0.44) | (0.44) | (23.42) | (21.53) |
| Liabilities extinguished on settlements | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Balance as at 31 March** | **698.52** | **614.31** | **8.27** | **7.94** | **5.07** | **5.10** | **711.86** | **627.35** |

### Local Government Pension Scheme assets comprised:

| | Fair Value of Scheme Assets 2014-15 £'m | Asset Split 2014-15 % | Fair Value of Scheme Assets 2013-14 £'m | Asset Split 2013-14 % |
|---|---|---|---|---|
| | | | | |
| **Cash and cash equivalents** | **18.019** | **4.11** | **11.527** | **3.01** |
| **Equity Instruments:** | | | | |
| *by industry type (FTSE Sector)* | | | | |
| Oil & Gas | 10.874 | 2.48 | 14.342 | 3.74 |
| Basic Materials | 9.207 | 2.10 | 9.091 | 2.37 |
| Industrials | 37.634 | 8.58 | 31.840 | 8.30 |
| Consumer Goods | 34.579 | 7.88 | 30.762 | 8.02 |
| Health Care | 22.623 | 5.15 | 20.558 | 5.36 |
| Consumer Services | 49.407 | 11.26 | 32.397 | 8.45 |
| Telecommunications | 3.392 | 0.77 | 2.719 | 0.71 |
| Utilities | 1.189 | 0.27 | 1.309 | 0.34 |
| Financials | 61.059 | 13.91 | 46.615 | 12.16 |
| Technology | 24.366 | 5.55 | 17.110 | 4.46 |
| Pooled Equity Investment Vehicles | 48.244 | 10.99 | 65.214 | 17.01 |
| **Sub-total equity** | **302.574** | **68.95** | **271.957** | **70.92** |
| **Bonds:** | | | | |
| *By Sector* | | | | |
| Corporate | 51.328 | 11.70 | 32.780 | 8.55 |
| Government | 42.334 | 9.65 | 44.713 | 11.66 |
| **Sub-total bonds** | **93.663** | **21.34** | **77.493** | **20.21** |
| **Property:** | | | | |
| *By Type* | | | | |
| Retail | 6.049 | 1.38 | 6.853 | 1.79 |
| Office | 4.045 | 0.92 | 3.428 | 0.89 |
| Industrial | 5.162 | 1.18 | 3.409 | 0.89 |
| Other Commercial | 9.338 | 2.13 | 8.784 | 2.29 |
| **Sub-total property** | **24.595** | **5.60** | **22.474** | **5.86** |
| | | | | |
| **Total assets** | **438.850** | **100.00** | **383.451** | **100.00** |

### Basis for Estimating Assets and Liabilities

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

Both the Local Government Pension Scheme 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:

| | 2014-15 % pa | 2013-14 % pa |
|---|---|---|
| Discount rate | 3.2 | 4.3 |
| | | |
| Rate of pension increases | 1.8 | 2.4 |
| Rate of salary increases | 3.3 | 3.9 |
| | | |
| Mortality Assumptions: | | |
| Longevity at 65 for current pensioners :- | | |
| Men | 23.0 | 22.9 |
| Women | 25.9 | 25.8 |
| Longevity at 65 for future pensioners :- | | |
| Men | 25.2 | 25.1 |
| Women | 28.3 | 28.2 |

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%) | (13.35) | 13.61 |
| Rate of increase in salaries (increase or decrease by 0.1%) | 3.17 | (3.14) |
| Rate of increase in pensions (increase or decrease by 0.1%) | 10.19 | (10.03) |
| Longevity (increase or decrease in 1 year) | 18.31 | (18.34) |

### Impact on the Council's Cash Flows

The funded nature of the LGPS requires the Employer and its employees to pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets. The Actuary 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 2014-15, the Council paid £6.9 million (£6.8 million for 2013-14) 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 2014-15, these amounted to £0.5 million (£0.5 million for 2013-14).

### 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:

| Short Term Borrowing & Other Short Term Financial Liabilities | 31 March 2015 £'000 | 31 March 2014 £'000 |
|---|---|---|
| Public Works Loan Board (<1 year) | - | 16 |
| Short Term Loans (Accrued Int. Long Term) | 275 | 275 |
| Escrow ( Football Club) Short Term | - | 634 |
| Escrow ( Bocam Park) Short Term | 57 | 57 |
| Escrow (Wind Farms) Short Term | 132 | 130 |
| Other Trust Funds | 415 | 431 |
| **Short Term Borrowing** | **879** | **1,543** |
| Short Term Trade Payables(Creditors) | 2,897 | 3,546 |
| Other Short Term Financial Liabilities(Creditors) | 1,379 | 1,301 |
| **Total Current Financial Liabilities** | **5,155** | **6,390** |

The short term trade payables (creditors) figure £2.897 million relates to trade payables for goods and services received. 63% of this is not overdue for payment, 37% is due within 6 months. The other short term financial liabilities figure of £1.379 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 2014-15, is made up as follows:-

| Short Term Liability relating to Other Long Term Liabilities | 31 March 2015 £'000 | 31 March 2014 £'000 |
|---|---|---|
| Maesteg School PFI Lease Liability | 513 | 476 |
| Innovation Centre Financial Liability | 51 | 47 |
| Finance Lease Liability | - | 41 |
| HALO Financial Liability | 117 | 117 |
| Waste Contract (MREC) | 50 | - |
| **Total** | **731** | **681** |

The £2.897 million, £1.379 million and £0.731 million shown in the tables above are all included in the Short Term Creditors Balance Sheet figure of £43.458 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 £97.444 million is made up as follows:

| Long Term Borrowing | 31 March 2015 | | | 31 March 2014 | | |
|---|---|---|---|---|---|---|
| | 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 | 118,094 | 77,617 | 77,617 | 96,644 |
| **Total PWLB debt** | **77,617** | **77,617** | **118,094** | **77,617** | **77,617** | **96,644** |
| LOBO's | 19,250 | 19,827 | 30,130 | 19,250 | 19,834 | 24,902 |
| **Total Market Loans** | **19,250** | **19,827** | **30,130** | **19,250** | **19,834** | **24,902** |
| | | | | | | |
| **Total Long Term Borrowing** | **96,867** | **97,444** | **148,224** | **96,867** | **97,451** | **121,546** |

PFI and other long term liabilities figure in the balance sheet of £20.85 million are detailed below:

| Other Long Term Liabilities | 31 March 2015 | | 31 March 2014 | |
|---|---|---|---|---|
| | Balance Sheet | Fair Value | Balance Sheet | Fair Value |
| | £'000 | £'000 | £'000 | £'000 |
| Maesteg PFI Lease Liability | 18,787 | 28,419 | 19,300 | 26,710 |
| Innovation Centre Financial Liability | 719 | 1,073 | 770 | 1,109 |
| HALO Financial Liability | 844 | 1,458 | 853 | 1,569 |
| Escrow ( Football Club) | 47 | 47 | - | - |
| Waste Contract (MREC) | 450 | 454 | - | - |
| **Total Other Long Term Liabilities** | **20,847** | **31,451** | **20,923** | **29,388** |

The fair value of an instrument is determined by calculating the Net Present Value (NPV) of the remaining contractual cash flows at 31 March 2015, 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 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 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 2015 Balance Sheet £'000 | 31 March 2014 Balance Sheet £'000 |
|---|---|---|
| Investments (< 1 year) | 11,027 | 4,005 |
| **Total Short Term Investments** | **11,027** | **4,005** |
| Cash & Cash Equivalents (Deposits) | 8,502 | 6,500 |
| Cash in Hand/Overdrawn | (1,929) | (2,031) |
| **Total Cash & Cash Equivalents** | **6,573** | **4,469** |
| Short Term Trade Receivables (Debtc | 5,330 | 6,301 |
| **Total Current Financial Assets** | **11,903** | **14,775** |

The £5.330 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 £29.272 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 was one long term investment taken out during 2014-15 for one year for £2million, however, there are none outstanding at 31 March 2015 as this has been transferred to short term in the Balance Sheet so is included in the table above. There are Long Term Debtors carried in the Balance Sheet which are financial assets. These are Housing Advances (£17,000) which are made of 8 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 (£261,000) for vehicles linked to the waste contract.

**Offsetting Financial Assets and Liabilities**

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

| Offsetting of Financial Assets and Liabilities | 31 March 2015 Gross Assets (Liabilites) £000 | 31 March 2014 Gross Assets (Liabilites) £000 |
|---|---|---|
| Bank Accounts in Credit | 2,322 | 138 |
| Total Financial Assets | 2,322 | 138 |
| Bank Overdrafts | - 2,415 | - 88 |
| Total Financial Liabilities | - 2,415 | - 88 |
| | | |
| **Net Position on Balance Sheet** | **- 93** | **51** |

**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 19 February 2014 accepted the Treasury Management Strategy 2014-15 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 2014-15.

The Council's definition of **"high credit quality"** is deemed to be counterparties having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. Overseas subsidiaries of foreign banking groups will normally be assessed according to the country of domicile of the parent organisation. However, Santander UK plc (a subsidiary of Spain's Banco Santander) and Clydesdale Bank plc (a subsidiary of National Australia Bank) were classed as UK banks due to their substantial UK franchises and arms-length parent-subsidiary relationships.

Cipfa's Code of Practice for Treasury Management requires all local authorities to conduct a mid-year review of its treasury management policies, practices and activities. As a result of this review it was not deemed necessary for the Council to make any major changes to the Investment Strategy only a few minor revisions to enable increased flexibility in an ever changing financial market and to increase the investment opportunities available to the Council whilst still maintaining security and. The Council meeting of 12 November 2014 approved the revisions as a result of the half year review of the Treasury Management Strategy and all these are reflected within this disclosure. Based on this, the Council's **approved counterparties** are shown in the table below:

| Counterparty | Credit Rating (or equivalent) | Time Limit | Cash Limit |
|---|---|---|---|
| UK registered banks, building societies and other organisations and securities 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+ | 5years | |
| | AA | 4years | |
| | AA- | 3years | |
| | A+ | 2 years | £6m of which no more than £3m over 1 year |
| | A | 1 year | £5m |
| | A- | 1 year | £3m |
| | | 6 months | £5m (higher cash limit than 1 year due to shorter duration and less perceived risk) |
| | BBB+ | 100 days | £2m |
| UK Central Government | n/a | 10 years | Unlimited |
| UK Local Authorities** but excluding parish and community councils | n/a | 10 years | £15m |
| The Council's current account bank if it fails to meet the above criteria* | | next day | £3m |
| UK registered building societies whose lowest published long-term credit rating from Fitch, Moody's and Standard & Poor's is: | BBB | 100 days | £2m |
| UK registered building societies without credit ratings with assets greater than £250m | | 100 days | £1m |
| Banks owned and domiciled in foreign countries with a sovereign rating of AA+ or higher | A+ | 6 months | £3m |
| Money market funds** and other pooled funds* | | n/a | £2m |
| Any other organisation and pooled fund subject to an external credit assessment and specific advice from the Council's treasury management advisers | | 1 year | £1m |
| | | 6 months | £2m |

**following discussion and approval from Treasury management advisers*
*** 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*

***N.B. Long-term credit ratings refers to those published from Fitch, Moody's and Standard and Poor***

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 £25 million. Therefore, at any one point in time a maximum of £25 million of investments could have been in one of the following non-specified categories:

| **Non-Specified Investment Limits** | **Category Total Cash limit** |
|---|---|
| Total long-term investments | £15m |
| Total money market funds and other pooled funds | £ 8m |
| Total building societies not meeting the Council's high credit quality definition (but with assets greater than £250m) | £ 6m |
| Total investments (excluding building societies – separate limit above) not meeting the Council's high credit quality definition | £ 6m |

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

The Council's investments have historically been placed in bank and building society deposits and local and central government, however, investments may be made with any public or private sector organisations that meet the above credit criteria. This reflects a lower likelihood that the UK and other governments will support failing banks as the bail-in provisions in the *Banking Reform Act 2014* and the EU *Bank Recovery and Resolution Directive* are implemented.

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

The Council's primary objective for the management of its investments is to give priority to the security and liquidity of its funds before seeking the best rate of return so not all the options available to the Council as detailed above were utilized during 2014-15. The majority of the Council's surplus funds during 2014-15 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 2014-15 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 2015 totalled £19.50 million as detailed below and shown in the balance sheet as both Short Term Investments (£11.027 million) and included within Cash and Cash Equivalents (£8.502 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 2015 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 3 Months £'000 | Deposits Maturing Within 6 Months £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Bank (UK registered) | A | 1,500 | 2,000 | - | 2,000 | 5,500 |
| Building Societies | A | - | - | 2,000 | - | 2,000 |
| Building Societies | A- | - | 2,000 | 1,000 | - | 3,000 |
| Unrated Local Authorities | | - | 7,000 | 2,000 | - | 9,000 |
| **Total** | | 1,500 | 11,000 | 5,000 | 2,000 | 19,500 |

The Council does not generally allow credit for its customers (trade debtors) such that all the trade debtors is short term, however, £2.104 million of the £5.330 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 2015 £'000 | 31 March 2014 £'000 |
|---|---|---|
| Less than three months | 1,308 | 1,238 |
| Three to six months | 259 | 136 |
| Six months to one year | 130 | 116 |
| More than one year | 406 | 443 |
| **Total** | **2,104** | **1,933** |

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 2014-15 | Lower Limit 2014-15 | Actual % 31-03-15 | Principal Outstanding £'000 31-03-15 |
|---|---|---|---|---|
| Less than one year | 50% | 0% | 0.00% | 0 |
| Between 1 and 2 years | 25% | 0% | 0.00% | 0 |
| Between 2 and 5 years | 50% | 0% | 0.00% | 0 |
| Between 5 and 10 years | 60% | 0% | 5.76% | 5,580 |
| More than ten years | 100% | 40% | 74.37% | 72,037 |
| Uncertain date * | - | - | 19.87% | 19,250 |
| **Total** | | | **100.00%** | **96,867** |

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 2015 £'000 | 31 March 2014 £'000 |
|---|---|---|
| Less than one year | 5,884 | 7,071 |
| Between one and two years | 774 | 680 |
| Between two and five years | 2,642 | 2,319 |
| Between five and ten years | 11,181 | 5,147 |
| More than ten years | 84,057 | 90,691 |
| Uncertain date* | 19,827 | 19,834 |
| **Total Financial Liabilities** | **124,365** | **125,742** |

* The £19.250 million (19.87%) and £19.827 million in the two tables above showing an uncertain date relates to Lender's Option Borrower's Option (LOBO) loans which may be re-scheduled in advance of their maturity date of 2054. The LOBO rate and term may vary in the future depending upon the prevailing market rates, the lender exercising their option to increase rates at one of the bi-annual trigger points (the next trigger date being 22 July 2015) 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 2015-16 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:-

| | **Upper Limit TMS 2014-15 £m** | **Actual Principal Outstanding 31-03-15 £m** |
|---|---|---|
| Total Projected Principal Outstanding on Borrowing | 101.87 | 96.87 |
| Total Projected Principal Outstanding on Investments(including cash/cash equivalents deposits) | 9.00 | 19.50 |
| Net Principal Outstanding | **92.87** | **77.37** |
| Fixed interest rates (net principal) exposure | 130.00 | 59.62 |
| Variable interest rates Exposure (net principal) exposure | 50.00 | 17.75 |

The Council's borrowings and investments are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments 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 2015, if there had been a 1% change in interest rates with all other variables held constant, the financial effect would be approximately:

| | **Estimated £'000 + 1%** | **Estimated £'000 -1%** |
|---|---|---|
| Interest payable on variable rate borrowings | 133 | 0 |
| Interest receivable on variable rate investments | (175) | 175 |
| **Impact on Surplus or Deficit on Provision of Services** | **(42)** | **175** |

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

| 2013-14 £'000 | | 2014-15 £'000 |
|---|---|---|
| (22,116) | Depreciation & Impairment of Assets | (94,763) |
| (4,419) | Movement in Stock, Debtors & Creditors | (9,798) |
| (195) | Revenue Expenditure Funded from Capital Under Statute | (774) |
| (16,720) | Pension Fund Adjustments | (9,020) |
| 373 | Provisions | 1,976 |
| (410) | Changes in Fair Value of Investment Properties | 647 |
| (6,048) | Gain/loss on disposal of Non Current Asset | (718) |
| 7,201 | Minimum Revenue Provision | 7,346 |
| 1,271 | Revenue Contribution to Capital | 1,793 |
| **(41,063)** | **Adjustments to net deficit on the provision of services for non-cash movements** | **(103,311)** |

## 40. Operating Activities

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

| 2013-14 £'000 | | 2014-15 £'000 |
|---|---|---|
| (14,775) | Cash Flow on Revenue Activities | (11,640) |
| 6,304 | Interest Paid | 4,789 |
| 1,609 | Interest element of finance lease and PFI rental payments | 1,638 |
| (607) | Interest Received | (830) |
| **(7,469)** | **Net Cash Flows from Operating Activites** | **(6,043)** |

## 41. Investing Activities

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

| 2013-14 £'000 | | 2014-15 £'000 |
|---|---|---|
| 33,918 | Purchase of Property, Plant and Equipment and Investment Property | 23,348 |
| 4,005 | Purchase / (Proceeds) from Short Term Investments | (6,398) |
| (274) | Proceeds from sale of Property, Plant and Equipment and Investment Property | 7,022 |
| **37,649** | **Net Cash Flows from Investing Activities** | **23,972** |

## 42. Financing Activities

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

| 2013-14 £'000 | | 2014-15 £'000 |
|---|---|---|
| - | Cash Receipts of short and long term borrowing | - |
| (20,684) | Other Receipts from financing activities | (13,970) |
| 84 | Repayments of short and long term borrowing | 624 |
| 641 | Cash Payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | 680 |
| **(19,959)** | **Net Cash Flows from Financing Activities** | **(12,666)** |

# 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.