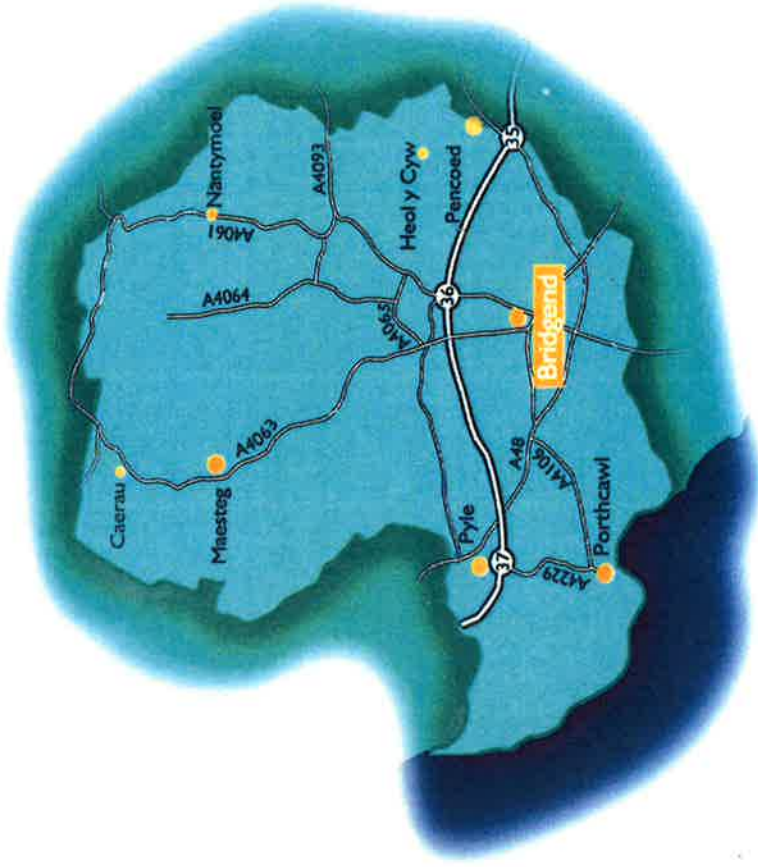




Statement of Accounts 2010-11



# ***Bridgend County Borough Council Statement of Accounts 2010-11***



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## Explanatory Foreword

### 1. The Statement Of Accounts

The accounts for 2010/11 have been produced in line with a new Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2010. This is in accordance with International Financial Reporting Standards (IFRS). The main changes include :-

- the format of the financial statements being redesigned to reflect the requirements of IFRS
- revised accounting treatment for grants and contributions – grants and contributions received for capital purposes being recognised as income immediately rather than being deferred and matched with depreciation
- employee benefits being accounted for as they are earned, including holiday pay
- a greater emphasis on component accounting around the classification of property, plant and equipment.

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

This statement shows the movement in the year on different reserves held by the Authority. 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 Authority'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. This shows that the total Council fund balance has increased by £0.017m.

## 2. The Comprehensive Income & Expenditure Statement

This statement shows the 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 Authority and the estimated cost of the shortfall on the pension scheme which are not directly funded by the Council Tax payer.

For 2010/11, the Authority showed a surplus on the Comprehensive Income and Expenditure Statement of £52.231m. This does not however reflect the budgeted financial position of the Council, as it includes a credit for pension costs and capital charges.

## 3. Balance Sheet

This shows the Council's financial position as at 31 March 2011, where the net worth was £163.515m. The statement summarises the Council's assets and liabilities, the balances and reserves at the Council's disposal, its long-term indebtedness and the fixed and net current assets used in the Council's operations. Reserves are reported in two categories. 'Usable Reserves' can be used by the Authority to provide services subject to the need to maintain a prudent level of reserves. The second category, 'Unusable Reserves', are not available to provide services. This includes reserves that hold unrealised gains and losses on assets, where amounts would only become available to provide services if the assets are sold.

## 4. Cash Flow Statement

This explains the financial position in **cash** terms and shows that the Council's cash position had increased by £2.083m.

## 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**

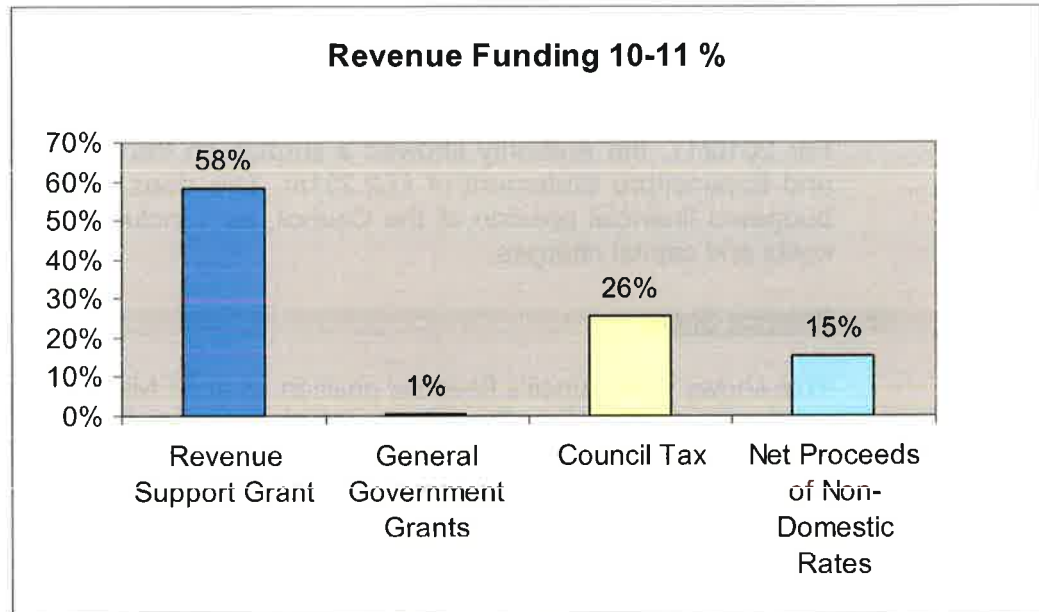
The Council incurs two types of expenditure – revenue expenditure and capital expenditure.

**Revenue expenditure** covers spending on the day to day costs of services such as staff salaries, maintenance of buildings and general supplies 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.

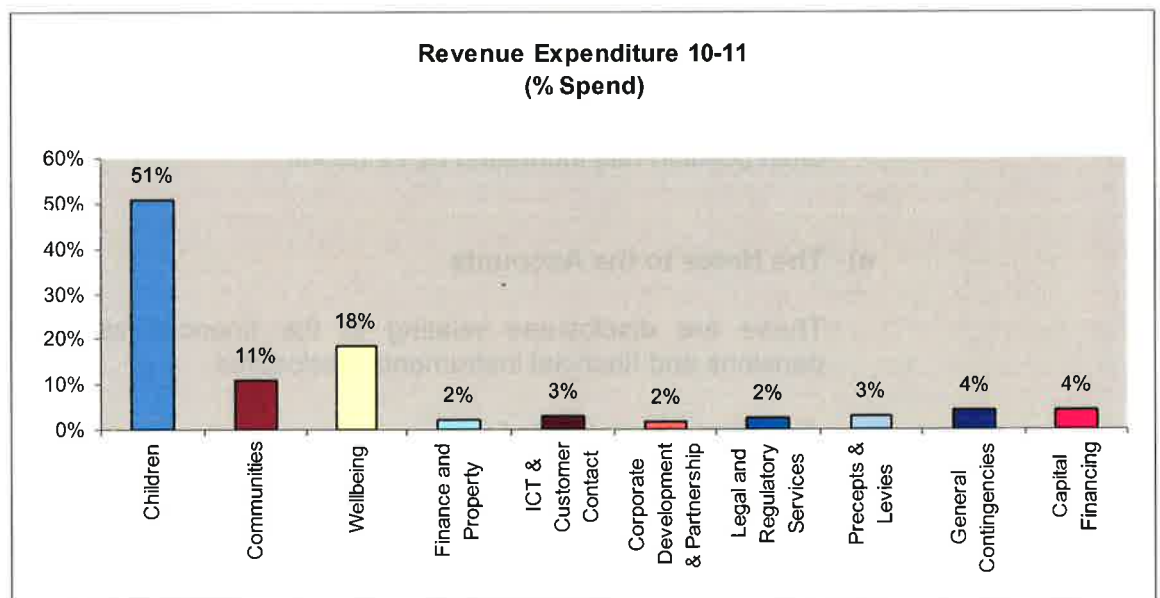
**Capital expenditure** covers spending on assets such as highway, vehicles and plant, regeneration of the borough and the major renovation of buildings. These assets will provide benefits to the community for several years and the expenditure is largely financed by borrowing and capital grants.

a) **Revenue spending on council services**

Where the money came from.....



Where the money was spent.....



This is based on the Council's Management structure and not the classification as per Cipfa's Best Value Accounting Code of Practice.

In 2010/11, the net spend on revenue services was £207m. This compares to £209m anticipated when the budget was set resulting in a £2m under-spend on Directorate Budgets. The overall position for the Authority was an under-

spend of £0.017m after allowing for appropriation to Earmarked Reserves, additional income from council tax and investment income.

The following table shows how the actual expenditure on services during 2010/11 compared with the budget set for the year. Explanations are provided for significant differences between spend and budget.

Comparison of actual spend with budget 2010/11

	Original Budget 10/11 £'000	Budget Transfers In Year £'000	Revised Budget 10/11 £'000	Actual 10/11 £'000	Variance 10/11 £'000
<b>Directorates</b>					
Children	115,094	1,291	116,385	115,670	(715)
Communities	25,793	435	26,228	25,903	(325)
Wellbeing	42,640	347	42,987	42,982	(5)
Finance and Property	6,254	(76)	6,178	5,235	(943)
ICT & Customer Contact	6,777	439	7,216	7,304	88
Corporate Development & Partnership	4,323	38	4,361	4,168	(193)
Legal and Regulatory Services	5,591	108	5,699	5,714	15
<b>Total Directorate Budgets</b>	<b>206,472</b>	<b>2,582</b>	<b>209,054</b>	<b>206,976</b>	<b>(2,078)</b>
Precepts & Levies	7,184		7,184	7,169	(15)
General Contingencies	10,551	(2,502)	8,049	9,409	1,360
Capital Financing	10,215	(80)	10,135	9,634	(501)
<b>Net Expenditure</b>	<b>234,422</b>	<b>-</b>	<b>234,422</b>	<b>233,188</b>	<b>(1,234)</b>
General Government Grants	(1,383)		(1,383)	(1,383)	-
NNDR Discretionary Rate Relief	46		46	47	1
Appropriation to/(from) Reserves	(570)		(570)	2,393	2,963
<b>Net Budget</b>	<b>232,515</b>	<b>-</b>	<b>232,515</b>	<b>234,245</b>	<b>1,730</b>
Revenue Support Grant	(143,036)		(143,036)	(143,036)	-
Non Domestic Rates	(37,714)		(37,714)	(37,714)	-
Council Tax	(60,751)		(60,751)	(62,498)	(1,747)
<b>Net (Under)/Overspend on Services</b>	<b>(8,986)</b>	<b>-</b>	<b>(8,986)</b>	<b>(9,003)</b>	<b>(17)</b>

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

Reasons for differences between budget and spend

The financial position as at 31 March 2011 showed an under-spend on service expenditure within the year of £2.1m. This is explained in the following way:-

## ➤ Children's Directorate

The net revenue budget for the directorate for 2010/11 was £116.385m. The actual outturn was £115.670m, resulting in a net under-spend of £715k which represents 0.61% of the net budget.

The main reason for this is the influx of grant income into the directorate of £592k at year end, both from external sources, (£242k from Welsh Government at the end of March) and use of Cymorth and Flying Start grants to offset eligible directorate spend, following under-spends by specific projects.

The main variances are detailed below:

### Learning

#### Inclusion and Behaviour Support

Part of the additional funding of £500k for additional learning needs has been retained centrally to meet projected over-spends on Special Education Needs (SEN), (namely ancillary support and out-county places) as set out in the budget strategy.

There is an over-spend of £146k on the provision of ancillary support to schools, because of increased demand on the service, particularly in respect of the behaviour support budget. The Authority has a statutory duty to provide support identified on a pupil's statement of special educational need, and will continue to support inclusion into mainstream school where appropriate. There is also an over-spend on the home tuition budget of £116k, £56k because of increased service demand and £60k for redundancy costs arising from service restructuring. A further over-spend of £54k arose on the behaviour support service due to the need to cover staff vacancies.

#### Transition

There is an under-spend of £50k on the On-Track project due to the retirement of the project manager in September 2010, and the ensuing vacancy.

#### School Improvement General

There is an overall under-spend of £322k. The Better Schools Fund grant was reduced by 33% in 2010/2011. This released a share of the authority's 40% match funding, which was retained centrally to offset directorate over-spends elsewhere. This was supplemented by under-spends on the school advisory service, both internally and the joint ESIS service.

### Strategic Partnerships and Commissioning

#### School Meals and Milk Service

There is an under-spend on this service of £126k. This has arisen because of increased sales of meals and income from the free breakfast initiative and other Welsh Government grants being used to offset core catering costs. There are 9 more breakfast clubs than in the previous year (41 compared to 32). They all contribute to core management costs.

#### Strategic Management

There are small under-spends on business strategy, planning and resources, management support and caretaking support services, totalling £46k, as a result



of delays in filling staff vacancies, and management action to reduce general spend. There is also an under-spend in the planning and resources section relating to staff vacancies of £19k, and £46k under-spend as a result of reduced expenditure on school modernisation projects. There was, however, an over-spend of £54k on retirement / severance costs in schools.

#### Home to School Transport

There is an under-spend of £218k on the home to school / college transport budget. It is sometimes difficult to forecast accurately the cost of this service, because of the impact of inclement weather and the timing of school inset (In-Service Training) days.

#### Supply Costs – Maternity Cover

There is an under-spend of £138k due to demand for supply cover being less than forecast.

### **Safeguarding and Family Support**

The total net over-spend on the Safeguarding and Family Support Services was £769k. This has reduced by about £525k from previous projections. The authority received a revenue grant of £242k from Welsh Government at the end of March to be used to offset costs on children's services. The grant was set against expenditure on out of county placements. The increased demand on the out of county residential placement budget resulted in an over-spend of £1,099k. In addition, the £100k budget reduction anticipated in 2009/10 as a result of reviewing children in house residential services has not been achieved in full. There is also an over-spend of £202k on Independent Fostering Agency placements, £118k over-spend on in-house placements, and an over-spend of £291k on commissioning and social work employee budgets.

The spending pressures have been partially mitigated by savings linked to the In House Fostering team, safeguarding and family support administration services and Youth Offending Service, along with an under-spend of £255k on other child and family services because of budgeted adoption placement fees being less than anticipated.

#### Contingent Provision

The £300k of funding released from the amalgamation of schools, and earmarked for future prudential borrowing for the Schools Modernisation Programme, was held centrally and used to mitigate directorate over-spends, specifically in Special Education Needs and safeguarding and family support services.

### **➤ Wellbeing Directorate**

The 2010/11 outturn position for the Wellbeing Directorate is a net £5k under-spend on a total budget £42.987m. This is made up of a £263k over-spend on Adult Social Care offset by a £269k under-spend on Healthy Living services. The Adult Social Care over-spend is mainly due to increased demand for services and a shortfall in achieving some efficiency savings. The under-spend in Healthy Living services is mainly because of reduced costs of Adult Community learning courses and further cost savings/income generation in Sport and Recreation.

The main variances are detailed below:

### **Adult Social Care**

#### **Older People**

The over-spend on residential care is £534k. Whilst new independent sector placements (196) were largely offset by deaths & discharges (192), the number of people assessed to pay the full cost of their care because of their income/savings reduced by 25 across the year resulting in a decrease in average income and an overall over-spend of £354k. There was also a shortfall of £58k against the Continuing Health Care target savings and a net over-spend of £122k on BCBC Homes for Older People, mainly because of the ending of some placements made by other Local Authorities which has reduced income.

The over-spend on non residential care is £219k. This includes, an over-spend of £74k on home care and direct payments which would have been higher but for additional "one off" funding contributions from Health to the Community Integrated Intermediate Care Service. There was a shortfall in achieving budget strategy savings in home care and day care of £145k.

#### **Physical Disability and Sensory Impairment**

There is an over-spend on Home Care/Direct Payments of £51k, which has been offset by under-spends of £74k on residential care and of £122k in respect of staff turnover and vacancy savings plus other "one off" funding contributions from Health.

#### **Learning Disability**

The overall position shows a balanced budget but this includes some significant variations. There is an over-spend on residential care of £292k, of which £175k related to an inability to achieve Continuing Health Care savings and £117k incurred to meet specialist placement costs. In addition, the demand for Direct Payments exceeded the additional provision made in the budget leading to an over-spend of £66k. This was offset by a reduction in Supported Living services costs of £316k, mainly because of a reduction in the number of service users and required support hours and an under-spend of £54k in Day Services because of staff turnover.

#### **Mental Health**

There was an under-spend of £119k. The number of residential placements was lower than expected during the year resulting in an under-spend of £49k and there was an under-spend of £70k on staffing budgets.

#### **Other Services, Management and Central Services**

There was an under-spend of £237k on these services, mainly because of Directorate action to manage staff vacancies/turnover. In addition, additional contributions were received towards the joint service base at Trem y Mor leading to an under-spend.

### **Healthy Living**

The under-spend was £269k. This included £84k on Adult Community Learning due to the impact of running shorter courses, thus saving on tutor and other running costs whilst maintaining the same level of fees and charges income. In addition, the under-spend of £153k on Sport and Recreation services stemmed

mainly from reduced running costs and salary costs during the refurbishment of Maesteg Pool combined with a combination of smaller initiatives to save costs and increase income.

### ➤ **Communities Directorate**

The 2010/11 outturn position shows a net under-spend of £325k (1.2%) against the net revenue budget of £26.2m. This under-spend was achieved despite the cost of responding to the severe winter weather and the resulting requirement to repair a large number of potholes, part of which was met by additional grant received from Welsh Government. The remaining costs were largely absorbed by the Highways service as a result of an increased surplus made by the Direct Service Organisation (DSO) on works carried out for the South Wales Trunk Road Agency, including additional work on snow clearance on the M4 motorway and the A470.

The main variances are detailed below:

#### **Regeneration & Development**

An over-spend of £147k occurred in the Development service due to a downturn in the level of planning application fee income received to date. This has been offset by an under-spend of £336k across other Regeneration & Development services as a result of staff vacancies which were being held in preparation for budget cuts required in 2011/12.

Within the Housing & Community Development service there was an over-spend of £60k on the cost of temporary accommodation for homeless people which was more than offset by savings due to staff vacancies within the service. Budget growth has been allocated to meet the additional costs of temporary accommodation in 2011/12.

#### **Street Scene**

##### **Streetworks**

There was an under-spend on the Streetworks service area of £587k as a result of savings from the new waste contract along with additional income from trade waste customers.

##### **Highways Maintenance**

There was a net over-spend on Highways Maintenance of £128k mainly as a result of the costs associated with the severe winter weather. The costs of snow clearance and additional salt were £470k. These costs were largely offset by a grant from Welsh Government and additional income from the Highways Direct Service Organisation because of extra work carried out for the South Wales Trunk Road Agency.

##### **Car Parking**

Car park income for 2010/11 was £130k less than that received in 2009/10 and £100k less than anticipated in the budget. The downturn was almost entirely due to reduced usage of Bridgend town centre car parks. In addition, the running costs of the car parks exceeded budget by £59k due to additional maintenance

requirements. The combined effect of these issues has resulted in a shortfall against budget of £199k.

#### Transportation and Engineering

A shortfall in fee income of £168k within the Transportation & Engineering division, along with a projected over-spend of £65k on the bus station has been partly offset by savings on supported bus services of £75k. The reduction in fee income can largely be attributed to the fact that it is no longer possible to recover the full charge out rates for engineers on European Union (EU) funded schemes, a situation that will affect most Welsh Local Authorities. Unless this issue can be resolved nationally this will continue to be an issue for this Directorate due to the large number of EU funded schemes that are due to be completed in the next few years.

### ➤ **ICT and Customer Care**

The net revenue budget for 2010/11 is £7.216m. The actual outturn was £7.304m, resulting in an over-spend of £88k. This was mainly due to additional staffing costs in relation to office caretaking duties and CCTV monitoring.

### ➤ **Property and Finance**

The net revenue budget for 2010/11 is £6.178m. The actual outturn was £5.235m, resulting in an under-spend of £943k.

The main variances are detailed below:

#### Revenues Division

There is an under-spend of £280k (0.62% of the budget) on payments made to Housing Benefit Claimants; this resulted from additional housing benefit subsidy being claimed following improved claims management. In addition, the actual summons and court fee income for recovery of council tax was £130k more than anticipated when the budget was set.

#### Accountancy and Internal Audit

There is an under-spend of £387k arising from a decision not to fill vacant posts pending finalisation of revised staffing structures and likely budget reductions required in the 2011/12 budget.

#### Property Division

There is a net under-spend across the property division of £140k, comprising a £70k under-spend on employee budgets and a £70k increase in income.

### ➤ **Corporate Development & Partnerships**

The net revenue budget for the service for 2010/11 is £4.361m. The actual outturn was £4.168m, resulting in an under-spend of £193k. This was mainly due to under-spends on employee budgets resulting from the vacancies being held to mitigate budget reductions as part of the 2011/12 budget strategy.

➤ **Legal & Regulatory Services**

The net revenue budget for the Legal & Regulatory Services Division for 2010/11 is £5.699m. The actual outturn was £5.714m, resulting in small over-spend of £15k. The increased costs of litigation of £128k and reduction in land registry search fee income of £79k were offset by applying a strict vacancy management policy.

➤ **Capital Financing and Other Central Costs**

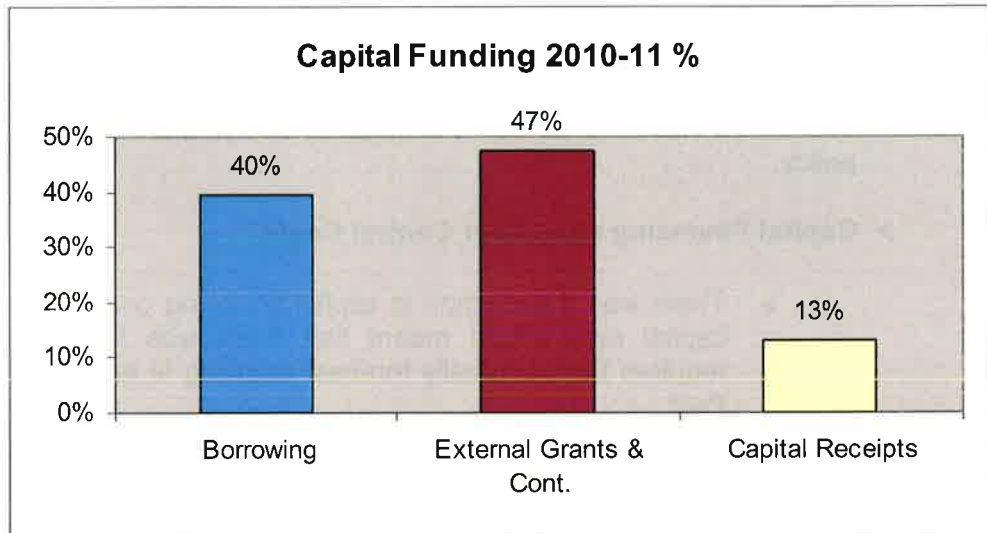
- There was a reduction in capital financing costs of £501k, as delays in capital expenditure meant that there was less long term borrowing required than originally forecast resulting in an under-spend on Interest Paid.
- The general contingency budget was over-spent by £1.36m due to a need to increase the Major Claims provision for Equal Pay/Job Evaluation and the pension fund.
- The appropriations to reserves relate to contributions to the major claims earmarked reserve together with the establishment of new Earmarked Reserves for Directorates.

**b) Capital spending in 2010/11**

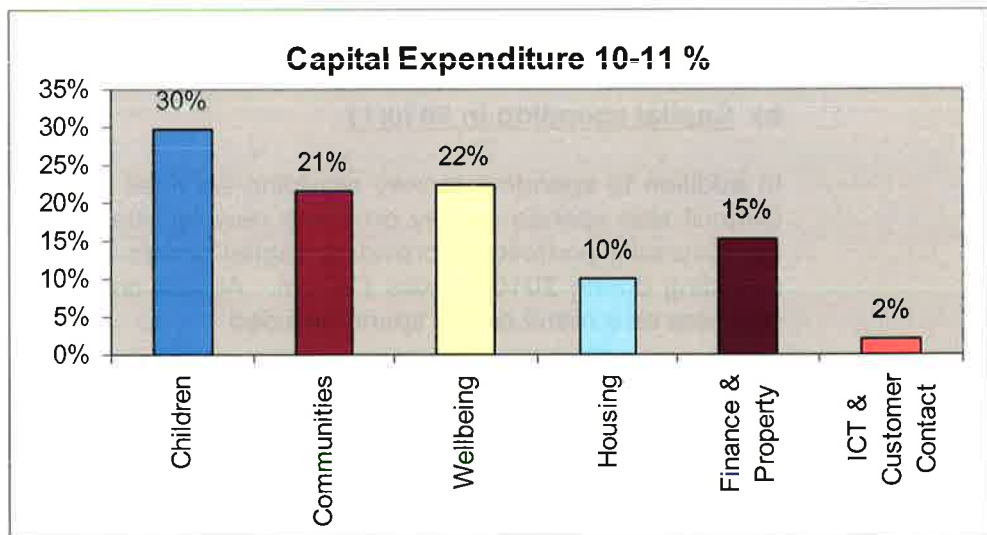
In addition to spending money providing services on a day to day basis, the Council also spends money providing new facilities, enhancing assets within the Council's portfolio or providing capital grants to others. The total capital spending during 2010/11 was £29.9m. Assets created, improved or work in progress as a result of this spend included:

- Bridgend Day Centre
- Purchase of Raven's Court/Office Accommodation
- Primary Schools' Amalgamations
- Contribution to Archbishop MacGrath Comprehensive
- Maesteg Swimming Pool
- Pencoed Park & Ride
- Safe Routes to Schools

Where the money came from.....



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



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

Each year, in accordance with the Local Government Act 2003, and the Prudential Code, the Council is required to set limits in relation to:-

- Authorised limit for borrowing;
- Exposure to fixed and variable interest rates;
- Various other prudential indicators.

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

<b>Authorised limit for External Debt</b>	£160m
<b>Operational Boundary for External Debt</b>	£134m

As can be seen from the Balance Sheet, long term borrowing totalled £93.5m as at 31 March 2011.

The Council is required under the Local Government and Housing Act 1989 to prepare a Treasury Management Strategy for the forthcoming year. The Council's Treasury Management Practices allows the Council to raise funds from a variety of sources, including the money market and the European Investment Bank. 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.

### 3. The Council's reserves

The financial reserves held by the Authority as at 31 March 2011 can be summarised as follows:

	Opening Balance £'000	Movement £'000	Closing Balance £'000
Council Fund	7,141	17	7,158
Delegated Schools	4,258	261	4,519
Earmarked Reserves	11,460	4,848	16,308
<b>Total Reserves</b>	<b>22,859</b>	<b>5,126</b>	<b>27,985</b>

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

Further information about earmarked reserves can be found in the notes of the main financial statements.

### 4. Pension Fund Liability

Disclosure information about retirement benefits in the Statement of Accounts is based on IAS 19 – Pension Benefits. The pension fund liability that is disclosed in the Balance Sheet is the total projected deficit that exists over the expected life of the fund. The deficit will change on an annual basis dependent on the performance of investments and the actuarial assumptions that are made in terms of current pensioners, deferred pensions and current employees. The Pension Liability for 2010/11 is £226.1 million (£291.3 m 2009/10). The reduction is mainly due to inflation factors being changed from the Retail Price Index (RPI) to the Consumer Price Index (CPI). It is matched on the Balance Sheet with a pension reserve.

**5. Changes in Accounting Policies**

For 2010/11, the Authority has moved from producing its accounts from a UK GAAP (Generally Accepted Accounting Practice) to an IFRS (International Financial Reporting Standards) basis.

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

The Council's Medium Term Financial Plan indicates that there will need to be budget reductions of £17m over the next three years. These budget reductions are 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. In addition, the potential impact of Job Evaluation on the medium term budget is a significant concern. 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 Authority's responsibilities**

The Authority 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 Assistant Chief Executive - Performance and Section 151 Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### **The Assistant Chief Executive - Performance and Section 151 Officer's Responsibilities**

The Assistant Chief Executive – Performance and 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 Assistant Chief Executive - Performance and 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 Assistant Chief Executive - Performance and Section 151 Officer has also:

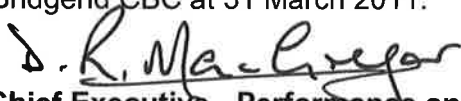
- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Assistant Chief Executive - Performance and Section 151 Officer should sign and date the Statement of Accounts, stating that it gives a true and fair view of the financial position of the authority at the reporting date and of its income and expenditure for the year ended 31 March 2011.

#### **Assistant Chief Executive - Performance and Section 151 Officer's Certificate**

I certify that the Statement of Accounts presents a true and fair view of the financial position of Bridgend CBC at 31 March 2011.

Signed :



**Assistant Chief Executive - Performance and Section 151 Officer**

Date : 29 / 9 / 11

## Annual Governance Statement 2010/11

### **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 secure continuous improvement in the exercise of its functions in terms of strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.

This builds upon the principles set out by the Welsh Government (WG) under the Wales Programme for Improvement (WPI) and the vision for public service delivery as set out in the 'Making The Connections' report.

- 1.3 In discharging its overall responsibilities, the Council is also responsible for ensuring that it has in place 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 A Code of Corporate Governance has been developed, 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). It also incorporates the "Making the Connections" governance principles and values set out by the Welsh Government (WG).

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

- 2.1 The governance framework comprises the systems, processes, and values by which the Authority 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 in 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 and impact 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<sup>st</sup> March 2011. The description of the arrangements in place is built around the core principles set out in the Council's Code of Corporate Governance.

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

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

- Focusing on the Council's purpose and on outcomes for the community and creating and implementing a vision for the local area; (*Putting the Citizen First*); (*Achieving Value for Money*).
  - Members and officers working together to achieve a common purpose with clearly defined functions and roles; (*Knowing Who Does What and Why*);
  - Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour; (*Living Public Service Values*);
  - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk; (*Fostering Innovation Delivery*);
  - Developing the capacity and capability of Members and officers to be effective; (*Being a Learning Organisation*);
  - Engaging with local people and other stakeholders to ensure robust public accountability; (*Engaging with Others*);
- 3.2 The Council has followed these principles and has identified the following points whilst gathering evidence to gain assurance that governance within the Authority 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 has published its Corporate Plan and Improvement Objectives which are aligned to the needs of the local community. In accordance with requirements, the Council has worked with its partners to develop and implement the Community Strategy to promote the economic, social and environmental well being of its area. This work was led by the Local Service Board and provides an inter agency approach to improve the quality of life of residents of the County Borough over ten years to 2020.
- 4.2 Whilst the Community Strategy provides the over-arching framework, the Council has a central role to play. The agenda is a complicated one as differing and often conflicting priorities have to be dealt with when decisions are being made. In setting its improvement objectives, the Council must take into account a number of factors including service demands, legislative requirements, community wishes, the priorities of partner organisations, together with the expectations of the Welsh Government and regulatory bodies. The Corporate Plan adopted in 2010 is aligned with the Community Strategy and provides focus and direction for all the Council's services, elected Members, employees, partner organisations, service users and other stakeholders.
- 4.3 The Council's Improvement Objectives 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 objectives to be reviewed on a quarterly basis.
- 4.4 The Council has adopted a Medium Term Financial Plan for the period 2011/12 to 2013/14. The Plan provides the financial framework for the next 3 years and the budget strategy for the next financial year. The annual revenue budget 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 Corporate Resources and Improvement Scrutiny Committee nominated as the lead Scrutiny Committee.

- 4.5 Priorities for service improvement are identified in Directorate Business Plans and there are a range of projects in progress to ensure these are achieved. The corporate programme management board is overseeing a number of major initiatives including:
- School modernisation;
  - Adult Social Care Remodelling;
  - Porthcawl Regeneration;
  - Job Evaluation;
  - Reconfiguring Leisure Services.
- 4.6 The Auditor General's Annual Improvement Report on the Council was published in January 2011. The report's main message is that the Council is improving in a number of areas. It has particular strengths in the way political and managerial leaders have worked together to tackle some longstanding issues, the way it plans its services, the way it works with other organisations and the way it manages its money. While progress is being made there are still areas that need further development if future improvement is to be secured; including developing a robust approach to business planning and refining future arrangements for performance management and workforce planning.
- 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, HSCWB strategy, CYP Plan, Community Safety;
  - Development of draft Citizen Engagement Strategy;
  - Customer contact centre as focal point for customer engagement;
  - Consultation activity with customers – e.g. focus groups on future of library services;
  - Work of the Homelessness Research and Evaluation Panel engaging with users, registered social landlords, providers and other stakeholders.
- 4.8 Other significant points that support compliance with Principle 1 in 2010/11 include work undertaken with partner agencies to develop a new contract with the Voluntary Sector and a new contract for the collection and disposal of waste entered into with May Gurney. Extensive engagement was also undertaken in the year with stakeholders and service users of Adult Social Care and Healthy Living services.
5. **Principle 2 - Members and Officers working together to achieve a common purpose with clearly defined functions and roles (*Knowing Who does What and Why*).**
- 5.1 The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. It operates a Leader and Cabinet system within which:
- The Council sets the overall budget and appoints the Leader of Council;
  - The Council appoints the Cabinet and allocates portfolios;
  - Scrutiny Committees advise on policy formulation and hold the Cabinet to account in relation to specific matters. They may also review areas of

activity which are not the responsibility of the Cabinet or matters of wider local concern;

- Regulatory Committees (e.g. Licencing, Development Control) are in place to determine matters as defined within the Council's Constitution;
- The Cabinet makes decisions within this framework but some decisions are delegated to individuals in the Cabinet, committees of the Cabinet or officers;
- Clear arrangements are in place to record decisions made by Cabinet Members and officers under delegated powers;

- 5.2 There is a Standards Committee to promote high standards of conduct and support members' observation of the Model Code of Conduct.
- 5.3 The Constitution is at the heart of the Council's business and assigns responsibility within the Authority. 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. 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. It provides a point of reference for individuals and organisations both inside and outside the Council. Its Rules of Procedure set the overall framework and in general are not subject to frequent change. 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.
- 5.5 All Committees have clear terms of reference that set out their roles and responsibilities and work programmes to undertake. 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 Human Resources.
- 5.8 The Assistant Chief Executive – Performance is the Section 151 Officer appointed under the 1972 Local Government Act and carries overall responsibility for the financial administration of the Council. This role was previously assigned to the Head of Property and Finance, who retired in February 2011. The corporate finance function provides a range of support to departments and determines the budget preparation and financial monitoring process.
- 5.9 The Monitoring Officer carries overall responsibility for ensuring compliance with the law and his staff work closely with departments to advise on legal matters.

5.10 The Corporate Governance diagnostic published by WAO in 2010 identified that the Council was able to demonstrate a number of positive indicators under Principle 2 and these included:

- Mature relationship – senior officers and cabinet members understand each other's roles
- Strong leadership from leader, cabinet and Chief Executive
- Corporate directors and Management Board collectively have a clear sense of direction
- Improved quarterly business review and planning processes, aligned with Improvement Plan
- Role of scrutiny in policy development is beginning to evolve.

5.11 However the review also identified that the collaborative culture at the top of the organisation needs to be cascaded down to become evident in all service areas.

**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. The good governance diagnostic found that 90% of staff and Members surveyed believe the Council core values were clearly set out and that openness and transparency runs through the organisation.

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.

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 Corruption Policy
- Whistleblowing Policy
- HR policies regarding the disciplining of staff involved in such incidents
- Corporate Complaints Policy

6.4 Conduct of Members is monitored by the Public Services Ombudsman and the Council's Standards Committee, which also hears allegations of misconduct by members.

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. The Terms of Reference in place for the Committee were revised in 2010 and are consistent with the core responsibilities as recommended by CIPFA.

- 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 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 held by individuals that are not of the same political party as the Administration. 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 govern the Council's operations include Financial Regulations, Procurement procedures and the Risk Management Policy. All managers have responsibility to ensure compliance with these policies.
- 7.6 The Council has a well-developed performance management framework linking the Community Strategy to the Corporate Plan and then to Directorate, Service and Team Plans. Links to the appraisal process can be readily established for middle and senior managers.
- 7.7 The diagnostic work undertaken by the Wales Audit Office revealed that the Council has shown an appetite for challenging and improving services. The findings also reflected the fact that a high percentage of Members and senior officers believe the Council strives to achieve more innovative ways of delivering services.
- 7.8 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.
- 7.9 Risks are viewed from both a Service and Council-wide perspective which allows the key risks to be distilled into a Corporate Risk Register. Most major risks are managed within one of the key strategic programmes. The Risk Manager regularly reviews the register and the action being taken to mitigate the risks.

The main risks currently facing the Council include:

- Impact of the recession and using resources effectively
- School Modernisation
- Remodelling of Adult Social Care

- Implementing a new pay and grading system (Job Evaluation)
- Supporting Vulnerable Children
- Maintaining Infrastructure
- Reconfiguring Leisure Services
- Impact of Homelessness

7.10 The Council's approach to Risk Management ensures that key risks are considered within the determination of Council priorities, targets and objectives. All of this serves to inform the development of the Regulatory Plan and the Council's own Improvement Plan.

7.11 The financial management of the Council is conducted in accordance with all relevant legislation and its Constitution. In particular, the financial procedure rules and Contract procedure rules and the scheme of delegation provide the framework for financial control. The Assistant Chief Executive – Performance 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 and quarterly reports are produced for Cabinet and Scrutiny Committees. This work informs the production of the statutory Annual Statement of Accounts.

## **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 a Member Development Strategy, 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. The Appraisal system is an important part of the Council's Performance Management Framework.

8.4 During 2010, the Council was awarded 'Charter status' for its Member development and the arrangements in place to support members in their roles. A number of initiatives are now being taken forward including Personal Development Plans for Members, annual reports and a mentoring scheme in advance of the 2012 elections.

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



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

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

9.2 Arrangements for consultation and for gauging local views are extensive; significant activity is being undertaken by the Strategic Partnerships. Elected members offer surgeries, or equivalent means of providing assistance, for their constituents. The Community Strategy was drawn up in consultation with stakeholders across the area.

9.3 During 2010/11 the Council has consulted on a wide range of issues including the following (this list is not exhaustive):

- Regeneration plans;
- Health Social Care and Wellbeing Strategy;
- Children and Young People Plan;
- Community Safety issues;
- School modernisation/reorganisation
- Streetscene services;
- Recycling;
- Future provision of Library services;
- 'Scrutiny Committees' Research and Evaluation panels;

9.4 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.

**10. Review of Effectiveness**

10.1 The Council has responsibility for reviewing the effectiveness of its governance framework including the system of internal control. This is informed by the work of Internal Audit and chief officers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

10.2 Key elements of the process are:

- 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.
- A resourced Scrutiny function, which holds the Cabinet to account. Corporate Resources and Improvement Scrutiny Committee is responsible for maintaining an overview of financial performance including value for money. The Community Safety and Governance Scrutiny Committee maintain an overview of cross-cutting matters.

- 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 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. In carrying out its duties, Internal Audit complies with the Chartered Institute of Public Finance and Accountancy (CIPFA) 2006 Code of Practice for Internal Audit in Local Government in the United Kingdom.
- 10.4 The unit also provides an independent and objective assurance service to management. It completes a programme of reviews throughout the year to provide an opinion on the internal control, risk management and governance arrangements. In addition, the unit undertakes fraud investigations 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 the Cabinet as appropriate.
- 10.5 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 Assistant Chief Executive – Performance as S151 Officer provides regular updates and an annual report to the Audit Committee summarising any significant internal control issues.
- 10.6 The Wales Audit Office's Annual Improvement Report is considered by the Corporate Management Team, Cabinet, Scrutiny and the Audit Committee. Audit Committee also receives the Appointed Auditor's ISA 260 report, which communicates the findings of the external audit of the Council's Annual Statement of Accounts. Other external regulatory agencies such as CSSIW and Estyn also provide advice on specific service areas.
- 10.7 The Cabinet and Scrutiny Committee functions provide a further mechanism for review and challenge of any issues that may impact upon the system of internal control. Scrutiny Committees establish Research and Evaluation panels (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.

**11. Significant Governance Issues**

- 11.1 During 2010/11 Internal Audit undertook a review of corporate governance and this work involved a review of the arrangements in place during 2009/10. The audit findings were that the Council was in compliance with the requirements of the CIPFA/SOLACE framework.
- 11.2 The Annual Internal Audit Opinion as reported to the Audit Committee in May 2011 stated that based on the work undertaken "it can be concluded that the Council's key systems of internal control are operating satisfactorily and there have been no fundamental breakdowns of controls".
- 11.3 Looking to the future, the challenges involved in delivery of the £17m savings identified in the Medium Term Financial Plan cannot be overstated. To ensure these savings are delivered the Council is:
- Reviewing its Improvement Objectives in the light of the reduced level of resources available;
  - Identifying more effective and innovative ways of working, including developing collaborations and partnerships with other organisations;
  - Challenging existing working practices and methods of service delivery (e.g. via the Workwise initiative);
  - Seeking the views of its stakeholders on proposals for remodelling or reconfiguring services;
  - Identifying savings in management and administrative costs;
  - Exploring further use of IT to deliver business efficiencies;
  - Continuing to manage major changes via the corporate programmes;
  - Developing a workforce plan that is cognisant of the implications for service delivery as a result of increased collaborative working;
  - Developing a Strategic Equality Plan by March 2012;
  - Reviewing its Business Continuity Plan.
- 11.4 Key to success will be a robust process of monitoring and scrutiny to ensure that the savings are achieved with minimal impact upon the end user. Notwithstanding the overarching risk associated with Funding Levels, there are certain specific risks, the mitigation and progress of which will be of critical importance for the Council to manage in the ensuing financial year. The most significant financial risk being the impact of job evaluation and equal pay claims.

**12. Certification of Annual Governance Statement**

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed:**

**Section 151 Officer**..... *D MacGregor* ..... **Date** *29/9/11*.....

**Chief Executive Officer**..... *J James* ..... **Date** *29/9/11*.....

**Leader of the Council**..... *A Spurr* ..... **Date** *29/9/11*.....

## Statement of Accounting Policies

### 1. General principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit (Wales) Regulations 2005. These practices comprise the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) 2010/11 and the *Best Value Accounting Code of Practice* 2010/11 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 Authority 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 Authority 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 Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- 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 Authority 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 Authority 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 Authority 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 (eg 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 authority 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 authority 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 authority.

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 Authority 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 be included within 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 Authority – 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 Authority when there is reasonable assurance that:

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

- The *Teachers' Pension Scheme*, administered by the Teachers' Pensions Agency 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 Agency 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 Authority 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 Authority 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 seven 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 arising from current year decisions 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. Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure section in the Comprehensive Income and Expenditure Statement
  - iv. Expected Return on Assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to Financing and Investment Income and Expenditure section in the Comprehensive Income and Expenditure Statement
  - v. Gains/Losses on Settlements and Curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the surplus or deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - vi. Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuations or because the actuaries have updated their assumptions – debited to the Pensions Reserve
  - vii. 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 Authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations 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 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 Authority 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 *Best Value Accounting Code of Practice 2010/11 (BVACOP)*. For 2010/11, 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 BVACOP.

- Corporate and Democratic core are costs relating to the Authority'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 BVACOP 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 (ie it will not lead to a variation in the cash flows of the Authority). 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 Authority.

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

- infrastructure, community assets and assets under construction – 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 there are non-property assets that 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.

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. 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 Authority 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.

#### **11. 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 Authority 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.

#### **12. 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 Authority as 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 Authority 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 Authority 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. there is a rent-free period at the commencement of the lease).

#### **The Authority as 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.

### **13. 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.

**14. 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.

**15. 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.

**16. 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 Authority 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.

**17. 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.

**18. 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 and Community Councils) being included as expenditure.

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

**20. 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.

**21. 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.

## **22. Foreign Currency Translation**

Where the Authority 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.

## **23. 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.

## **24. Exceptional Items**

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

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

The adoption of FRS 30 Heritage Assets by the Code will result in a change of accounting policy that requires disclosure in line with the Code. An authority shall, where material, disclose the following items :-

- narrative, related to the authority's specific circumstances, explaining that heritage assets are to be recognised as a separate class of assets for the first time in the 2011/12 financial statements, in accordance with FRS 30
- the carrying amount of assets expected to be classified as heritage assets, and their classification in the 2010/11 financial statements
- the expected amount of any revaluation gains and losses to be recognised on the reclassification, and
- the expected change in depreciation and impairment to be recognised in 2010/11.

**26. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out above, the Authority 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 Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

The Authority 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 £22.7m) has been recognised as Property, Plant and Equipment on the Authority's Balance Sheet.

The Authority has examined all its existing leases under IAS 17 and as a result some have been reclassified 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.

**27. 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 Authority 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 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

**Plant, Property and Equipment**

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

**Depreciation of Property, Plant and Equipment**

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

**Pensions Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. During 2010/11, the actuaries advised that the net pension's liability has reduced as a result of estimates being amended in line with the Chancellors decision in June 2010 to link pension valuations to the CPI (Consumer Based Index) rather than RPI (Retail Price Index).

**Provisions**

The Council has made a provision for the settlement of claims from the Equal Pay initiative, based on the number of grievance and claims received and a calculation based on comparator jobs identified by the claimants' solicitors. It is not certain that these claims will be settled based upon estimated calculations and that all valid claims have yet been received by the Council. The timing and amount of any payments is uncertain for Equal Pay. It must be stressed that the Council does not accept any liability for individual equal pay claims.



# **Core Financial Statements 2010/11**

# Statement of Accounts

2010/11

## Movement in Reserves Statement For Years Ended 31 March 2010 & 2011

	Council Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance at 31 March 2009	7,137	16,231	14,307	269	37,944	81,933	119,877	
<u>Movement in Reserves during 2009/10</u>								
Surplus or (deficit) on provision of services	(53,939)	-	-	-	(53,939)	-	(53,939)	
Other Comprehensive Expenditure and Income	-	-	739	-	739	40,482	41,221	
<b>Total Comprehensive Expenditure and Income</b>	<b>(53,939)</b>	<b>-</b>	<b>739</b>	<b>-</b>	<b>(53,200)</b>	<b>40,482</b>	<b>(12,718)</b>	
Adjustments between accounting basis & funding basis under regulations	54,497	-	(62)	(74)	54,361	(54,361)	-	2
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>558</b>	<b>-</b>	<b>677</b>	<b>(74)</b>	<b>1,161</b>	<b>(13,879)</b>	<b>(12,718)</b>	
Transfers to/from Earmarked Reserves	(554)	554	-	-	-	-	-	28b
<b>Increase/Decrease in 2009/10</b>	<b>4</b>	<b>554</b>	<b>677</b>	<b>(74)</b>	<b>1,161</b>	<b>(13,879)</b>	<b>(12,718)</b>	
Balance at 31 March 2010 carried forward	7,141	16,785	14,984	195	39,105	68,054	107,159	
<u>Movement in Reserves during 2010/11</u>								
Surplus or (deficit) on provision of services	52,231	-	-	-	52,231	-	52,231	
Other Comprehensive Expenditure and Income	-	-	(140)	-	(140)	4,265	4,125	
<b>Total Comprehensive Expenditure and Income</b>	<b>52,231</b>	<b>-</b>	<b>(140)</b>	<b>-</b>	<b>52,091</b>	<b>4,265</b>	<b>56,356</b>	
Adjustments between accounting basis & funding basis under regulations	(46,525)	-	(3,237)	194	(49,568)	49,568	-	2
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>5,706</b>	<b>-</b>	<b>(3,377)</b>	<b>194</b>	<b>2,523</b>	<b>53,833</b>	<b>56,356</b>	
Transfers to/from Earmarked Reserves	(5,689)	5,689	-	-	-	-	-	28b
<b>Increase/Decrease in 2010/11</b>	<b>17</b>	<b>5,689</b>	<b>(3,377)</b>	<b>194</b>	<b>2,523</b>	<b>53,833</b>	<b>56,356</b>	
Balance at 31 March 2011 carried forward	7,158	22,474	11,607	389	41,628	121,887	163,515	

## Comprehensive Income and Expenditure Statement 2010/11

2009/10				2010/11			Notes
Gross Expenditure Restated £'000	Gross Income Restated £'000	Net Expenditure Restated £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
184,814	(44,455)	140,359	Children's and Education Services	159,390	(36,121)	123,269	
56,499	(20,228)	36,271	Adult Social Care	54,519	(17,560)	36,959	
37,370	(11,462)	25,908	Highways, Roads and Transport Services	26,468	(6,702)	19,766	
50,341	(47,296)	3,045	Housing Services	49,269	(46,645)	2,624	
39,598	(25,759)	13,839	Central Services to the Public	28,596	(21,819)	6,777	
61,690	(26,178)	35,512	Cultural, Environmental and Planning Services	62,784	(24,353)	38,431	
6,588	(710)	5,878	Corporate and Democratic Core	5,692	(200)	5,492	
530		530	Non-Distributed Costs	(62,110)	-	(62,110)	34
437,430	(176,088)	261,342	<b>Cost Of Services</b>	324,608	(153,400)	171,208	
			<b>Other Operating Expenditure</b>				
8,530		8,530	Payments of precepts	8,986		8,986	3
7,100		7,100	Levies payable	7,169		7,169	3
713		713	(Gain) / loss on disposal of non current fixed assets	(615)		(615)	
16,343	-	16,343	<b>Other Operating Expenditure</b>	15,540	-	15,540	
			<b>Financing and Investment Income and Expenditure</b>				
4,724		4,724	Interest payable on debt	4,751		4,751	
41		41	Interest element of finance leases (lessee)	26		26	
1,619		1,619	Interest payable on PFI unitary payments	1,593		1,593	10
26,430		26,430	Pensions interest costs	27,840		27,840	
(11,030)		(11,030)	Expected return on pension assets	(18,480)		(18,480)	
(669)		(669)	Investment Interest income		(490)	(490)	
3,459		3,459	Change in Fair Value of investment properties	(341)		(341)	
24,031	(24,496)	(465)	(Gain) / loss on trading accounts (not applicable to a service)	18,724	(19,456)	(732)	4
48,605	(24,496)	24,109	<b>Financing and Investment Income and Expenditure</b>	34,113	(19,946)	14,167	
			<b>Taxation and Non-Specific Grant Income</b>				
(138,312)		(138,312)	Revenue Support Grant		(143,036)	(143,036)	5
(59,095)		(59,095)	Council tax		(62,498)	(62,498)	6
(35,937)		(35,937)	National Non Domestic Rates		(37,667)	(37,667)	7
(12,362)		(12,362)	Recognised capital grants and contributions		(8,562)	(8,562)	5
(2,149)		(2,149)	Non service related government grants		(1,383)	(1,383)	5
-	(247,855)	(247,855)	<b>Taxation and Non-Specific Grant Income</b>	-	(253,146)	(253,146)	
502,378	(448,439)	53,939	<b>(Surplus) or Deficit on Provision of Services</b>	374,261	(426,492)	(52,231)	
		(110,529)	<b>Surplus or deficit on revaluation of non current assets</b>			5,440	
		69,130	<b>Actuarial gains / losses on pension assets / liabilities</b>			(9,700)	
		178	<b>Other Comprehensive Income and Expenditure</b>			135	
		12,718	<b>Total Comprehensive Income and Expenditure</b>			(56,356)	

## Balance Sheet for Years Ended 31 March 2009, 2010 and 2011

1 April 2009 Restated £'000	31 March 2010 £'000		31 March 2011 £'000	Notes
317,140	391,345	<b>Property, Plant &amp; Equipment</b>		<b>18</b>
5,379	4,930	- other land and buildings	382,558	
109,445	101,797	- vehicles, plant, furniture and equipment	4,674	
3,135	3,244	- infrastructure	95,027	
		- community assets	3,305	
9,233	6,045	- assets under construction	14,099	
6,703	15,012	- surplus assets not held for sale	14,517	
		<b>Investment Property</b>		<b>19</b>
6,272	2,813	- Investment property	3,094	
		<b>Long Term Debtors</b>		
203	160	Housing Advances	116	<b>20</b>
-	832	Finance Leases	727	
<b>457,510</b>	<b>526,178</b>	<b>Long Term Assets</b>	<b>518,117</b>	
22,436	10,078	<b>Short Term Investments</b>	13,027	<b>35</b>
707	-	<b>Assets held for sale</b>	1,915	<b>23</b>
289	304	<b>Inventories</b>	361	<b>21</b>
21,108	24,572	<b>Short Term Debtors</b>	27,790	<b>22</b>
1,631	4,042	<b>Cash and Cash Equivalents</b>	6,125	<b>35</b>
<b>46,171</b>	<b>38,996</b>	<b>Current Assets</b>	<b>49,218</b>	
(929)	(1,853)	<b>Short Term Borrowing</b>	(4,551)	<b>35</b>
(41,302)	(29,863)	<b>Short Term Creditors</b>	(36,788)	<b>24</b>
<b>(42,231)</b>	<b>(31,716)</b>	<b>Current Liabilities</b>	<b>(41,339)</b>	
(6,754)	(12,393)	<b>Provisions</b>	(18,982)	<b>25</b>
(98,360)	(96,540)	<b>Long Term Borrowing</b>	(93,523)	<b>35</b>
		<b>Other Long Term Liabilities</b>		
(21,739)	(23,636)	PFI & Other Long Term Liabilities	(22,248)	<b>27</b>
(212,510)	(291,290)	Net pensions liability	(226,110)	<b>29b</b>
(2,210)	(2,440)	<b>Capital Grants Receipts in Advance</b>	(1,618)	<b>18i</b>
<b>(341,573)</b>	<b>(426,299)</b>	<b>Long Term Liabilities</b>	<b>(362,481)</b>	
<b>119,877</b>	<b>107,159</b>	<b>Net Assets</b>	<b>163,515</b>	
		<b>Usable reserves</b>		
7,137	7,141	- Council Fund	7,158	
16,231	16,785	- Earmarked reserves	22,474	<b>28b</b>
14,307	14,984	- Capital Receipts Reserve	11,607	<b>28a</b>
269	195	- Capital Grants Unapplied	389	
		<b>Unusable Reserves</b>		
3,838	112,779	- Revaluation Reserve	105,852	<b>29a</b>
(212,510)	(291,290)	- Pensions Reserve	(226,110)	<b>29b</b>
301,237	256,670	- Capital Adjustment Account	251,809	<b>29c</b>
(6,344)	(6,140)	- Financial Instruments Adjustment Account	(5,936)	<b>29d</b>
(4,288)	(3,965)	- Accumulating Absences Account	(3,728)	<b>29e</b>
<b>119,877</b>	<b>107,159</b>	<b>Total Reserves</b>	<b>163,515</b>	



## Cash Flow Statement as at 31 March 2011

2009/10 Restated £'000		2010/11 £'000	Notes
53,939	Net (surplus) / deficit on the Provision of Services	(52,231)	
(57,540)	Adjustments to net deficit on the provision of services for non-cash movements	28,574	37
12,362	Adjustments for Items included in the net deficit on the provision of services that are investing and financing activities	8,562	
<b>8,761</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(15,095)</b>	38
6,045	Investing Activities	24,895	39
(17,217)	Financing Activities	(11,883)	40
<b>(2,411)</b>	<b>Net increase in Cash &amp; Cash Equivalents</b>	<b>(2,083)</b>	
1,631	Cash & Cash Equivalent at the beginning of the Reporting Period	4,042	
<b>4,042</b>	<b>Cash &amp; Cash Equivalents at the end of the Reporting Period</b>	<b>6,125</b>	

**Certification of Accounts**

**Certification by Assistant Chief Executive - Performance and Section 151 Officer**

I certify that the accounts set out on Pages 27 to 115 give a true and fair view of the financial position of the Council as at 31 March 2011.



**David Macgregor**

**David Macgregor CPFA, MCIM  
Assistant Chief Executive - Performance and Section 151 Officer**



# Notes to the Core Financial Statements 2010/11

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## Notes to the Core Financial Statements

### 1. IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS)

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

#### i. Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Welsh Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

#### ii. Leases

Adoption of IFRS accounting has also required a re-evaluation of leases to consider whether they are operating leases (the same as rentals) or finance leases (the same as a loan) under IAS 17 and SIC 15 which places more emphasis on substance over legal form. As a consequence a number of vehicles and equipment leases previously treated as operating leases have been re-categorised as finance leases. As a result of the re-categorisation the 2009/10 accounts have been amended as shown in the transition Balance Sheet and transition Comprehensive Income and Expenditure Statement.

#### iii. Government grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.

Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

Capital grants received in 2009/10 which were not used were not recognised as income in the Comprehensive Income and Expenditure Account. Following the change in policy the grants have been recognised in full and transferred to the Capital Grants Unapplied Account within the reserves section of the balance sheet.

iv. Property, Plant and Equipment (PPE)

The Code has introduced two new classifications – non - current assets held for sale and PPE surplus assets. The criteria for the classification of investment properties has also been revised so that only properties held solely to earn rentals or capital appreciation are held under this category on the balance sheet. These changes have required the following amendments to the balance sheet and comprehensive income and expenditure account. Investment properties are measured at fair value, with gains and losses recognised in Surplus or Deficit rather than through the revaluation reserve. Impairment losses will be taken initially to the revaluation reserve to the extent that there is a balance on that reserve relating to the specific asset.

v. Cash and Cash Equivalents

The Code has introduced a category of Cash and Cash Equivalents in the Balance Sheet. 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. The amount of Cash Equivalents at 1 April 2009 has been moved from Short Term Investments. For the 2009/10 Statement of Recommended Practice (SORP) Balance Sheet, the cash equivalent figures were already included.

The table shown below demonstrates the adjustments made for the transition from the Statement of Recommended Practice (SORP) Balance Sheet as at 31 March 2009 to the International Financial Reporting Standards (IFRS) Balance Sheet as at 1 April 2009.

# Statement of Accounts

2010/11

	Balance Sheet as at 31/03/09 (SORP Compliant) £'000	Short Term Accumulating Compensated Absences £'000	Government Grants & Capital Contributions £'000	Cash & Cash Equivalents £'000	PFI & Finance Leases Reclassification £'000	Fixed Assets Reclassification £'000	1 April 2009 Restated IFRS £'000
<b>Property, Plant &amp; Equipment</b>							
- other land and buildings	312,726					4,414	317,140
- vehicles, plant, furniture and equipment	4,741				638		5,379
- infrastructure	109,757					(312)	109,445
- community assets	1,920					1,215	3,135
- assets under construction	9,325					(92)	9,233
- surplus assets not held for sale	6,228					475	6,703
<b>Investment Property</b>							
- Investment property	12,277					(6,005)	6,272
<b>Long Term Debtors</b>							
Housing Advances	203						203
<b>Long Term Assets</b>	<b>457,177</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>638</b>	<b>(305)</b>	<b>457,510</b>
<b>Short Term Investments</b>	23,841			(1,405)			22,436
<b>Assets held for sale</b>	-					707	707
<b>Inventories</b>	289						289
<b>Short Term Debtors</b>	21,108						21,108
<b>Cash and Cash Equivalents</b>	226			1,405			1,631
<b>Current Assets</b>	<b>45,464</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>707</b>	<b>46,171</b>
<b>Short Term Borrowing</b>	(817)			(112)			(929)
<b>Short Term Creditors</b>	(38,892)	(4,288)	2,479		(601)		(41,302)
<b>Current Liabilities</b>	<b>(39,709)</b>	<b>(4,288)</b>	<b>2,479</b>	<b>(112)</b>	<b>(601)</b>	<b>-</b>	<b>(42,231)</b>
<b>Provisions</b>	(6,754)						(6,754)
<b>Long Term Borrowing</b>	(98,472)			112			(98,360)
Government Grants Deferred Account	(3,570)		3,570				-
Capital Contributions Deferred Account	(77,944)		77,944				-
<b>Other Long Term Liabilities</b>							
PFI & Other Long Term Liabilities	(21,690)				(49)		(21,739)
Net pensions liability	(212,510)						(212,510)
<b>Capital Grants Receipts in Advance</b>			(2,210)				(2,210)
<b>Long Term Liabilities</b>	<b>(420,940)</b>	<b>-</b>	<b>79,304</b>	<b>112</b>	<b>(49)</b>	<b>-</b>	<b>(341,573)</b>
<b>Net Assets</b>	<b>41,992</b>	<b>(4,288)</b>	<b>81,783</b>	<b>-</b>	<b>(12)</b>	<b>402</b>	<b>119,877</b>
<b>Usable reserves</b>							
- Council Fund	7,137						7,137
- Earmarked reserves	16,231						16,231
- Capital Receipts Reserve	14,307						14,307
- Capital Grants Unapplied	-		269				269
<b>Unusable Reserves</b>							
- Revaluation Reserve	3,000					838	3,838
- Pensions Reserve	(212,510)						(212,510)
- Capital Adjustment Account	220,171		81,514		(12)	(436)	301,237
- Financial Instruments Adjustment Account	(6,344)						(6,344)
- Accumulating Absences Account	-	(4,288)					(4,288)
<b>Total Reserves</b>	<b>41,992</b>	<b>(4,288)</b>	<b>81,783</b>	<b>-</b>	<b>(12)</b>	<b>402</b>	<b>119,877</b>

The table shown below demonstrates the adjustments made for the transition from the Statement of Recommended Practice (SORP) Balance Sheet as at 31 March 2010 to the International Financial Reporting Standards (IFRS) Balance Sheet as at 31 March 2010. The adjustment figures provided in the table are also inclusive of the transition adjustments for 2009/10 to show the full transition :-

# Statement of Accounts

2010/11

	Balance Sheet as at 31/03/10 (SORP Compliant) £'000	IFRS Adjustments 01/04/09	Short Term Accumulating Compensated Absences £'000	Government Grants & Capital Contributions £'000	Cash & Cash Equivalents £'000	PFI & Finance Leases Reclassification £'000	Fixed Assets Reclassification £'000	Balance Sheet as at 31/03/10 (IFRS Compliant) £'000
<b>Property, Plant &amp; Equipment</b>								
- other land and buildings	388,405	4,414					(1,474)	391,345
- vehicles, plant, furniture and equipment	4,262	638				30		4,930
- infrastructure	102,270	(312)					(161)	101,797
- community assets	3,244	1,215					(1,215)	3,244
- assets under construction	7,110	(92)					(973)	6,045
- surplus assets not held for sale	12,866	475					1,671	15,012
<b>Investment Property</b>								
- Investment property	7,539	(6,005)					1,279	2,813
<b>Long Term Debtors</b>								
Housing Advances	160							160
Finance Leases						832		832
<b>Long Term Assets</b>	<b>525,856</b>	<b>333</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>862</b>	<b>(873)</b>	<b>526,178</b>
<b>Short Term Investments</b>	<b>10,078</b>	<b>(1,405)</b>			<b>1,405</b>			<b>10,078</b>
<b>Assets held for sale</b>		<b>707</b>					<b>(707)</b>	<b>-</b>
<b>Inventories</b>	<b>304</b>							<b>304</b>
<b>Short Term Debtors</b>	<b>24,573</b>						<b>(1)</b>	<b>24,572</b>
<b>Cash and Cash Equivalents</b>	<b>4,042</b>	<b>1,405</b>			<b>(1,405)</b>			<b>4,042</b>
<b>Current Assets</b>	<b>38,997</b>	<b>707</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(708)</b>	<b>38,996</b>
<b>Short Term Borrowing</b>	<b>(1,853)</b>	<b>(112)</b>			<b>112</b>			<b>(1,853)</b>
<b>Short Term Creditors</b>	<b>(27,874)</b>	<b>(2,111)</b>	<b>323</b>	<b>(143)</b>		<b>(58)</b>		<b>(29,863)</b>
<b>Current Liabilities</b>	<b>(29,727)</b>	<b>(2,223)</b>	<b>323</b>	<b>(143)</b>	<b>112</b>	<b>(58)</b>	<b>-</b>	<b>(31,716)</b>
<b>Provisions</b>	<b>(12,393)</b>							<b>(12,393)</b>
<b>Long Term Borrowing</b>	<b>(96,540)</b>	<b>112</b>			<b>(112)</b>			<b>(96,540)</b>
Government Grants Deferred Account	(3,422)	3,570		(148)				-
Capital Contributions Deferred Account	(75,413)	77,944		(2,531)				-
<b>Other Long Term Liabilities</b>								
PFI & Other Long Term Liabilities	(23,607)	(49)				20		(23,636)
Net pensions liability	(291,290)							(291,290)
<b>Capital Grants Receipts in Advance</b>		<b>(2,509)</b>		<b>69</b>				<b>(2,440)</b>
<b>Long Term Liabilities</b>	<b>(502,665)</b>	<b>79,068</b>	<b>-</b>	<b>(2,610)</b>	<b>(112)</b>	<b>20</b>	<b>-</b>	<b>(426,299)</b>
<b>Net Assets</b>	<b>32,461</b>	<b>77,885</b>	<b>323</b>	<b>(2,753)</b>	<b>-</b>	<b>824</b>	<b>(1,581)</b>	<b>107,159</b>
<b>Usable reserves</b>								
- Council Fund	7,141							7,141
- Earmarked reserves	16,785							16,785
- Capital Receipts Reserve	14,984							14,984
- Capital Grants Unapplied	-	269		(74)				195
<b>Unusable Reserves</b>								
- Revaluation Reserve	113,804	838					(1,863)	112,779
- Pensions Reserve	(291,290)							(291,290)
- Capital Adjustment Account	177,177	81,066		(2,679)		824	282	256,670
- Financial Instruments Adjustment Account	(6,140)							(6,140)
- Accumulating Absences Account	-	(4,288)	323					(3,965)
<b>Total Reserves</b>	<b>32,461</b>	<b>77,885</b>	<b>323</b>	<b>(2,753)</b>	<b>-</b>	<b>824</b>	<b>(1,581)</b>	<b>107,159</b>

The below demonstrates the movement from the Income and Expenditure account in accordance with the SORP to the Comprehensive Income and Expenditure statement in accordance with IFRS together with the required adjustments to complete the transition:-



# Statement of Accounts

2010/11

	Net Expenditure (SORP 09/10) £'000	Short Term Accumulating Compensated Absences £'000	Government Grants & Capital Contributions £'000	PFI & Finance Leases Reclass- ification £'000	Fixed Assets Adjust- ments £'000	Net Expenditure (IFRS 09/10) £'000
Children's and Education Services	136,513	(354)	4,202	(2)		140,359
Adult Social Care	36,185	8	78			36,271
Highways, Roads and Transport Services	18,891	1	7,016			25,908
Housing Services	3,044	1				3,045
Central Services to the Public	16,395	5	497	(12)	(3,046)	13,839
Cultural, Environmental and Planning Services	33,783	10	2,229	(19)	(491)	35,512
Corporate and Democratic Core	5,872	6				5,878
Non-Distributed Costs	530					530
<b>Cost Of Services</b>	<b>251,213</b>	<b>(323)</b>	<b>14,022</b>	<b>(33)</b>	<b>(3,537)</b>	<b>261,342</b>
<b>Other Operating Expenditure</b>						
Payments of precepts	8,530					8,530
Levies payable	7,100					7,100
(Gain) / loss on disposal of non current fixed assets	1,616				(903)	713
<b>Other Operating Expenditure</b>	<b>17,246</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(903)</b>	<b>16,343</b>
<b>Financing and Investment Income and Expenditure</b>						
Interest payable on debt	4,724					4,724
Interest element of finance leases (lessee)	-			41		41
Interest payable on PFI unitary payments	1,619					1,619
Pensions interest costs	26,430					26,430
Expected return on pension assets	(11,030)					(11,030)
Investment Interest income	(669)					(669)
(Gain) / loss on trading accounts (not applicable to a service)	(465)					(465)
(Gain) / loss on disposal of investment properties					3,459	3,459
<b>Financing and Investment Income and Expenditure</b>	<b>20,609</b>	<b>-</b>	<b>-</b>	<b>41</b>	<b>3,459</b>	<b>24,109</b>
<b>Taxation and Non-Specific Grant Income</b>						
Revenue Support Grant	(138,312)					(138,312)
Council tax	(59,095)					(59,095)
National Non Domestic Rates	(35,937)					(35,937)
Recognised capital grants and contributions	-		(12,362)			(12,362)
Non service related government grants	(2,149)					(2,149)
<b>Taxation and Non-Specific Grant Income</b>	<b>(235,493)</b>	<b>-</b>	<b>(12,362)</b>	<b>-</b>	<b>-</b>	<b>(247,855)</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>53,575</b>	<b>(323)</b>	<b>1,660</b>	<b>8</b>	<b>(981)</b>	<b>53,939</b>
<b>Surplus or deficit on revaluation of non current assets</b>	<b>(113,091)</b>				<b>2,562</b>	<b>(110,529)</b>
<b>Actuarial gains / losses on pension assets / liabilities</b>	<b>69,130</b>					<b>69,130</b>
<b>Other Comprehensive Income and Expenditure</b>	<b>(83)</b>				<b>261</b>	<b>178</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>9,531</b>	<b>(323)</b>	<b>1,660</b>	<b>8</b>	<b>1,842</b>	<b>12,718</b>

**Notes to the Movement in Reserves Statement****2. 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 tables below detail the adjustments for 2009/10 for comparative purposes and the adjustments for 2010/11:-

# Statement of Accounts

2010/11

	Council Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Revaluation Reserve	Pensions Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Short term Compensated Absences	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>										
<b>Adjustments Primarily Involving the Capital Adjustment Account</b>										
Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement	22,205			22,205			(22,205)			(22,205)
Charges for Depreciation & Impairment of Non-Current Assets	1,160			1,160			(1,160)			(1,160)
Revaluation losses on Property, Plant & Equipment	(342)			(342)			342			342
Movement in market value of investment property	(8,236)			(8,236)			8,236			8,236
Movement in value of held for sale assets	2,642			2,642			(2,642)			(2,642)
Capital grant and contributions applied										
Revenue Expenditure Funded from Capital under Statute										
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	129			129	(20)		(109)			(129)
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.					(1,467)		1,467			
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>										
Statutory Provision for the financing of capital investment	(6,169)			(6,169)			6,169			6,169
Capital expenditure charged against the Council Fund balance	(923)			(923)			923			923
<b>Adjustments primarily involving the Capital Grants Unapplied Account :</b>										
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(326)		326							
Application of grants to capital financing transferred to the Capital Adjustment Account			(132)	(132)			132			132
<b>Adjustments primarily involving the Capital Receipts Reserve</b>										
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(743)	743								
Use of Capital Receipts Reserve to finance new capital expenditure		(3,980)		(3,980)			3,980			3,980
<b>Adjustments primarily involving the Financial Instrument Adjustment Account</b>										
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(205)			(205)				205		205
<b>Adjustments primarily involving the Pensions Reserve</b>										
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(38,880)			(38,880)		38,880				38,880
Employer's contributions to pension schemes	(16,600)			(16,600)		16,600				16,600
<b>Adjustments primarily involving the Accumulated Absences Account</b>										
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(237)			(237)					237	237
<b>Total Adjustments 2010/11</b>	<b>(46,525)</b>	<b>(3,237)</b>	<b>194</b>	<b>(49,568)</b>	<b>(1,467)</b>	<b>55,480</b>	<b>(4,667)</b>	<b>205</b>	<b>237</b>	<b>49,568</b>

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2010/11

2009/10	Council Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Revaluation Reserve	Pensions Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Short term Compensated Absences	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>										
<b>Adjustments Primarily Involving the Capital Adjustment Account</b>										
Reversal of items Debited or Credited to the Comprehensive Income and Expenditure Statement	25,442			25,442			(25,442)			(25,442)
Charges for Depreciation & Impairment of Non-Current Assets	33,500			33,500			(33,500)			(33,500)
Revaluation losses on Property, Plant & Equipment	3,459			3,459			(3,459)			(3,459)
Movement in the market value of Investment Properties	(12,198)			(12,198)			12,198			12,198
Capital grant and contributions applied	1,339			1,339			(1,339)			(1,339)
Revenue Expenditure Funded from Capital under Statute										
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	1,195			1,195	(11)		(1,184)			(1,195)
Adjustment between CAA and Revaluation Reserve for depreciation that is related to the revaluation balance rather than Historic Cost.					(1,577)		1,577			
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>										
Statutory Provision for the financing of capital investment	(5,982)			(5,982)			5,982			5,982
Capital expenditure charged against the Council Fund balance	(735)			(735)			735			735
<b>Adjustments primarily involving the Capital Grants Unapplied Account :</b>										
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(164)		164							
Application of grants to capital financing transferred to the Capital Adjustment Account			(236)							
<b>Adjustments primarily involving the Capital Receipts Reserve</b>										
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(482)	482								
Use of Capital Receipts Reserve to finance new capital expenditure		(544)								544
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>										
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(204)			(204)				204		204
<b>Adjustments primarily involving the Pensions Reserve</b>										
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	26,260			26,260		(26,260)				(26,260)
Employer's contributions and direct payments to pensioners payable in the year	(16,610)			(16,610)		16,610				16,610
<b>Adjustments primarily involving the Accumulated Absences Account</b>										
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(323)			(323)					323	323
<b>Total Adjustments 2009/10</b>	<b>54,497</b>	<b>(62)</b>	<b>(74)</b>	<b>54,361</b>	<b>(1,058)</b>	<b>(9,650)</b>	<b>(43,050)</b>	<b>204</b>	<b>323</b>	<b>(54,361)</b>

## Notes to the Comprehensive Income and Expenditure Statement

## 3. 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:

2009/10 £'000		2010/11 £'000
	<b>Precepts</b>	
7,117	South Wales Police Authority	7,525
1,413	Community Councils	1,461
<b>8,530</b>	<b>Sub total</b>	<b>8,986</b>
	<b>Levies</b>	
6,639	South Wales Fire and Rescue Authority	6,781
259	Coroners Service	238
54	South Wales Sea Fisheries	-
126	Archive Service	128
2	Margam Crematorium Joint Committee	2
20	Swansea Bay Port Health Authority	20
<b>7,100</b>	<b>Sub total</b>	<b>7,169</b>
<b>15,630</b>	<b>Total</b>	<b>16,155</b>

## 4. Trading activities

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

2009/10 Income £'000	2009/10 Exp. £'000	2009/10 Deficit/ (Surplus) £'000	Activity	2010/11 Income £'000	2010/11 Exp. £'000	2010/11 Deficit/ (Surplus) £'000	Target £'000	Variance £'000
(5,860)	6,011	151	Sports and Recreation (Indoor)	(5,877)	5,731	(146)	-	(146)
(2,104)	2,117	13	Grounds Maintenance	-	-	-	-	-
(273)	273	-	Outdoor Leisure	-	-	-	-	-
(3,573)	3,539	(34)	Building Maintenance	(3,663)	3,640	(23)	(23)	-
(2,062)	2,038	(24)	Other Cleaning	-	-	-	-	-
(1,165)	1,099	(66)	Building Cleaning	(1,214)	1,149	(65)	(52)	(13)
(3,789)	3,753	(36)	Fleet Services	(3,348)	3,312	(36)	(37)	1
(717)	559	(158)	Other Catering	-	-	-	-	-
(4,953)	4,642	(311)	Highway Maintenance	(5,354)	4,892	(462)	(55)	(407)
				-	-	-	-	-
<b>(24,496)</b>	<b>24,031</b>	<b>(465)</b>	<b>Transfer to I &amp; E Account</b>	<b>(19,456)</b>	<b>18,724</b>	<b>(732)</b>	<b>(167)</b>	<b>(565)</b>

The surplus against target on Sports and Recreation (Indoor) Service has resulted from savings achieved on energy costs and from the six month closure of Maesteg Swimming Pool. From 2011/12, this service will no longer be treated as a trading account as the Council has resolved to seek an external partner to run its Leisure Centres and Swimming Pools from 1 April 2012.

The Building Maintenance Service broke even during the year as did Fleet Services.

Building Cleaning exceeded target mainly due to additional income received from variation orders above contract.

As mentioned in the Statement of Accounts for 2009/10, the Grounds Maintenance, Outdoor Leisure and Other Cleaning Services are no longer treated as internal trading organisations in order to reduce unnecessary internal charging. Work is also underway to look at the feasibility of removing internal charging on the Highways Maintenance trading account.

In 2010/11 the surplus on the Highways Maintenance trading account was significantly improved on target due to additional work carried out for the South East Wales Trunk Road Agency (SEWTRA), in particular due to the severe winter weather.

The Other Catering Service is no longer treated as a Trading Account in 2010/11 following decisions made by the Council to sign up in principle to a shared service for the Arts (Arts Council) and to seek competitive bids for either the freehold/leasehold disposal or alternative management arrangement for Bryngarw House.

## **5. Revenue Support Grant & Other Government Grants**

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 2010/11 was £143.04m (£138.31m for 2009/10).

In addition to the Revenue Support Grant, the Authority received specific government grants which amounted to £100.798m (£93.687m for 2009/10) and non-specific grants of £1.383m (£2.149m for 2009/10) together with £8.562m of Capital Grants non-specific grants (£12.362m for 2009/10). Grant income sits within the gross income column within services except for the Improvement Agreement Grant and capital grants and contributions. The main specific grants within services are shown below:-

2009/10 Restated £'000	Specific Grants	2010/11 £'000
37,625	Housing Benefit Subsidy	41,589
10,892	Council Tax Benefit Subsidy	11,834
7,742	DCELLS Grant	7,759
2,684	Foundation Phase Grants	3,484
2,317	PFI Grant	2,262
3,427	Other Children	9,171
2,647	Other Social Services	1,346
6,831	Others	3,549
3,885	Supporting People	3,941
1,757	Resettlement Grant	1,773
1,013	Substance Misuse Action Plan	937
2,908	Concessionary Fares Grant	2,602
1,197	Flying Start	1,628
2,514	Sustainable Waste Grant	3,108
	Housing/Council Tax Benefit	
1,278	Administration	1,193
468	Local Transport Services	487
1,382	Communities First	1,482
3,120	Cymorth	2,653
<b>93,687</b>	<b>Total</b>	<b>100,798</b>

2009/10 Restated £'000	Other Government Grants	2010/11 £'000
758	Deprivation Grant	-
1,391	Improvement Agreement Grant	1,383
12,362	Capital Grants & Contributions	8,562
<b>14,511</b>	<b>Total</b>	<b>9,945</b>
<b>108,198</b>		<b>110,743</b>

## 6. 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 – 48,970.69 dwellings for 2010/11 (48,630.09 in 2009/10). The basic amount for a Band D property is £1,240.56 in 2010/11 (£1,184.12 in 2009/10 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:

# Statement of Accounts

2010/11

Band	A*	A	B	C	D	E	F	G	H	I
<b>Multiplier</b>	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
<b>Chargeable Dwellings</b>	21	9,937	14,579	13,520	9,114	6,625	3,673	1,283	278	81

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

2009/10 £'000		2010/11 £'000
59,095	Council Tax Collectable	62,498
	Less:	
(1,413)	Payable to Community Councils	(1,461)
(7,117)	Payable to South Wales Police	(7,525)
(121)	Provision for non payment of Council Tax	(107)
<b>50,444</b>	<b>Net Proceeds from Council Tax</b>	<b>53,405</b>

## 7. 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 40.9p in 2010/11 (48.9p in 2009/10). 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 Rateable Value as at 31 March 2011 is £104.718m.

The Authority 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 £37.667m in 2010/11 (£35.937m in 2009/10).

## 8. Leases

### Authority as Lessee

#### Finance Leases

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

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
638	668	Vehicles, Plant & Equipment Finance Leases	387

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



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

31 March 2010 £'000		31 March 2011 £'000
	Finance Lease Liabilities (Net Present Value of minimum lease payments) :-	
285	* current	156
404	* non-current	248
53	Finance Costs payable in future years	28
<b>742</b>	<b>Minimum lease payments</b>	<b>432</b>
311	Not later than one year	170
431	Later than one year and not later than five years	262
-	- Later than five years	-
<b>742</b>	<b>Total</b>	<b>432</b>

Operating Leases

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

31 March 2010 £'000		31 March 2011 £'000
2,138	Not later than one year	2,066
4,154	Later than one year and not later than five years	4,096
10,421	Later than five years	9,461
<b>16,713</b>	<b>Total</b>	<b>15,623</b>

Expenditure charged in the year to the Service areas was £2.533m made up of minimum lease payments of £1.645m and £0.888m for contingent rents (£2.559m in 2009/10 made up of £1.619m minimum lease payments and £0.940m contingent rents).

Authority as Lessor

Operating Leases

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

31 March 2010 £'000		31 March 2011 £'000
216	Not later than one year	225
317	Later than one year and not later than five years	375
710	Later than five years	671
<b>1,243</b>	<b>Total</b>	<b>1,271</b>

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

Under Section 33 NHS (Wales) Act 2006 the following informal joint arrangements refer to joint working with Bridgend Local Health Board.

Purpose of Partnership	Trust Expenditure £'000	BCBC Expenditure £'000	Total Expenditure £'000	Total WG Grant £'000
Transition to Adults Services	42	36	78	78
Community Reablement Project	216	445	661	205
Intermediate Care Development Manager	-	55	55	55
Community Disability Rehabilitation Team	173	93	266	-
Health, Social Care & Well Being Strategy	-	100	100	100
<b>Total</b>	<b>431</b>	<b>729</b>	<b>1,160</b>	<b>438</b>

Total WG Grant – This is in respect of the Joint Working Grant.

There are however some formal pooled budget arrangements between the Authority and the NHS Trust and these are detailed below :-

Authority's Contribution 2009/10 £'000	Partner	Purpose of Partnership	Gross Income Of Partnership £'000	Gross Expenditure of Partnership £'000	Authority's Contribution 2010/11 £'000
275	Abertawe Bro-Morgannwg University Health Board	Integrated Service Provision using a Pooled Fund. Provision of day opportunities for people recovering from mental health problems.	558	558	275
502	Abertawe Bro-Morgannwg University Health Board	Lead Commissioning from a Pooled Fund for procuring specified community equipment for eligible people within the Council's administrative area.	569	569	548

## 10. 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. The arrangement will run until August 2033. There is a commitment of £30.5m (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:-

2009/10 £'000	Unitary Charge	2010/11 £'000
502	Service Charge Element	523
1,619	Interest Element	1,593
328	Finance Lease Liability	353
<b>2,449</b>	<b>Total</b>	<b>2,469</b>

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

Unitary Charge	2011/12 £'000	2012/13 to 2016/17 £'000	2017/18 to 2021/22 £'000	2022/23 to 2026/27 £'000	2027/28 to 2031/32 £'000	2032/33 to 2033/34 £'000
Service Charge Element	502	2,511	2,511	2,511	2,511	1,004
Interest Element	1,566	7,342	6,264	4,701	2,435	146
Finance Lease Liability	381	2,393	3,470	5,032	7,299	2,434
<b>Total</b>	<b>2,449</b>	<b>12,246</b>	<b>12,245</b>	<b>12,244</b>	<b>12,245</b>	<b>3,584</b>

The Council meets the costs of the Unitary Charge from its own resources and funding from the WG. The profile of funding from WG reduces annually until the expiry of the contract term whereas the unitary charge payable by the Authority 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 2011, the balance on the PFI equalisation earmarked reserve is £1.647m (£1.067m as at 31 March 2010).

#### **11. 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 2010/11 has been calculated as shown in the table below. It is based on the opening Capital Financing Requirement (CFR) of the Authority.

2009/10 Restated £'000		2010/11 £'000
153,142	CFR 1 April	156,731
(21,690)	PFI School	(21,362)
-	- Innovation Centre	(917)
(651)	Finance Leases	(689)
(82)	Factor A Adjustment	(82)
(3,334)	CFR Adj Para 19 2008	(4,473)
<b>127,385</b>	<b>Adjusted CFR</b>	<b>129,208</b>
5,095	MRP - 4%	5,168
328	PFI School - MRP Charge	353
-	- Innovation Centre MRP Charge	22
273	Finance Leases MRP Charge	285
286	Unsupported Borrowing MRP	341
<b>5,982</b>	<b>Total MRP</b>	<b>6,169</b>

Additional MRP charges are made to match the financial liability being written down in the year for the PFI School, the Innovation Centre's loan in substance and Finance Leases.

## 12. Officers' Remuneration

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

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

2009/10 Number of Employees inc Redundancy Costs	Remuneration Band	Number of Employees			
		Movement in Bandings	2010/11 inc Redundancy Costs	2010/11 exc Redundancy Costs	Number of Teachers inc in Figures
18	£60,000 - £64,999	(5)	13	13	12
6	£65,000 - £69,999	5	11	11	11
7	£70,000 - £74,999	(3)	4	4	4
8	£75,000 - £79,999	4	12	11	3
1	£80,000 - £84,999	-	1	1	-
1	£85,000 - £89,999	1	2	2	2
3	£90,000 - £94,999	(3)	-	-	-
2	£95,000 - £99,999	(1)	1	1	-
2	£100,000 - £104,999	(1)	1	1	-
3	£105,000 - £109,999	1	4	4	2
-	£110,000 - £114,999	1	1	1	-
-	£115,000 - £119,999	-	-	-	-
-	£120,000 - £124,999	-	-	-	-
-	£125,000 - £129,999	-	-	-	-
-	£130,000 - £134,999	-	-	-	-
-	£135,000 - £139,999	-	-	-	-
1	£140,000 - £144,999	-	1	1	-
<b>52</b>		<b>(1)</b>	<b>51</b>	<b>50</b>	<b>34</b>

The amended Regulations have changed to bandings of £5k.

Within the Remuneration Bands are a number of senior employees of the Authority who have also been included in the following Table 2 : Senior Officers' Disclosure. This is a disclosure requirement to disclose individual remuneration details for all senior employees under the Accounts and Audit (Wales) (amendment) Regulations 2010. There are no Returning Officer payments included in the below. This disclosure is shown in Table 2 below.

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2010/11

**Table 2 : Senior Officers' Disclosure**

Job Title	Salary		Expenses		Benefits in Kind		Pension Contributions		Total Remuneration including Pension Contributions	
	10/11 £	09/10 £	10/11 £	09/10 £	10/11 £	09/10 £	10/11 £	09/10 £	10/11 £	09/10 £
Chief Executive Officer & Head of Paid Service	131,178	131,251	495	429	10,267	11,101	27,529	27,529	169,469	170,310
Corporate Director - Children	104,068	104,068	251	365	4,817	3,740	21,854	21,854	130,990	130,027
Corporate Director - Communities	101,857	99,646	266	266	8,987	7,037	21,390	20,926	132,500	127,875
Corporate Director - Wellbeing	101,857	99,646	-	19	5,926	6,182	21,390	20,926	129,173	126,773
Assistant Chief Exec. - Legal & Regulatory Services	93,120	88,458	423	252	7,641	8,853	19,555	18,576	120,739	116,139
Assistant Chief Executive - Performance	88,458	86,582	874	301	8,478	7,861	18,576	18,182	116,386	112,926
Section 151 Officer (Note 1)	78,932	79,350	242	265	1,189	165	16,575	16,663	96,938	96,443

Note 1 : The Section 151 Officer left the Authority on 01/03/11 and the Section 151 responsibilities were given to the Assistant Chief Executive - Performance

Note 2 : Pension Contributions relate to actual payments made

**13. Members' allowances**

The expenditure on Members' allowances for 2010/11 was £1,060k (£1,033k in 2009/10). This is made up of basic allowances (£808k) and special responsibility allowances (£252k). Allowances paid are based in accordance with the statutory 'Guidance on the Local Authorities (Allowances for Members of County and County Borough Councils and National Park Authorities) (Wales) Regulations 2002', which is produced by the Welsh Government.

**14. External audit costs**

In 2010/11 Bridgend County Borough Council incurred the following fees relating to external audit and inspection:

2009/10 £'000		2010/11 £'000
220	Financial Statement Audit	210
160	Performance Audit	160
<b>380</b>	<b>External Audit Services</b>	<b>370</b>
-	Statutory Inspection	-
90	Grant Claims and Returns	90
<b>470</b>	<b>Total</b>	<b>460</b>

**15. Group accounts**

The Council has interests in Groundwork Bridgend and Neath Port Talbot (Associate Company) and Mid Glamorgan Enterprise Company (Subsidiary Company). Mid Glamorgan Enterprise Company is a dormant company. Groundwork Bridgend and Neath Port Talbot Limited is a company limited by guarantee and registered charity whose objectives are to promote conservation and provide facilities in the interests of social welfare for recreation and leisure time occupation. Bridgend CBC has insufficient management influence or financial liability (£1) with Groundwork Bridgend and Neath Port Talbot to require consolidation to the accounts. Neither of these interests are considered to be material and consolidated accounts have not been prepared.

**16. Related party transactions**

The Authority 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 Authority.

**Welsh Government**

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

**Members**

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 13. Grants were made to organisations whose senior management included members including Groundwork Bridgend and Neath Port Talbot (£47.5k in both 2009/10 and 2010/11), Bridgend Citizens Advice Bureau (£133k in both 2009/10 and 2010/11), Maesteg Citizens Advice Bureau (£106k in both 2009/10 and 2010/11) and Bridgend Association of Voluntary Organisations (£117k in both 2009/10 and 2010/11). In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interests.

**Other Public Bodies**

The Authority has a number of pooled budget arrangements with Abertawe Bro-Morgannwg University Health Board as detailed in Note 9.

The Authority has a 25 year contract with Neath Port Talbot County Borough Council to dispose of its residual waste using the MREC facility the value of which was £4.99m in 2010/11.

The Authority makes payments to the Local Government Pension Fund administered by Rhondda-Cynon-Taff County Borough Council. Further information about the amount paid is detailed in Note 34 below.

**17. 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 *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Authority'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 Authority's principal Directorates recorded in the budget reports for the year is as follows:



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Directorate Income and Expenditure 2010/11	Children £'000	Wellbeing £'000	Communities £'000	Other Services £'000	Total £'000
Fees, charges & other service income	(14,448)	(21,589)	(18,073)	(17,726)	(71,836)
Government grants	(25,515)	(5,898)	(13,749)	(55,636)	(100,798)
<b>Total Income</b>	<b>(39,963)</b>	<b>(27,487)</b>	<b>(31,822)</b>	<b>(73,362)</b>	<b>(172,634)</b>
Employee expenses	101,580	33,529	17,187	23,373	175,669
Other operating expenses	54,053	36,940	40,538	72,410	203,941
<b>Total Expenditure</b>	<b>155,633</b>	<b>70,469</b>	<b>57,725</b>	<b>95,783</b>	<b>379,610</b>
<b>Net Expenditure</b>	<b>115,670</b>	<b>42,982</b>	<b>25,903</b>	<b>22,421</b>	<b>206,976</b>

Directorate Income and Expenditure 2009/10	Children £'000	Wellbeing £'000	Communities £'000	Other Services £'000	Total £'000
Fees, charges & other service income	(14,517)	(20,587)	(19,943)	(17,064)	(72,111)
Government grants	(24,116)	(6,670)	(12,230)	(50,671)	(93,687)
<b>Total Income</b>	<b>(38,633)</b>	<b>(27,257)</b>	<b>(32,173)</b>	<b>(67,735)</b>	<b>(165,798)</b>
Employee expenses	98,706	33,867	16,855	23,304	172,732
Other operating expenses	52,105	35,695	43,122	66,651	197,573
<b>Total Expenditure</b>	<b>150,811</b>	<b>69,562</b>	<b>59,977</b>	<b>89,955</b>	<b>370,305</b>
<b>Net Expenditure</b>	<b>112,178</b>	<b>42,305</b>	<b>27,804</b>	<b>22,220</b>	<b>204,507</b>

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### 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 :-

	2009/10 £'000	2010/11 £'000
<b>Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement</b>		
Cost of Services in Service Analysis	204,507	206,976
Add services not included in main analysis	4,557	5,032
Add amounts not reported to management	53,473	(39,992)
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(1,195)	(808)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>261,342</b>	<b>171,208</b>

### Reconciliation to Subjective Analysis

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

2010/11	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	(71,836)	(6,690)	-	19,456	(59,070)	(19,456)	(78,526)
Interest and investment income	-	-	-	-	-	(490)	(490)
Income from council tax	-	-	-	-	-	(62,498)	(62,498)
Government grants and contributions	(100,798)	-	-	-	(100,798)	(190,648)	(291,446)
<b>Total Income</b>	<b>(172,634)</b>	<b>(6,690)</b>	-	<b>19,456</b>	<b>(159,868)</b>	<b>(273,092)</b>	<b>(432,960)</b>
Employee expenses	175,669	-	(65,077)	-	110,592	9,360	119,952
Other service expenses	203,941	11,722	-	(18,724)	196,939	18,724	215,663
Depreciation, amortisation and impairment	-	-	25,085	-	25,085	-	25,085
Interest Payments	-	-	-	(1,540)	(1,540)	6,370	4,830
Precepts & Levies	-	-	-	-	-	16,155	16,155
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	(956)	(956)
<b>Total Expenditure</b>	<b>379,610</b>	<b>11,722</b>	<b>(39,992)</b>	<b>(20,264)</b>	<b>331,076</b>	<b>49,653</b>	<b>380,729</b>
<b>Surplus or deficit on the provision of services</b>	<b>206,976</b>	<b>5,032</b>	<b>(39,992)</b>	<b>(808)</b>	<b>171,208</b>	<b>(223,439)</b>	<b>(52,231)</b>

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Reconciliation to Subjective Analysis Comparative Year 2009/10	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	(72,111)	(1,441)	-	24,496	(49,056)	(24,496)	(73,552)
Interest and investment income	-	-	-	-	-	(669)	(669)
Income from council tax	-	-	-	-	-	(59,095)	(59,095)
Government grants and contributions	(93,687)	-	-	-	(93,687)	(188,760)	(282,447)
<b>Total Income</b>	<b>(165,798)</b>	<b>(1,441)</b>	-	<b>24,496</b>	<b>(142,743)</b>	<b>(273,020)</b>	<b>(415,763)</b>
Employee expenses	172,732	-	(6,073)	-	166,659	15,400	182,059
Other service expenses	197,573	5,998	-	(24,031)	179,540	24,031	203,571
Depreciation, amortisation and impairment	-	-	59,546	-	59,546	-	59,546
Interest Payments	-	-	-	(1,660)	(1,660)	6,384	4,724
Precepts & Levies	-	-	-	-	-	15,630	15,630
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	4,172	4,172
<b>Total Expenditure</b>	<b>370,305</b>	<b>5,998</b>	<b>53,473</b>	<b>(25,691)</b>	<b>404,085</b>	<b>65,617</b>	<b>469,702</b>
<b>Surplus or deficit on the provision of services</b>	<b>204,507</b>	<b>4,557</b>	<b>53,473</b>	<b>(1,195)</b>	<b>261,342</b>	<b>(207,403)</b>	<b>53,939</b>

## Notes to the Balance Sheet

### 18. Tangible Fixed Assets

#### a) Capital commitments

As at 31 March 2011 commitments of approximately £6.4m existed on capital works contracts started before that date, details of which are shown in the table below.

2009/10 Restated £'000		2010/11 £'000
	- Litchard Primary Amalgamation	2,267
5,600	Archbishop McGrath New Comprehensive	1,543
4,268	Bridgend Day Centre & Localised Bases	853
	- Tremains Primary Amalgamation	710
	- Mynydd Cynffig Primary Amalgamation	400
428	Brackla Primary Amalgamation	370
	- Bryncethin Primary Amalgamation	147
894	Bryntirion Primary Amalgamation	143
393	Caerau Primary School	-
<b>11,583</b>	<b>Total</b>	<b>6,433</b>

#### b) Notes on Fixed Assets

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

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

Numbers of fixed assets by type

Category	Number as at 31 March 2010	Number as at 31 March 2011
Schools	66	66
Other educational establishments	7	7
Libraries	8	8
Car parks	14	14
Cemeteries and buildings	20	20
Crematoria	1	1
Reclaimed land	18	18
Markets	2	2
Shops	9	9
Public conveniences	16	16
Nature reserves	1	1
Social Services establishments	27	27
Bus stations	2	2
Sports pavilions	42	41
Recreation grounds & parks	17	17
Recreation & entertainment centres	12	12
Community centres	16	16
Swimming pools	6	6
Industrial estates	23	23
Civic offices	2	2
Other offices	4	5
Depots	8	8
Vehicles	88	53
Vehicles - on Finance Lease	120	81
Miscellaneous assets	26	25
	<b>555</b>	<b>480</b>

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c) Summary of Property, Plant & Equipment (PPE)	Other Land and Buildings £'000	Vehicle, Plant and Equipment £'000	Infra-Structure £'000	Comm-unity Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE Assets £'000	PFI Assets Included in PPE £'000	Finance Leases in PPE £'000
<b>Cost or Valuation</b>									
At 1 April 2010	404,180	19,677	167,605	3,281	15,155	6,045	615,943	22,744	1,180
Additions	8,013	997	4,099	-	204	9,281	22,594	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(4,557)	-	-	-	-	-	(4,557)	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,165)	-	-	-	-	-	(1,165)	-	-
Derecognition - disposals	-	(534)	-	-	-	-	(534)	-	-
Assets Reclassified (to)/from Held for Sale	(2,009)	-	-	-	(100)	-	(2,109)	-	-
Other Movements in Cost or Valuation	1,226	-	-	61	-	(1,227)	60	-	-
<b>At 31 March 2011</b>	<b>405,688</b>	<b>20,140</b>	<b>171,704</b>	<b>3,342</b>	<b>15,259</b>	<b>14,099</b>	<b>630,232</b>	<b>22,744</b>	<b>1,180</b>
<b>Accumulated Depreciation and Impairments</b>									
At 1 April 2010	(12,835)	(14,747)	(65,808)	(37)	(143)	-	(93,570)	(239)	(512)
Depreciation Charge for 2010/11	(6,908)	(1,250)	(9,604)	-	(143)	-	(17,905)	(239)	(281)
Depreciation written out to the Revaluation Reserve	61	-	-	-	-	-	61	-	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	82	-	-	-	-	-	82	-	-
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	(944)	-	-	-	-	-	(944)	-	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(2,650)	-	(1,265)	-	(460)	-	(4,375)	-	-
Derecognition - disposals	-	531	-	-	-	-	531	-	-
Assets Reclassified (to)/from Held for Sale	64	-	-	-	4	-	68	-	-
<b>At 31 March 2011</b>	<b>(23,130)</b>	<b>(15,466)</b>	<b>(76,677)</b>	<b>(37)</b>	<b>(742)</b>	<b>-</b>	<b>(116,052)</b>	<b>(478)</b>	<b>(793)</b>
<b>Balance Sheet as at 1 April 2010</b>	<b>391,345</b>	<b>4,930</b>	<b>101,797</b>	<b>3,244</b>	<b>15,012</b>	<b>6,045</b>	<b>522,373</b>	<b>22,505</b>	<b>668</b>
<b>Balance Sheet as at 31 March 2011</b>	<b>382,558</b>	<b>4,674</b>	<b>95,027</b>	<b>3,305</b>	<b>14,517</b>	<b>14,099</b>	<b>514,180</b>	<b>22,266</b>	<b>387</b>

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Comparative Year	Other Land and Buildings £'000	Vehicle, Plant and Equipment £'000	Infra-Structure £'000	Comm-unity Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE Assets £'000	PFI Assets Included in PPE £'000	Finance Leases in PPE £'000
<b>Cost or Valuation</b>									
At 1 April 2009	356,834	18,777	163,262	3,159	6,814	9,233	558,079	22,907	869
Additions	11,160	953	4,343	122	1,006	2,656	20,240	-	311
Disposals	(646)	(53)	-	-	-	-	(699)	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	80,595	-	-	-	7,429	-	88,024	(163)	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(48,717)	-	-	-	(984)	-	(49,701)	-	-
Assets Reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-	-
Other Movements in Cost or Valuation	4,954	-	-	-	890	(5,844)	-	-	-
<b>At 31 March 2010</b>	<b>404,180</b>	<b>19,677</b>	<b>167,605</b>	<b>3,281</b>	<b>15,155</b>	<b>6,045</b>	<b>615,943</b>	<b>22,744</b>	<b>1,180</b>
<b>Accumulated Depreciation and Impairments</b>									
At 1 April 2009	(39,694)	(13,398)	(53,817)	(24)	(111)	-	(107,044)	(171)	(231)
Depreciation Charge for 2009/10	(6,705)	(1,329)	(10,431)	-	(127)	-	(18,592)	(239)	(281)
Depreciation written out to the Revaluation Reserve	18,478	-	-	-	40	-	18,518	-	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	10,684	-	-	-	71	-	10,755	-	-
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	3,984	-	-	-	-	-	3,984	171	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	246	(73)	(1,560)	(13)	-	-	(1,400)	-	-
Derecognition - disposals	157	53	-	-	-	-	210	-	-
Other Movements in Depreciation and Impairments	15	-	-	-	(16)	-	(1)	-	-
<b>At 31 March 2010</b>	<b>(12,835)</b>	<b>(14,747)</b>	<b>(65,808)</b>	<b>(37)</b>	<b>(143)</b>	<b>-</b>	<b>(93,570)</b>	<b>(239)</b>	<b>(512)</b>
<b>Balance Sheet as at 1 April 2009</b>	<b>317,140</b>	<b>5,379</b>	<b>109,445</b>	<b>3,135</b>	<b>6,703</b>	<b>9,233</b>	<b>451,035</b>	<b>22,736</b>	<b>638</b>
<b>Balance Sheet as at 31 March 2010</b>	<b>391,345</b>	<b>4,930</b>	<b>101,797</b>	<b>3,244</b>	<b>15,012</b>	<b>6,045</b>	<b>522,373</b>	<b>22,505</b>	<b>668</b>

d) Fixed asset valuation

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

e) Assets held under finance leases

A number of assets have been reclassified as finance leases under IFRS. There are additional notes on these within the Statement of Accounts.

f) Sources of finance for Capital Expenditure

2009/10 Restated £'000		2010/11 £'000
8,343	Loans	11,812
15,711	Government grants	12,492
586	Capital receipts	3,913
735	Revenue contribution	923
473	Other contribution	822
<b>25,848</b>	<b>Total</b>	<b>29,962</b>

g) 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.

2009/10 Restated £'000		2010/11 £'000
5,777	Operational non enhancement expenditure written out to impairment	4,786
5,687	Revenue Expenditure Funded from Capital under Statute	7,368
<b>11,464</b>	<b>Total</b>	<b>12,154</b>



h) Capital financing requirement and the financing of capital expenditure

Restated 2009/10 £'000	Capital Financing Requirement	2010/11 £'000
153,142	Opening Capital Financing Requirement	156,729
	<b>Capital Investment</b>	
16,266	Property, Plant and Equipment	22,594
3,663	Investment Properties	
5,687	Revenue Expenditure Funded from Capital under Statute	7,368
832	Recognition of Finance Leases (lessor)	
311	Recognition of Finance Leases within the Year	-
917	Recognition of Financial Liability	-
	<b>Sources of Finance</b>	
(16,784)	Grants & Contributions	(13,204)
(586)	Capital receipts applied	(4,024)
(735)	Revenue Contributions	(923)
(5,095)	Minimum Revenue Provision	(5,168)
(286)	Unsupported Borrowing MRP	(341)
(275)	Finance Leases MRP	(285)
-	Financial liabilities MRP	(22)
(328)	PFI School MRP	(353)
<b>156,729</b>	<b>Closing Capital Financing Requirement</b>	<b>162,371</b>
	<b>Explanation for Movements in Year</b>	
2,108	Increase in Underlying Need to Borrow (supported by government financial assistance)	2,101
854	Increase in Underlying Need to Borrow (unsupported by government financial assistance)	4,201
953	Assets acquired under finance leases	(307)
(328)	Assets acquired under PFI Contract	(353)
<b>3,587</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>5,642</b>

i) Capital Grants Received in Advance

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

1 April 2009 Restated £'000	2009/10 Restated £'000		2010/11 £'000
1,936	1,758	Developers' Contributions - capital element	1,533
274	682	Other Capital Grants & Contributions	85
<b>2,210</b>	<b>2,440</b>	<b>Total</b>	<b>1,618</b>

**19. 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:

2009/10 Restated £'000		2010/11 £'000
570	Rental Income from Investment Property	600
(130)	Direct Operating Expenses arising from Investment Property	(150)
<b>440</b>	<b>Net gain/(loss)</b>	<b>450</b>

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

2009/10 Restated £'000		2010/11 £'000
6,272	<b>Balance at 1 April</b>	2,813
(3,459)	Net gain from fair value adjustments	341
	Transfers to Property, Plant and Equipment	(60)
<b>2,813</b>	<b>Balance as at 31 March</b>	<b>3,094</b>

**20. 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 (£116k) and a Finance Lease for vehicles (£727k).

1 April 2009 Restated £'000	2009/10 Restated £'000		2010/11 £'000
203	160	Mortgages	116
0	832	Finance Leases	727
<b>203</b>	<b>992</b>	<b>Balance as at 31 March</b>	<b>843</b>

**21. Inventories**

Inventories are measured at the lower of cost and net realisable value. Details of the Authority's inventories as at 31 March 2011 are detailed below:-

	Total 2010/11 £'000
<b>Balance at 1 April</b>	304
Purchases	1,690
Recognised as an expense in the Year	(1,630)
Written off balances	(3)
<b>Balance as at 31 March</b>	<b>361</b>

The value of the Inventories for the two previous years was £289k as at 1 April 2009 and £304k for 09/10.

## 22. Short Term Debtors

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

1 April 2009 Restated £'000	2009/10 Restated £'000	Short-term Debtors	2010/11 £'000
7,987	11,103	Central Government Bodies	15,425
361	346	Other Local Authorities	980
76	1,593	NHS Bodies	876
3	3	Public Corporations & Trading Funds	-
12,681	11,527	Other Entities and Individuals	10,509
<b>21,108</b>	<b>24,572</b>	<b>Balance as at 31 March</b>	<b>27,790</b>

The Authority collects NNDR payments on behalf of Welsh Government. As at the 31 March 2011, the Authority had paid over more cash than it collected, this excess was included in the Balance Sheet as a debtor of £5.537m. The equivalent for 2009/10 was a debtor of £4.534m which represented monies not yet paid over to Welsh Government.

## 23. Assets Held for Sale

2009/10 Restated £'000	Assets Held for Sale	2010/11 £'000
707	<b>Balance at 1 April</b>	-
	Assets newly classified as held for sale:	
	- Property, Plant & Equipment	2,041
(707)	Assets Sold	(126)
-	<b>Balance as at 31 March</b>	<b>1,915</b>

**24. Short Term Creditors**

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

1 April 2009 Restated £'000	2009/10 Restated £'000	Short Term Creditors	2010/11 £'000
(12,439)	(3,634)	Central Government Bodies	(6,003)
(2,094)	(1,601)	Other Local Authorities	(924)
(337)	(421)	NHS Bodies	(404)
(26,432)	(24,207)	Other Entities and Individuals	(29,457)
<b>(41,302)</b>	<b>(29,863)</b>	<b>Balance as at 31 March</b>	<b>(36,788)</b>

**25. Provisions**

The Authority has a number of provisions as detailed below:-

1 April 2009 Restated £'000	2009/10 Restated £'000		Expenditure £'000	Increase £'000	Balance 2010/11 £'000
2,748	3,143	Insurance (BCBC)	(1,109)	606	2,640
2,550	7,823	Equal Pay	-	7,819	15,642
1,456	1,427	Waste Disposal	(727)	-	700
<b>6,754</b>	<b>12,393</b>	<b>Balance as at 31 March</b>	<b>(1,836)</b>	<b>8,425</b>	<b>18,982</b>

Insurance Provision

The Council has a self-insurance fund. This Insurance Provision has been set aside to meet the estimated cost to the Council of outstanding liabilities for policy years 2000-01 to 2008-09 for Employer's Liability, Public Liability and Property. However the actual cost of individual claims and the timing of payments are 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.

Other Provisions

Further provisions have been created to meet the anticipated costs of any valid equal pay claims which may be received and any liability for the waste disposal contract. The timing and amount of any payments is uncertain for Equal Pay. It must be stressed that the Council does not accept any liability for individual equal pay claims.

The balance of the waste disposal liability of £700k will be paid at £50k per annum over the next fourteen years.

**26. Government grants and capital contributions deferred**

Under IFRS, the balance on both the Government Grants Deferred Account and the Capital Contribution Deferred Account (which represented the remaining value of capital grants or contributions that had been applied to finance the acquisition or enhancement of fixed assets) was transferred to the Capital Adjustment Account on the 1 April 2009.

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

<b>1 April 2009 Restated £'000</b>	<b>2009/10 Restated £'000</b>		<b>Additions in Year £'000</b>	<b>Moved to Short Term Creditors £'000</b>	<b>2010/11 £'000</b>
21,362	21,009	Maesteg School PFI Lease Liability	-	(381)	20,628
-	1,328	Invest to Save Loan	225	(1,052)	501
-	895	Innovation Centre Financial Liability	-	(24)	871
377	404	Finance Lease Liability	-	(156)	248
<b>21,739</b>	<b>23,636</b>	<b>Balance as at 31 March</b>	<b>225</b>	<b>(1,613)</b>	<b>22,248</b>

The PFI Finance Lease Liability matches the fair value of the fixed asset for the PFI School as at the date the asset came onto the Authority's Balance Sheet being £21.898m (July 2008). This will be written down over the life of the PFI contract by the value of part of the unitary payment deemed to be the finance lease element each year. For 2010/11, the amount written down was £353k and £381k has been transferred to Short term creditors leaving an outstanding liability of £20.628m at year end.

A further Invest to Save Loan of £225k was received from Welsh Government during 2010/11 and this is interest free. This has been accounted for in accordance with the Code. Of the two Invest to Save loans, repayments of £1.052m will take place in 2011/12 and therefore have been moved to Short term creditors leaving a balance to be repaid in 2012/13 of £0.501m.

The Innovation Centre Financial Liability of £0.917m 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 2010/11 was £22k and £24k was transferred to Short term creditors resulting in a financial liability of £0.895m at 31 March 2011.

The liability for finance leases at year end of £0.248m relates leases for vehicles, plant and equipment classed as operating leases under UK GAAP being reclassified as finance leases to meet IFRS requirements.

**28. 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.

2009/10 Restated £'000		2010/11 £'000
14,307	<b>Balance at 1 April</b>	14,984
1,482	Capital Receipts Received	636
43	Mortgage repayments (Council Fund)	44
	Previous Year's De-minimis	(34)
(262)	Receipts adjustment previous year's financing	(110)
(586)	Receipts Used to Finance Capital Expenditure	(3,913)
<b>14,984</b>	<b>Balance as at 31 March</b>	<b>11,607</b>

b) **Revenue reserves**

The revenue reserves in the Balance Sheet as at 31 March 2011 are detailed below with descriptions of what they represent:-

Opening Bal Restated 2009/10 £'000	Move-ment 2009/10 £'000	Closing Bal Restated 2009/10 £'000	Reserves	Move-ment 2010/11 £'000	Closing Bal 2010/11 £'000
7,137	4	7,141	<b>Council Fund Balance</b>	17	7,158
3,253	1,005	4,258	<b>Delegated Schools Balance</b>	261	4,519
431	636	1,067	<b>Maesteg School PFI Equalisation Fund</b>	580	1,647
			<b>Earmarked Reserves</b>		
5,850	(328)	5,522	Major Claims Reserve	1,988	7,510
1,706	65	1,771	Insurance reserve	300	2,071
-	-	-	Severance Costs	1,000	1,000
-	-	-	Looked After Children	715	715
881	(228)	653	Mid Glam CC post balance sheet events	-	653
644	-	644	Treasury Management Reserve	-	644
470	(411)	59	Pump Priming Reserve	502	561
-	-	-	Connecting Families	400	400
400	126	526	Financial & HR systems	(133)	393
-	-	-	Welfare Reform Bill	280	280
350	(69)	281	Asset Management Plan	(25)	256
-	-	-	Communities Directorate	250	250
200	-	200	Election costs	50	250
250	35	285	Building Maintenance Reserve	(36)	249
430	12	442	Change management	(197)	245
250	150	400	Energy Conservation Fund / Invest to save	(200)	200
250	(150)	100	Capital feasibility fund	100	200
250	(34)	216	Porthcawl regeneration	(51)	165
-	-	-	Condition Surveys	70	70
74	(14)	60	Unitary Development Plan reserve	-	60
-	-	-	Internal Audit Shared Services	60	60
-	-	-	Regeneration Match Funding Reserve	37	37
292	(262)	30	Other Minor Reserves	(5)	25
250	21	271	Maesteg school PFI	(257)	14
12,547	(1,087)	11,460	<b>Balance as at 31 March</b>	4,848	16,308
23,368	558	23,926		5,706	29,632

The transfer to all Earmarked Balances excluding the Council Fund Balance was £5,689k in 2010/11 (£554k in 2009/10) 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 2010/11 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

1 April 2009 Closing Balance £'000	2009/10 Closing Balance £'000		2010/11 Over spends £'000	2010/11 Under spends £'000	2010/11 Closing Balance £'000
94	47	Nursery Schools	-	60	107
854	1385	Primary Schools	(245)	635	1,775
1,892	2550	Secondary Schools	(727)	324	2,147
413	276	Special Schools	(73)	287	490
<b>3,253</b>	<b>4,258</b>	<b>Balance as at 31 March</b>	<b>(1,045)</b>	<b>1,306</b>	<b>4,519</b>

**ii) Maesteg School PFI Equalisation Fund**

As outlined in note 11 above, there is a need for an Equalisation Fund for the Unitary Charges received from Welsh Government as detailed below:-

1 April 2009 Restated £'000	2009/10 Restated £'000	Maesteg School PFI Accounts	2010/11 £'000
(431)	(1,067)	Maesteg PFI Equalisation Fund	(1,647)
<b>(431)</b>	<b>(1,067)</b>	<b>Balance as at 31 March</b>	<b>(1,647)</b>

**iii) Other Earmarked Balances**

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

- Major Claims Earmarked Reserve  
This reserve has been created to cover the potential costs of job evaluation, equal pay claims and the deficit on the pension fund.
- Insurance reserve  
This reserve is based on the assessment for future liabilities from the actuary.
- Other Reserves  
There are a number of other reserves as detailed below:-
  - i. Welfare Reform Bill  
This reserve has been established to fund revenue costs associated with the Reform Bill (£280k)
  - ii. Building Maintenance Reserve  
This reserve of £249k is for future building maintenance expenditure.
  - iii. Election Costs  
The reserve of £250k has been established to fund costs associated with the General and Local Elections.



- iv. Capital feasibility fund  
This fund has been established from in the main de-minimis capital receipts and will be used to fund studies into proposed capital investment projects (£200K)
- v. Other Minor Reserves  
These other reserves are made up :-
  - a. Condition Surveys Wellbeing (£70k)
  - b. Internal Audit Shared Service (£60k)
  - c. Unitary Development Plan (£60k)
  - d. Regeneration Matched Funding (£37k)
  - e. Supporting People Review (£25k)
  - f. Maesteg Schools PFI (£14k)
- Severance Costs  
This has been established to meet potential redundancy and severance costs within the Authority.
- Looked After Children Reserve  
This reserve has been established to provide for the continuing pressures on the Looked After Children budget within Children's Services.
- Reserve for former MGCC liabilities  
This covers the potential liabilities arising out of the former Mid Glamorgan County Council. Information received from Rhondda Cynon Taff County Borough Council in 2011 has confirmed that the balance on this reserve can be reduced to £0.652 m.
- Treasury Management  
This reserve has been set up to cover unforeseen treasury management liabilities.
- Pump Priming  
This has been established to allow one off injections of financial resources into service areas to facilitate change/development.
- Connecting Families  
This reserve will be used as the Authority'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.
- Financial, Procurement & HR Systems  
This reserve will fund the costs of planned system developments in 2011/12 to 2013/14.
- Asset Management Plan  
This has been established to meet the on-going costs of CAD Plans and a potential new Asset Register.

- Communities Directorate  
This reserve has been established for the up front costs associated with new initiatives to generate income or reduce costs.
- Change management  
This reserve will meet potential costs associated with the current organisational changes being undertaken by the Authority.
- Energy Conservation Fund/Invest to save  
This fund has been established to meet the costs of approved 'invest to save' initiatives and energy initiatives. The fund will be reimbursed by savings made as a result of these initiatives.
- Porthcawl Regeneration  
This reserve has been established to fund up front revenue costs associated with the proposed regeneration of Porthcawl.

**29. 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.

2009/10 Restated £'000		2010/11	
		£'000	£'000
3,838	<b>Balance at 1 April</b>		112,779
111,610	Upward Revaluation of Assets		
	Downward Revaluation of Assets and Impairment		
	Losses not charged to the Surplus/Deficit on the		
(1,081)	Provision of Services	(5,440)	
	<b>Surplus or deficit on revaluation of non-</b>		
	<b>current assets not posted to the Surplus or</b>		
<b>110,529</b>	<b>Deficit on the Provision of services</b>		(5,440)
	Difference between fair value depreciation and		
(1,577)	historical cost depreciation	(1,467)	
(11)	Accumulated gains on assets sold or scrapped	(20)	
	Amount written off to the Capital Adjustment		
(1,588)	Account		(1,487)
<b>112,779</b>	<b>Balance as at 31 March</b>		<b>105,852</b>

## b) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority 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 Authority 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 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.

2009/10 Restated £'000		2010/11 £'000
(212,510)	<b>Balance at 1 April</b>	(291,290)
(69,130)	Actuarial gains or losses on pensions assets and liabilities	9,700
(26,260)	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	38,880
16,610	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	16,600
<b>(291,290)</b>	<b>Balance as at 31 March</b>	<b>(226,110)</b>

## c) Capital Adjustment Account (CAA)

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

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

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

2009/10 Restated £'000		2010/11	
		£'000	£'000
301,237	<b>Balance at 1 April</b>		256,670
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :</b>		
(25,442)	Charges for depreciation and impairment of non-current assets	(22,205)	
(33,500)	Revaluation losses on Property, Plant and Equipment	(1,160)	
(1,339)	Revenue Expenditure funded from Capital Under Statute	(2,642)	
(42)	Other amounts including Mortgage Payments	(44)	
(917)	Financial Liability Adjustment to Capital Receipts		
(1,184)	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	(109)	
<b>(62,424)</b>		<b>(26,160)</b>	
1,577	Adjusting amounts written out to the Revaluation Reserve	1,467	
<b>(60,847)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(24,693)</b>
	<b>Capital financing applied in the year:</b>		
586	Use of the Capital Receipts Reserve to finance new capital expenditure	4,024	
12,198	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that has been applied to capital financing	8,242	
238	Application of grants to capital financing from the Capital Grants Unapplied Account	132	
5,982	Statutory provision for the financing of capital investment charged against the Council Fund	6,169	
735	Capital expenditure charged against the Council Fund	923	
<b>19,739</b>			<b>19,490</b>
(3,459)	Movement in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement		342
<b>256,670</b>	<b>Balance as at 31 March</b>		<b>251,809</b>

d) **Financial Instruments Adjustment Account (FIAA)**

This holds the difference between the amounts charged to income and expenditure in accordance with the Statement of Recommended Practice 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.

2009/10 Restated £'000		2010/11	
		£'000	£'000
(6,344)	<b>Balance at 1 April</b>		(6,140)
198	Premiums / Discounts Adjustments	198	
6	Loans / Investments Adjustments	6	204
(6,140)	<b>Balance as at 31 March</b>		<b>(5,936)</b>

e) **Short Term Accumulated Absences Account**

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

2009/10 Restated £'000		2010/11	
		£'000	£'000
(4,288)	<b>Balance at 1 April</b>		(3,965)
4,288	Settlement or cancellation of accrual made at the end of the proceeding year	3,965	
(3,965)	Amounts accrued at the end of the current year	(3,728)	
323	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		237
(3,965)	<b>Balance as at 31 March</b>		<b>(3,728)</b>

30. **Trust Funds**

The authority 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 2011 are:

2009/10 £'000		2010/11 £'000
175	Social Services Home For The Elderly	84
54	Education	55
46	Nantymoel Workmans Hall	47
1	Other	1
<b>276</b>	<b>Balance as at 31 March</b>	<b>187</b>

### 31. Escrow accounts

As part of a planning condition relating to the sale to Asda of land previously used by Bridgend Town Football Club, the Authority held £1 million in escrow accounts at the start of the financial year. During the year, payments have been made and together with accrued interest during the year the value of the funds as at 31 March 2011 are £780k for the replacement of facilities and £238k for the replacement site. During the year a new escrow of £52k was recognised for Bocam Park as a result of a planning condition.

2009/10 £'000		2010/11 £'000
882	Replacement facilities account	780
237	Replacement site account	238
-	Bocam Park	52
<b>1,119</b>	<b>Balance as at 31 March</b>	<b>1,070</b>

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

### 32. 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 and can either be for capital or revenue works. The major balances (i.e. over £100k) of section 106 receipts held by the Council during the year were as follows:

	31 March 2010 £'000	Income £'000	Expenditure £'000	31 March 2011 £'000
Redrow - Marlas Farm - Enlargement of Afon y Felin Primary School	177			177
Llanmoor Homes - Maesteg Rd Tondu – additional education facilities	181			181
Broadlands Consortium – Newbridge fields - provision of playing fields facilities	142			142
Redrow – Lock's Lane, Porthcawl – ongoing maintenance of playing field and pavilion	130			130
Redrow & Belway - Marlas Farm – Meadow St Improvement of playing field facilities	227		(227)	0
Redrow – Lock's Common , Porthcawl – Locks Court (use to be determined 2010/11)	100		(100)	0
Redrow - Brackla Park & Ride – upgrade B4181	272	39		311
Rockwool - Pencoed	216	1	(115)	102
Cae Gleison - Laleston	328		(328)	0
HMP - Parc	95	12	(106)	1
Other	969	12	(278)	703
<b>Total</b>	<b>2,837</b>	<b>64</b>	<b>(1,154)</b>	<b>1,747</b>

### 33. Contingent liabilities

#### a) Municipal Mutual Insurance Ltd

Prior to Local Government Reorganisation the former Ogwr Borough Council's insurance cover was provided by Municipal Mutual Insurance Limited, but this company hit severe financial difficulties and ceased to write new or renew policies. The company is in the process of running off its assets and liabilities but because of the nature of insurance liabilities this is likely to take many years. Currently the company is still regarded as solvent and expected to complete the run off with a surplus. However, in order to reduce the risk of this becoming insolvent a scheme of arrangements has been agreed between the company and its major creditors. As a result of this the company continues to meet the Council's claims in full but if at some time in the future the run off ceases to be solvent a retrospective levy may be made on claims paid since 30th September 1993 and a percentage reduction made to future claims.

#### b) Housing stock transfer

As a result of the transfers of the Authority's council houses to Valleys to Coast Housing, there are a number of residual issues for which the Authority may be liable. There are residual housing disrepair claims that have yet to be settled and there are environmental issues that are not covered by the environmental warranty. However, the effect of these issues cannot be quantified at present.

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

The disclosures required for 2010/11 include information provided by the pension administrators, Rhondda Cynon Taff CBC and Hewitt Associates Limited as the pensions actuary. Employees are admitted to the Rhondda Cynon Taff County Borough Council Pension Fund, which is administered under the Regulations governing the Local Government Pension Scheme, a defined benefit scheme.

a) Teachers

In 2010/11, the Authority paid £6.8 million (£6.8 million for 2009/10) to the Teachers Pensions Agency in respect of teachers' pension costs. In addition, the Authority is responsible for all pension payments relating to added years awarded, together with the related increases. In 2010/11, these amounted to £0.05 million (£0.05 million for 2009/10).

b) Other employees

In 2010/11 the Council paid an employer's contribution of £15.45 million (£15.43 million for 2009/10) into Rhondda Cynon Taf CBC Pension Fund. The Fund provides members with defined benefits related to pay and service.

The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. Under Superannuation Regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund.

The pension costs that are charged to the Council's accounts are defined by FRS17 'Retirement Benefits'.

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/Home\\_Page.htm](http://www.rctpensions.org.uk/Home_Page.htm)

The principal assumptions used were:

	2010/11 % pa	2009/10 % pa
RPI Inflation Rate	3.7	3.9
CPI Inflation Rate	2.8	N/A
Discount rate for scheme liabilities	5.4	5.5
Discount rate for pension costs over year	5.4	5.5
Rate of pension increases	2.8	3.9
Rate of salary increases	5.2	5.4
Mortality Assumptions:		
Longevity at 65 for current pensioners :-		
Men	23.1	21.2
Women	24.4	23.6
Longevity at 65 for future pensioners :-		
Men	25.0	23.5
Women	26.4	25.8



With effect from 1 April 2011, increases to local government pensions in payment and deferred pensions will be linked to annual increases in the Consumer Prices Index (CPI) rather than the Retail Price Index (RPI). Since, over the long term CPI increases are expected to be lower than RPI increases, this gives rise to a reduction in the defined benefit obligation on the Balance Sheet. The change also reduces this year's and future years' current service cost and interest cost. The impact of the change to CPI indexation of pension increases as a benefit change and therefore this is recognised as a negative past service cost of £62.11m in the Non-Distributed Costs of the Comprehensive Income and Expenditure Statement.

The proportions of total assets held in each asset type by the Fund as a whole as at 31 March 2010 and 31 March 2011 are set out in the following table.

	<b>Asset Split 2010/11 %</b>	<b>Asset Split 2009/10 %</b>	<b>Expected Long Term Returns 2010/11 %</b>	<b>Expected Long Term Returns 2009/10 %</b>
Equities	68.3	66.8	8.4	8.0
Bonds - Government	10.3	14.1	4.4	4.5
Bonds - Corporate	12.3	10.1	5.1	5.5
Property	6.8	5.9	7.9	8.5
Cash	2.2	3.1	1.5	0.7
Other	0.1	0.0	8.4	8.0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>7.4</b>	<b>7.1</b>

Bridgend County Borough Council employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund as at 31 March 2011.

#### Transactions Relating to Post-employments Benefits

The cost of retirement benefits is recognised in the 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/retirements benefits is reversed out of the Council Fund via the Movement in Reserves Statement during the year :-

# Statement of Accounts

2010/11

Comprehensive Income & Expenditure Statement	Local Govt Pension Scheme		LGPS Unfunded Benefits		Teachers' Unfunded Benefits		TOTAL	
	£m	£m	£m	£m	£m	£m	£m	£m
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
<b>Cost of Services :-</b>								
Current Service Costs	13.87	10.33	0.00	0.00	0.00	0.00	13.87	10.33
Past Service Costs	(60.90)	0.47	(0.70)	0.01	(0.51)	0.05	(62.11)	0.53
<b>Financing &amp; Investment Income &amp; Expenditure :-</b>								
Interest Cost	27.16	25.49	0.36	0.58	0.32	0.36	27.84	26.43
Expected Return on Scheme Assets	(18.48)	(11.03)	0.00	0.00	0.00	0.00	(18.48)	(11.03)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(38.35)</b>	<b>25.26</b>	<b>(0.34)</b>	<b>0.59</b>	<b>(0.19)</b>	<b>0.41</b>	<b>(38.88)</b>	<b>26.26</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</b>								
Actuarial Gains and Losses	9.96	(67.16)	(0.14)	(1.22)	(0.12)	(0.75)	9.7	(69.13)
<b>Movement in Reserves Statement</b>								
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	38.35	(25.26)	0.34	(0.59)	0.19	(0.41)	38.88	(26.26)
<b>Actual amount charged against the Council Fund Balance for pensions in the year :-</b>								
Employers' Contributions	15.68	15.43					15.68	15.43
Retirement Benefits Paid Out			0.47	0.68	0.45	0.50	0.92	1.18

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial gains of £9.7m (actuarial loss £69.13 2009/10) were included in the Movement in Reserves Statement as detailed below:-

	Local Govt Pension		LGPS Unfunded		Teachers' Unfunded		TOTAL	
	£m	£m	£m	£m	£m	£m	£m	£m
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
Total actuarial gains / (losses)	9.96	(67.16)	(0.14)	(1.22)	(0.12)	(0.75)	9.7	(69.13)
Total gain / (loss) in MIRS	9.96	(67.16)	(0.14)	(1.22)	(0.12)	(0.75)	9.7	(69.13)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £4.82m.

The table below is a reconciliation of present value of the scheme liabilities:-

	Local Govt Pension		LGPS Unfunded		Teachers' Unfunded	
	£m	£m	£m	£m	£m	£m
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
Balance at 1 April	538.44	386.26	10.22	9.09	6.40	5.74
Current Service Costs	13.87	10.33	0.00	0.00	0.00	0.00
Interest Cost	27.13	25.49	0.36	0.58	0.32	0.36
Contributions by Participants	4.64	4.53	0.00	0.00	0.00	0.00
Actuarial (gains) / losses on liabilities	(4.80)	126.83	0.14	1.22	0.12	0.75
Business combinations	2.96	0.00	(2.93)	0.00	0.00	0.00
Net Benefits Paid Out	(15.08)	(15.47)	(0.47)	(0.68)	(0.45)	(0.50)
Past Service Cost	(60.90)	0.47	(0.70)	0.01	(0.51)	0.05
<b>Balance as at 31 March</b>	<b>506.26</b>	<b>538.44</b>	<b>6.62</b>	<b>10.22</b>	<b>5.88</b>	<b>6.40</b>

The Business Combinations line relates to the conversion of unfunded per 1993 Compensated Added Years (CAYE) pensions into pensions paid from the Pension Fund. Other unfunded pensions continue to be paid as they have previously. This has resulted in a reduction in the Unfunded Liability from previous years and an increase in the funded

liability. The slight difference between the two is due to the fact that different assumptions have been used to value the funded and unfunded liabilities reflecting the different duration of the liabilities.

The table below is a reconciliation of fair value of the scheme assets:-

	Local Govt Pension	
	£m 2010/11	£m 2009/10
Balance at 1 April	263.77	188.58
Expected Return on Assets	18.48	11.03
Actuarial gains / (losses) on assets	5.16	59.67
Contributions by Employer	15.68	15.43
Contributions by Participants	4.64	4.53
Net Benefits Paid Out	(15.08)	(15.47)
<b>Balance as at 31 March</b>	<b>292.65</b>	<b>263.77</b>

Actual Return on Assets

The Actual Return on the Assets of the Scheme is as follows:-

	Local Govt Pension	
	£m 2010/11	£m 2009/10
Expected Return on Assets	18.48	11.03
Actuarial gain / (loss) on Assets	5.16	59.67
<b>Actual Return on Assets</b>	<b>23.64</b>	<b>70.7</b>

Scheme History

	£m 2010/11	£m 2009/10	£m 2008/09	£m 2007/08	£m 2006/07
<b>Local Govt Pension Scheme</b>					
Fair Value of Assets	292.65	263.77	188.58	234.36	224.67
Present Value of Liabilities	(506.26)	(538.44)	(386.26)	(359.63)	(397.68)
<b>Surplus / (Deficit) in the Scheme</b>	<b>(213.61)</b>	<b>(274.67)</b>	<b>(197.68)</b>	<b>(125.27)</b>	<b>(173.01)</b>
<b>LGPS Unfunded</b>					
Present Value of Liabilities	(6.62)	(10.22)	(9.09)	(8.93)	(10.27)
<b>Surplus / (Deficit) in the Scheme</b>	<b>(6.62)</b>	<b>(10.22)</b>	<b>(9.09)</b>	<b>(8.93)</b>	<b>(10.27)</b>
<b>Teachers' Unfunded</b>					
Present Value of Liabilities	(5.88)	(6.40)	(5.74)	(5.66)	(5.85)
<b>Surplus / (Deficit) in the Scheme</b>	<b>(5.88)</b>	<b>(6.40)</b>	<b>(5.74)</b>	<b>(5.66)</b>	<b>(5.85)</b>
<b>Total</b>	<b>(226.11)</b>	<b>(291.29)</b>	<b>(212.51)</b>	<b>(139.86)</b>	<b>(189.13)</b>

The total net liability of £226.11m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. Bridgend CBC has usable reserves of £44.66m (Council Fund £7.158m, Usable Capital Receipts 15.028m and Earmarked Reserves £22.474m), representing a shortfall of £181.45m on the notional loss on the Pension Fund to Bridgend

CBC. Any claw back of losses on the Pension Fund is subject to actuarial revaluations that take place every three years. Bridgend CBC is required to comply with actuarial advice.

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 2012 are :-

	2011/12 £m
Local Govt Pension Scheme	15.99
LGPS Unfunded	0.49
Teachers' Unfunded	0.47

#### History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserves in 2010/11 can be analysed into the following categories at 31 March :-

History of Experience Gains and Losses	£m 2010/11	£m 2009/10	£m 2008/09	£m restated 2007/08	£m 2006/07
<b>LGPS Funded Benefits</b>					
Experience of gains / (losses) on assets	5.16	59.67	(67.00)	(15.27)	(4.60)
Experience of gains / (losses) on liabilities	11.37	4.31	(1.52)	(0.94)	(0.97)
<b>LGPS Unfunded</b>					
Experience of gains / (losses) on liabilities	0.05	0.3	(0.11)	0.60	
<b>Teachers' Unfunded</b>					
Experience of gains / (losses) on liabilities	0.04	0.19	(0.07)	(0.39)	

The history of experience gain / (loss) on liabilities has not been re-stated for financial years ending 2009, 2008 and 2007 and includes the experience relating to unfunded liabilities.

### 35. Financial Instruments Disclosures

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:-

# Statement of Accounts

2010/11

Financial Liabilities	31st March 2011			31st March 2010			31st March 2009		
	Actual Value of			Actual Value of			Actual Value of		
	Loan Outstanding £'000	Carrying Amount £'000	Fair Value £'000	Loan Outstanding £'000	Carrying Amount £'000	Fair Value £'000	Loan Outstanding £'000	Carrying Amount £'000	Fair Value £'000
<b>Short Term Loans exc PWLB</b>	-	278	-	-	283	-	-	115	-
Public Works Loan Board (Long Term)	72,664	72,664	-	72,680	72,680	-	72,855	72,855	-
Public Works Loan Board (<1 year)	16	16	-	175	175	-	335	335	-
<b>Total PWLB Debt</b>	<b>72,680</b>	<b>72,680</b>	<b>80,545</b>	<b>72,855</b>	<b>72,855</b>	<b>78,121</b>	<b>73,190</b>	<b>73,190</b>	<b>82,243</b>
Fixed Market Long Term Loans	1,000	1,000	1,144	4,000	4,000	4,561	4,000	4,000	4,734
Fixed Market Short Term Loans	3,000	3,000	3,192						
Lender Option Borrower Option Loans	19,250	19,859	24,511	19,250	19,860	23,759	19,250	20,035	18,058
<b>Total Fixed Market Long Term Loans</b>	<b>23,250</b>	<b>23,859</b>	<b>28,847</b>	<b>23,250</b>	<b>23,860</b>	<b>28,320</b>	<b>23,250</b>	<b>24,035</b>	<b>22,792</b>
<b>TOTAL</b>	<b>95,930</b>	<b>96,817</b>	<b>109,392</b>	<b>96,105</b>	<b>96,998</b>	<b>106,441</b>	<b>96,440</b>	<b>97,340</b>	<b>105,035</b>

The fair value of an instrument is determined by calculating the Net Present Value (NPV) of future cash flows, which provides an estimate of the value of payments in the future in today's terms. The fair value reflects the fact that the Council's portfolio of loans was taken out when interest rates were higher than those available for similar loans at the Balance Sheet date. This value was provided by the Public Works Loan Board and Depfa Bank Plc for the Lender Option Borrower Option Loans. However, for the Fixed Market Long Term Loans, a calculation was undertaken to assess the fair value based upon a rate available for a new loan.

The Long Term Borrowing and Other Long Term Liabilities in the Balance Sheet are detailed below:-

Long Term Borrowing & Other Long Term Liabilities (excluding < 1 year)	31st March 2011 £'000	Restated 31st March 2010 £'000	Restated 31st March 2009 £'000
PWLB (long term)	72,664	72,680	72,855
<b>Total PWLB debt</b>	<b>72,664</b>	<b>72,680</b>	<b>72,855</b>
Fixed Market Long Term Loans	1,000	4,000	4,000
LOBO's	19,859	19,860	20,035
<b>Total Market Loans</b>	<b>20,859</b>	<b>23,860</b>	<b>24,035</b>
<b>Sub total</b>	<b>93,523</b>	<b>96,540</b>	<b>96,890</b>
Long Term Escrow ( Football Club)	-	-	1,470
<b>Total Long Term Borrowing</b>	<b>93,523</b>	<b>96,540</b>	<b>98,360</b>
Maesteg PFI Lease Liability	20,628	21,009	21,362
Invest to Save Loan	501	1,328	-
Finance Leases	248	404	377
Innovation Centre Financial Liability	871	895	-
<b>Total Long Term Liabilities</b>	<b>22,248</b>	<b>23,636</b>	<b>21,739</b>

The Invest to Save Loan was for £1.408 million. However, as this was an interest free loan it has been accounted for as a loan at a concessionary rate. The difference is held within creditors on the Balance Sheet in accordance with proper accounting practice.

Within Short term Creditors, the values of the short term liability relating to Other Long Term Liabilities for 2011/12 has been included. The amounts are as follows:-

	<b>Short-term Liability 2011/12 £'000</b>
Maesteg PFI Lease Liability	381
Invest to Save Loan	1,052
Finance Leases	156
Innovation Centre Financial Liability	24

Also within Short term Creditors, there are Trade Creditors of £6.457m of which £0.953k are due within three months included.

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

<b>Short Term Borrowing &amp; Other Short Term Financial Liabilities</b>	<b>31st March 2011 £'000</b>	<b>31st March 2010 £'000</b>	<b>31st March 2009 £'000</b>
Public Works Loan Board (<1 year)	16	175	335
Fixed Market Short Term Loans	3,000	-	-
Short Term Loans (Accrued Int. Long Term)	278	283	115
Escrow ( Football Club) Short Term	1,018	1,119	201
Escrow ( Bocam Park) Short Term	52	-	-
Other Trust Funds	187	276	278
<b>Total Short Term Liabilities</b>	<b>4,551</b>	<b>1,853</b>	<b>929</b>

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

<b>Financial Assets</b>	<b>31st March 2011</b>			<b>31st March 2010</b>			<b>31st March 2009</b>		
	<b>Actual Value of Investment Outstanding £'000</b>	<b>Carrying Amount £'000</b>	<b>Fair Value £'000</b>	<b>Actual Value of Investment Outstanding £'000</b>	<b>Carrying Amount £'000</b>	<b>Fair Value £'000</b>	<b>Actual Value of Investment Outstanding £'000</b>	<b>Carrying Amount £'000</b>	<b>Fair Value £'000</b>
Investments (< 1 year)	13,000	13,027	13,040	10,000	10,078	10,113	22,000	22,436	22,528
<b>Total Investments</b>	<b>13,000</b>	<b>13,027</b>	<b>13,040</b>	<b>10,000</b>	<b>10,078</b>	<b>10,113</b>	<b>22,000</b>	<b>22,436</b>	<b>22,528</b>
Cash & Cash Equivalents (Deposits)	6,200	6,205	6,205	3,800	3,804	3,804	1,400	1,405	1,405
Cash in Hand / (Overdrawn)	(80)	(80)	(80)	238	238	238	226	226	226
<b>Total Cash &amp; Cash Equivalents</b>	<b>6,120</b>	<b>6,125</b>	<b>6,125</b>	<b>4,038</b>	<b>4,042</b>	<b>4,042</b>	<b>1,626</b>	<b>1,631</b>	<b>1,631</b>
<b>TOTAL</b>	<b>19,120</b>	<b>19,152</b>	<b>19,165</b>	<b>14,038</b>	<b>14,120</b>	<b>14,155</b>	<b>23,626</b>	<b>24,067</b>	<b>24,159</b>

There were no investments at the 31 March 2011 greater than a year. The previous years' figures have been restated to include cash in hand/overdrawn within Cash Equivalents.

### Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice Treasury Management in the Public Services and Investment Guidance issued through the Act. The Council formally adopted the Code in April 2004 (and the changes to the Code in the 2009 revised edition) and the regulatory requirements which limit the level of risk associated with its treasury management activities.

Overall these procedures require the Council to manage risk by formally adopting the requirements of the Code of Practice and approving annually in advance Prudential and Treasury Management Indicators for the following three years. These are required to be reported and approved at or before the Council's annual Council Tax setting budget. The Council meeting of the 10 February 2010 accepted the Treasury Policy Statement 2010/11 and the Prudential and Treasury Management Indicators 2010/11 to 2012/13.

Cipfa's Revised Code of Practice for Treasury Management requires all local authorities to conduct a mid year review of its treasury management policies, practices and activities. As a result of this review it was deemed beneficial for the Council to make some revisions to the Investment Strategy to enable increased flexibility in an ever changing financial market and to increase the investment opportunities available to the Council. The Council meeting of 3 November 2010 approved the revisions as a result of the half year review of the Treasury Policy Statement.

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.

Actual performance is also reported annually to Members in the form of the Annual Treasury Management Report. These policies are implemented by a central Financial Control Team within Accountancy. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

### 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 Policy Statement 2010/11.

The Council uses credit ratings published by Fitch Ratings Ltd, Standard & Poor's and Moody's Investors Service to establish the credit quality of counterparties (issuers and issues) and investment schemes. The lowest common denominator method is used to make

decisions which means that the lowest available rating from the three agencies is used. In the current climate, relying mainly on credit ratings is considered to be inappropriate. Full regard is given to other available information on the credit quality of banks and building societies, including credit default swap prices, and other factors such as whether the counterparty has any explicit or implicit government support. This has been endorsed by the revised edition of the Treasury Management Code of Practice and the Welsh Government’s Guidance on Local Authority Investments which states that authorities should not place an over-reliance on credit ratings.

The Annual Investment Strategy 2010/11 stated 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

The following criteria/limits were available to the Council (revised November 2010):-

**Specified Investments**

	<b>Counterparty Limit £m</b>
UK registered Banks and Building Societies holding long-term credit ratings no lower than A+ or equivalent & Building Societies with an asset size more than £500 million and member of Credit Guarantee Scheme	5.0
Building Societies with an asset size less than £500 million and member of Credit Guarantee Scheme	2.5
U.K. Local Authorities, parish councils and community councils	5.0
UK Central Government	No limit

**Non-specified Investments**

A maximum of £20m of investments could be in one of the following non-specified categories:-

- Instant access deposits with the Authority’s bankers even if they fall below the specified investment credit criteria (category limit £3m)
- Banks owned and domiciled in foreign countries with sovereign credit ratings no lower than AA+ (but still based on the lowest of the 3 credit rating agencies) with a time limit of 6 months(category limit £3m)
- Money market funds rated AAA (category limit £5m)
- Long-term investments with UK central government, UK local authorities or UK banks and buildings societies (category limit £15m):
  - Minimum AAA long term credit rating with a maximum time limit of 5 years



- Minimum AA- or equivalent long term credit rating with a maximum time limit of 3 years
- Minimum A+ or equivalent long term credit rating with a maximum time limit of 2 years

The majority of the Council's surplus funds were kept in the form of short-term investments and all were placed with UK registered banks and building societies, UK local government or the UK Debt Management Office (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 below. The combined value of short and long term investments with any one organisation was subject to the counterparty limits detailed above. No breaches of the Council's counterparty criteria occurred during 2010/11 and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. As at 31 March 2011, all investments had less than a year to maturity thus limiting the Council's exposure to credit risk.

The following analysis summarises the Authority's calculated exposure to credit risk and includes short term investments and deposits placed in instant access accounts which are classed as Cash and Cash Equivalents in the balance sheet:-

<b>Maturing within 1 Year All UK registered</b>	<b>Actual Amount Outstanding 31/03/11 £'000</b>	<b>Carrying Amount Bal Sheet 31/03/11 £'000</b>	<b>Historical Experience of Default %</b>	<b>Adjusted for Market Conditions At 31/03/11 %</b>	<b>Estimated Exposure to Default £'000</b>
Deposits with banks rated AA-	7,500	7,526	0.03	0.03	2
Deposits with Building Societies rated AA-	2,500	2,500	0.03	0.03	1
Deposits with UK Local Authorities (unrated)	3,000	3,001	0.23	0.23	7
Cash & Cash Equivalents bank rated AA-	4,000	4,004			n/a
Cash & Cash Equivalents bank rated A	2,200	2,121			n/a
<b>Total</b>	<b>19,200</b>	<b>19,152</b>			

The historical experience of default for deposits is based on credit rating agencies records since 1981 with unrated building society deposits assumed to be equivalent to BBB credit rating.

The Council has an investment account with the UK Debt Management Office – Executive Agency of UK Government. The interest rates offered by this facility will be below other counterparties but this is commensurate with the high level of security and reduced risk offered. The facility was used during 2010/11, where all of these deposits were of a short term nature, all being less than one month, for cash flow purposes.

The Council does not generally allow credit for its trade debtors, such that £1.948m is past its due date for payment. The table below details the debtors analysed by age as follows:

Trade Debtors	£'000
Not Overdue	2,668
Less than three months	872
Three to six months	140
Six months to one year	387
More than one year	549
	<b>4,616</b>

### Liquidity risk

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions is unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant residual risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council maintains a significant debt and investment portfolio and manages its liquidity position through the setting and approval of Treasury Management and Prudential indicators and the approval of the treasury and investment strategies as well as through cash flow management procedures required by the Code of Practice. It arranges fixed term loans and investments with a range of maturity dates within the framework and indicators approved each year. Longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

Key parameters used to address liquidity risk are the Treasury Management Indicators which limit the maturity structure of fixed rate borrowing and the limits placed on investments placed for greater than one year in duration.

	Maturity structure of fixed rate borrowing	Revised Upper Limit 2010/11	Lower Limit 2010/11	Actual @ 31/03/11
	Less than one year	50%	0%	23%
	Between one and two years	25%	0%	1%
	Between two and five years	50%	0%	0%
	Between five and ten years	60%	0%	0%
	More than ten years	100%	40%	76%

The 23% shown as maturing less than one year includes £19.25m for LOBO loans which 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 2011) and therefore, the Authority being given the option to accept the increase or to repay the loan without incurring a penalty, however, the Council is not anticipating that this will occur during 2011/12.

	<b>Revised Limit</b>	<b>Actual Principal</b>
	<b>2010/11</b>	<b>Invested during</b>
	<b>£m</b>	<b>2010/11</b>
		<b>£m</b>
<b>Upper Limit for Total Principal Sums Invested for more than 364 days</b>	15	3

The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments providing stability of maturities and returns in relation to the longer term cash flow needs.

**Refinancing and Maturity Risk**

The Council maintains a significant debt and investment portfolio. 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 financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved Treasury Management Indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments providing stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities (based on the carrying amount in the balance sheet) is as follows:

Maturity Analysis Of Financial Liabilities	£'000
Less than one year	6,164
Between one and two years	2,107
Between two and five years	1,683
Between five and ten years	3,590
More than ten years	108,391
	<b>121,935</b>

The maturity analysis of financial assets (based on the carrying amount in the balance sheet) is as follows:

Maturity Analysis Of Financial Assets	£'000
Less than one year	19,152
Between one and two years	-
Between two and five years	-
More than five years	-
	<b>19,152</b>

**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 expense charged to the Income and Expenditure Account will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings 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 or the Movement in Reserves Statement (MiRS). However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the Council Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the MiRS, unless the investments have been designated as Fair Value through the Comprehensive Income and Expenditure Statement.

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

		<b>Revised Upper Limit 2010/11</b>	<b>Actual 31/03/11</b>
		<b>£m</b>	<b>£m</b>
	Total Projected Principal Outstanding on Borrowing	105.93	<b>95.93</b>
	Total Projected Principal Outstanding on Investments (including cash/cash equivalents)	23.00	<b>19.20</b>
	<b>Net Principal Outstanding</b>	<b>82.93</b>	<b>76.73</b>
<b>1.</b>	<b>Limits on fixed interest rates (net principal) exposure</b>	106.00	<b>63.68</b>
<b>2.</b>	<b>Limits on variable interest rates Exposure (net principal) exposure</b>	40.00	<b>13.05</b>

The Financial Control Team monitors market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

The Council tries to minimise its exposure to interest rate risk. As at 31 March 2011, all investments are of a very short term nature with £13 million on fixed rates. The remaining £6.2 million are on an instant access basis (shown under cash and cash equivalents on the Balance Sheet) at a rate higher than the base rate as at 31 March 2011 of 0.50%).

The financial effect in 2011/12 of a 1% change in interest rates on 31 March 2011 is estimated to be:-

	<b>2011/12 Estimated £'000 +1%</b>	<b>2011/12 Estimated £'000 -1%</b>
Interest on Borrowing	133	(0)
Investment Income	(137)	137
Net Costs	(4)	137

**Price risk** - The Council, excluding the pension fund, does not invest in equity shares so is not exposed to changes in share prices. Changes in the prices of fixed interest investments are managed as part of the Authority's interest rate risk management strategy.

**Foreign exchange rate risk** - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

**36. Post Balance Sheet Events**

As outlined in Note 34 above, the decision to uplift public services pensions using the Consumer Price Index rather than the Retail Price Index has been recognised in these accounts. This decision is currently before the courts in judicial review proceedings. The Government is defending the case and therefore no adjustment has been made to the accounts for this matter. The financial implications consequent on the review finding against the Government have not been assessed.

### Notes to the Cash Flow Statement

#### 37. Adjustments for Non-cash Movements

The net deficit on the provision of services is adjusted for non-cash movements as detailed below:-

2009/10 Restated £'000		2010/11 £'000
(62,401)	Depreciation & Impairment of Assets	(23,364)
15,778	Movement in Stock, Debtors & Creditors	(1,699)
(1,339)	Revenue Expenditure Funded from Capital Under Statute	(2,642)
(9,650)	Pension Fund Adjustments	55,480
(5,639)	Provisions	(6,589)
(713)	Carrying amount of Assets Sold	956
5,689	Minimum Revenue Provision	5,509
735	Revenue Contribution to Capital	923
(57,540)	<b>Adjustments to net deficit on the provision of services for non-cash movements</b>	<b>28,574</b>

#### 38. Operating Activities

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

2009/10 Restated £'000		2010/11 £'000
3,266	Cash Flow on Revenue Activities	(20,975)
4,520	Interest Paid	4,751
1,659	Interest element of finance lease and PFI rental payments	1,619
(684)	Interest Received	(490)
8,761	<b>Net Cash Flows from Operating Activities</b>	<b>(15,095)</b>

#### 39. Investing Activities

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

2009/10 Restated £'000		2010/11 £'000
19,928	Purchase of Property, Plant and Equipment and Investment Property	22,594
(12,358)	Purchase / (Proceeds) from Short Term Investments	2,948
(1,525)	Proceeds from sale of Property, Plant and Equipment and Investment Property	(647)
<b>6,045</b>	<b>Net Cash Flows from Investing Activities</b>	<b>24,895</b>

#### 40. Financing Activities

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

2009/10 Restated £'000		2010/11 £'000
(9,322)	Cash Receipts of short and long term borrowing	(5,308)
(17,404)	Other Receipts from financing activities	(12,639)
8,888	Repayments of short and long term borrowing	5,404
621	Cash Payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	660
<b>(17,217)</b>	<b>Net Cash Flows from Financing Activities</b>	<b>(11,883)</b>



## **Glossary Of Terms**

### **Accrual**

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

### **Actuary**

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

### **Agency services**

Agency services are services provided for us by an outside organisation.

### **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 accounting period.

### **Best Value Accounting Code of Practice (BVACOP)**

The Best Value Accounting Code of Practice modernises the system of Local Authority accounting and reporting to ensure it meets the needs of modern local government, in particular the duty to secure and demonstrate Best Value in the provision of services to the community.

### **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.

**Balance Sheet**

The balance sheet combines the assets, liabilities and other balances of all our services, at the end of the financial year, 31st March.

**Comprehensive Income and Expenditure Statement**

This account records day-to-day spending and income on items such as salaries and WGeS, 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.

**Direct Service Organisation (DSO)**

This was a term referring to parts of the Council's own organisation. It consisted of workers directly employed (including supervisory staff), accommodation, equipment etc used to carry out specified tasks for the Council.

**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.

**Reserves**

These are the sums set aside to meet future expenditure. They may be earmarked to fund specific expenditure or be held as general reserves to fund non specific future expenditure.

**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 WGes, running costs of services and the financing of capital expenditure.

**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.



## **Independent auditor's report to Bridgend County Borough Council**

I have audited the accounting statements and related notes of Bridgend County Borough Council for the year ended 31 March 2011 under the Public Audit (Wales) Act 2004.

Bridgend County Borough Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 based on International Financial Reporting Standards (IFRSs).

### **Respective responsibilities of the responsible financial officer and the independent auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 15, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

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

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

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

In addition, I read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited accounting statements and related notes. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

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

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Bridgend County Borough Council as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

### **Opinion on other matters**

In my opinion, the information contained in the Explanatory Foreword for the financial year for which the accounting statements and related notes are prepared is consistent with the accounting statements and related notes.

### **Matters on which I report by exception**

I have nothing to report in respect of the Governance Statement on which I report to you if, in my opinion, it does not reflect compliance with 'Delivering Good Governance in Local

Government: a Framework' published by CIPFA/SOLACE in June 2007, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

**Certificate of completion of audit**

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



**Anthony Barrett**  
**Appointed Auditor**  
**Wales Audit Office,**  
**24 Cathedral Road,**  
**Cardiff,**  
**CF11 9LJ**

**30** September 2011