



# Statement of Accounts

Bridgend County Borough Council • 2019-20

Cyngor Bwrdeistref Sirol



**Bridgend County Borough Council  
Civic Offices  
Angel Street  
BRIDGEND  
CF31 4WB  
(01656) 643643**

## Contents

	Page no.
<b>Narrative Report</b>	4
<b>Statement of Responsibilities for the Statement of Accounts</b>	13
<b>Financial Statements:</b>	
Comprehensive Income and Expenditure Statement	15
Movement in Reserves Statement	16
Balance Sheet	17
Cash Flow Statement	18
<b>Notes to the Financial Statements</b>	19
<b>Auditor's Report</b>	81
<b>Annual Governance Statement</b>	84
<b>Glossary of Terms</b>	105

## Narrative Report

### “ One council, working together to improve lives ”

#### Introduction

This report presents the 2019-20 Statement of Accounts for Bridgend County Borough Council (the Council). It sets out the Council's financial performance for the past year and is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

Over the past 10 years the Council has cumulatively made around £68 million of savings and further efficiencies and savings are required moving forward. The process of identification of savings, changing the way the Council works to ensure modern, improved and resilient services, is on-going. The continued need to achieve savings in a difficult financial year will need to continue at least in the short- and medium-term. Given significant economic uncertainty, not least the potential impact of the exit from the European Union, and the impact of the Covid-19 pandemic, the Council will continue to face financial challenges as it strives to deliver its vast array of services to the communities it supports. It needs to do so whilst remaining financially resilient.

#### Bridgend as a Council

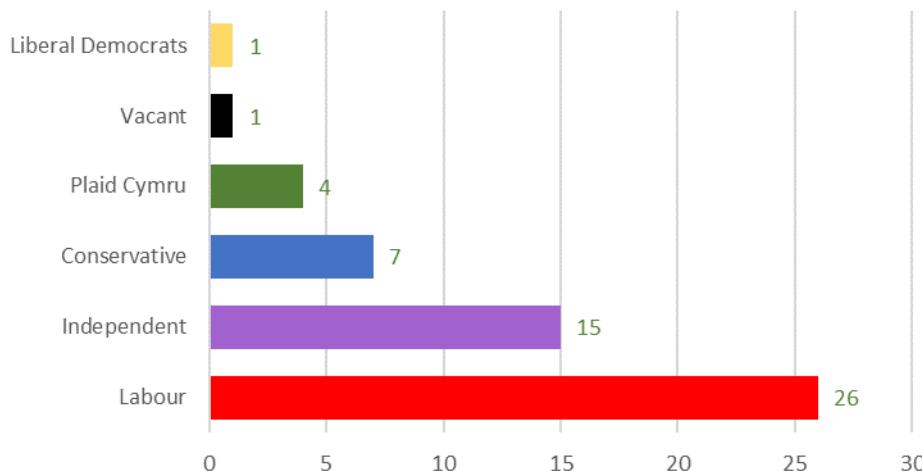
Bridgend is conveniently situated between Wales' capital city, Cardiff, to the east and the city of Swansea to the west, approximately 20 miles from each. Nestled just south of the M4 corridor, with easy access from both major cities, bounded by the Bristol Channel to the south, it is at the heart of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



Population	144,876
Land area	98.5 square miles
Households	64,766
Council employees	4,159 (full time equivalent)
Businesses	4,160
Councillors	54

- The Council manages an asset base, excluding the road network, of £530 million to deliver its services.
- The Council employs over 5,800 staff both full- and part-time, to deliver a wide range of services including education, social care, highways maintenance and economic development.
- The Council has 54 elected Councillors who represent the people of Bridgend and set the overall Council strategy and budget framework.

### Bridgend Councillors Political Party Representation



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

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

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

- Monitoring decisions of the Cabinet
- Allowing all Councillors, citizens and stakeholders to have a say in matters concerning the Council
- Producing reports and recommendations to support the development of policies and decisions
- Having the ability to review a decision which has been made but not yet implemented.

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

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

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

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

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

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

**Governance**

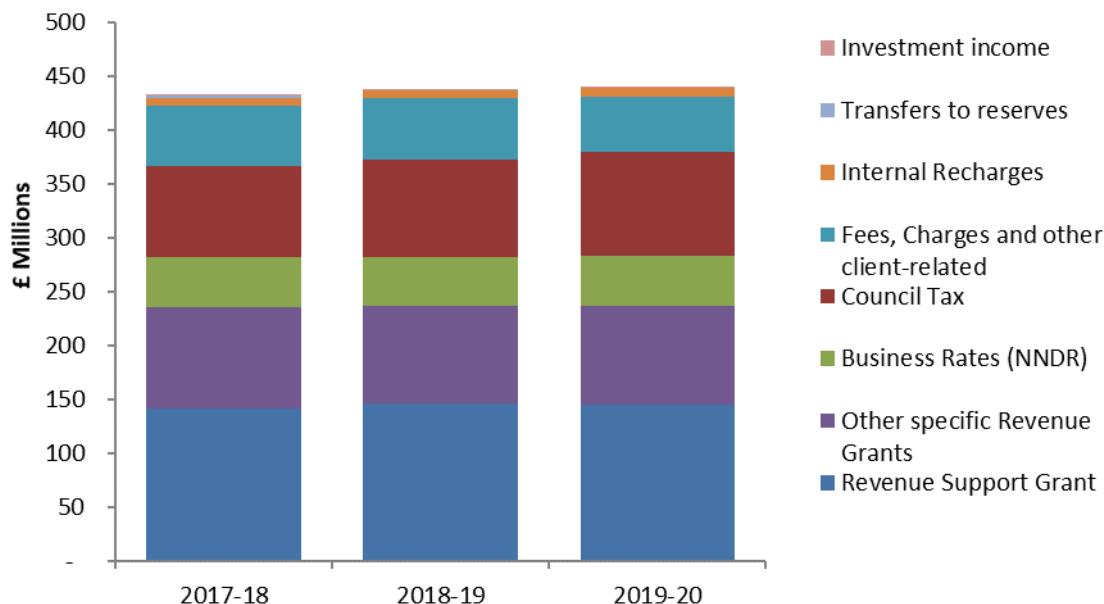
The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. This includes ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government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

**COVID-19**

The UK was put into lockdown on 23 March 2020 in an unprecedented step to attempt to limit the spread of coronavirus. This followed similar action in other countries across the World. The UK Government put into place a limited number of reasons for people to be allowed to leave their homes and the Welsh Government put in place measures under the Health Protection (Coronavirus Restrictions) Wales Regulations 2020. As a consequence, many non-essential shops and businesses had to close, schools were closed and all non-key workers were required to work from home where possible. The initial 3-week lockdown has been extended a number of times, and as at 30 June had been in place some 15 weeks, though there have been some slight easing of restrictions from 1 June. The worldwide COVID-19 pandemic has, and will continue to have, an unprecedented impact upon society as a whole. This has led to significant changes to the day-to-day management of the Council, and the nature and delivery of its operations. Moving forward the Council will have to re-organise the way some of its services and staff work, making sure that it puts in place the necessary social distancing measures to keep both its staff and users of Council services safe.

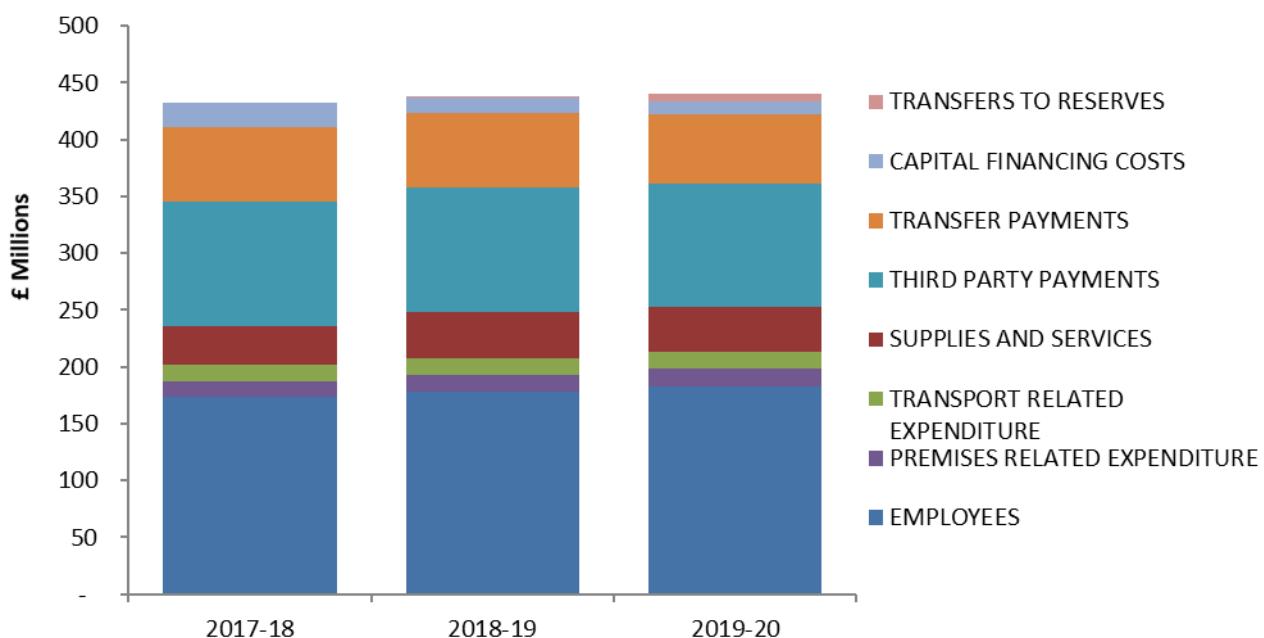
**Financial Performance**

Over the last 10 years the Council has made around £68 million of budget reductions. This represents 30% of the Council's 2009-10 budget. Taking into account expenditure and services which are funded by specific grants, fees or charges, the Council's gross budget for 2019-20 was £438 million. This covers the day-to-day running costs of the Council including staff, waste collection, schools, care workers, foster carers and leisure services. The Council receives revenue funding from the Welsh Government (Revenue Support Grant), specific grants, business rates (NNDR), Council Tax, fees and charges and from its investments as shown below.



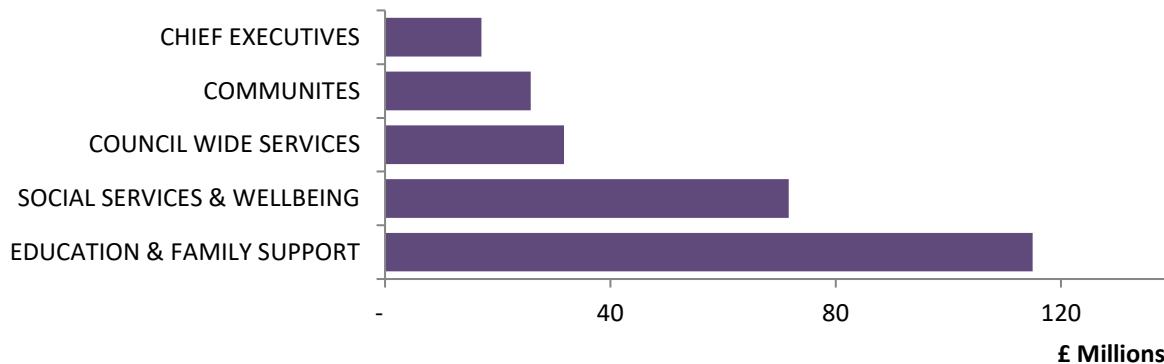
The majority of the Council's funding is from the Welsh Government via the Revenue Support Grant (33%) with other Government Grants (including specific grants from Welsh Government) making up just over another quarter of the Council's income (32%). Council tax accounts for approximately 22% of income. The Council is able to charge for a number of services including social care, car parking and licensing, which makes up just 8% of the total Council income.

The Council spends its money on employees, premises related expenditure, transport costs, supplies and payments to 3<sup>rd</sup> party providers. The Council also has to meet capital financing costs (interest) as part of its long-term borrowing arrangements. At the end of 2019-20 the Council created a COVID-19 reserve to provide for unknown future costs in relation to the pandemic. As such the Council was able to make a net contribution to reserves for the year. The Council's expenditure is analysed below.



## Directorate Spending

Council spending by Directorate was within 99.76% of budget for all departments reflecting sound financial management and budgetary control. The table below shows the net spend by service Directorate.



The Council achieved an underspend in the year of £0.564 million, or 0.21% of its net budget. This demonstrates its sound financial management throughout the year and its commitment to ensuring it does not spend beyond its means. The table below shows the closing position for each Directorate and also for the non-Directorate specific government and other funding to the Council. The Council's outturn report for the year can be found on the Council's website [here](#).

DIRECTORATE	Net Budget £'000	Net Expenditure £'000	(Under)/over spend £'000
Education & Family Support	114,843	115,059	216
Social Services and Well-being	71,587	71,651	64
Communities	26,284	25,746	(538)
Chief Executives	18,622	17,115	(1,507)
Council Wide Services	39,473	31,551	(7,922)
Funding and financing	(270,809)	(261,686)	9,123
<b>Total</b>	<b>-</b>	<b>(564)</b>	<b>(564)</b>

## Addressing future challenges

The Council faces significant challenges moving forward. These include demographic pressures, such as an ageing population and an increasing number of young people with complex disabilities living into adulthood and adding progressively to the demand for care. In addition to this there are inflationary pressures arising from specific contractual commitments and significant increases in staffing costs arising not only from the above inflation increases in the national living wage, and calls to implement the real living wage, but also any pay claims for local government workers and recent increases in employers' contributions for teachers' pensions. Whilst the published Welsh Government settlement for Bridgend for 2020-21 is an increase of 4.7%, the real increase is much less as it includes a significant number of transfers into the Revenue Support Grant towards the increased costs of teachers' pay and pensions. As a result of the Chancellor's one-year spending round in September 2019, and the subsequent UK General Election in December 2019, followed by the departure from the European Union and the Covid-19 pandemic at the beginning of 2020, no indications have been provided by the Welsh Government in respect of the settlement for Councils in 2021-22 which makes forward planning very difficult.

Whilst the Council continues to face increasing pressures on its budget, it had approved a balanced budget for 2020-21. However, the impact of the COVID-19 pandemic will have an inevitable impact on the Council's income, costs and 2020-21 budget. The Council will need to review its priorities and budgets in light of the impact of the pandemic in the County Borough, and re-focus these to enable them to move towards a more stable recovery phase as we move out of lockdown.

On 29 March 2017 the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 started a two-year negotiation process between the UK and the EU. On 31 January 2020 the United Kingdom left the European Union and the Withdrawal Agreement concluded with the EU entered into force. On 31 December 2020, at the end of the transition period, the UK will revert to its economic and political independence, and will no longer be part of the EU Single Market or Customs Union. The uncertainty regarding the impact of the UK's exit from Europe will inevitably create challenges for the Council and the communities it supports over the forthcoming months and years. The Council continues to work with its partners to prepare as best it can for Brexit and the UK's departure from the European Union and has maintained a project board, chaired by the Chief Executive, with representatives from each Council department, to review all council services, maintain and update a 'risk register' and to ensure that contingency plans are in place. Businesses, residents, staff and elected members are regularly updated, and the council is raising awareness of the EU Settlement Scheme. The Council will continue to work alongside partners to obtain answers on important issues such as how post-Brexit funding will be delivered.

## Financial position

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

- Held £530 million of long-term assets, including £522 million of operational assets for delivering services, £5 million investment properties and £3 million of intangible assets
- Generated £37 million of fees and charges and other service income used to deliver services

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



## Borrowing

The Council has long term borrowing outstanding as at 31 March 2020 of £97.401 million. This is a mixture of Public Works Loan Board (PWLB) of £77.617 million and Lender Option Borrower Options (LOBOS) of £19.784 million, to finance capital expenditure. More detail in relation to borrowing is provided in note 31. The borrowing should be seen in the context of the total value of the Council's long-term assets, which are shown in the Balance Sheet at £530 million. Borrowing is permitted in line with the Prudential Code for Capital Finance in Local Authorities as long as, in the opinion of the Chief Finance Officer, the revenue costs are capable of being met and are in keeping with prudential

indicators and guidelines. Given the strength of the Balance Sheet, the Council's borrowing levels are reasonable. Should the opportunity arise for the Council to repay its LOBOs at a benefit to the Council, then it will look to do so. However, given current low interest rates it is unlikely that the opportunity will arise in the near future.

## **Pensions Liability: £289 million**

The requirements of International Accounting Standards 19 (IAS19) in relation to post-employment benefits – i.e. pensions, have been fully incorporated into the Comprehensive Income and Expenditure Statement, with actuarial gains and losses being recognised in Other Comprehensive Income and Expenditure, as note 30 explains in detail.



A pensions reserve and a pension liability are incorporated within the Council's accounts, reflecting the amount by which the Bridgend element of the Rhondda Cynon Taff County Borough Council pension fund is under-funded compared with the assessed payment liabilities to pensioners now and in the future. The overall pensions' liability of the Council at 31 March 2020 was £289.19 million (£263.51 million at 31 March 2019). The liability at 31 March 2019 took into account a potential 'underpin' liability as a result of the McCloud/Sargeant case in relation to the Court of Appeal's finding that transitional protection arrangements put in place when firefighters' and judges' pension schemes were reformed were age discriminatory. On 27 June 2019 the Supreme Court denied permission for Government to appeal this judgement, and on 15 July 2019 the Government issued a ministerial statement saying they would expect to compensate members across all public-sector schemes which contained transitional protection arrangements, which includes the Local Government Pension Scheme. The calculation of the liability incorporates the impact of the 'McCloud' judgement.

## Capital

The Council's original Capital Programme for 2019-20, approved by Council on 20 February 2019, was £36.157 million. During the year a number of schemes have commenced but not been completed during the year, or have been moved wholly into 2020-21. These include the refurbishment of Waterton Depot, Bridge Strengthening at the A4061 Ogmore Valley, City Deal and regeneration works at Llynfi Valley. Slippage has arisen due to a number of reasons including delays in starting projects due to the need to undertake more detailed survey works, ongoing discussions with funding bodies and other general programme delays. In February 2020 the Council approved a ten year capital programme of £207 million as set out in the table below. The table also provides the 2019-20 outturn.

EXPENDITURE	£'000	TEN YEAR PLAN			
		2019-20	2020-21	2021-22	2022-23 to 2029-30
Education & Family Support	4,134	6,582	7,215	45,639	59,436
Social Services and Well-being	858	-	-	-	-
Communities	12,368	46,589	18,216	50,882	115,687
Chief Executives	5,462	2,550	2,250	18,000	22,800
Unallocated	-	713	-	8,367	9,080
<b>Total Expenditure</b>	<b>22,822</b>	<b>56,434</b>	<b>27,681</b>	<b>122,888</b>	<b>207,003</b>
<b>FUNDING</b>					
Grants and s106 Contributions	16,199	21,551	11,496	82,690	115,737
Capital Receipts and Revenue Contributions	1,408	23,664	9,947	8,694	42,305
Borrowing	5,215	11,219	6,238	31,504	48,961
<b>Total Funding</b>	<b>22,822</b>	<b>56,434</b>	<b>27,681</b>	<b>122,888</b>	<b>207,003</b>

The Council, in partnership with Linc Cymru, saw the completion and opening of a second Extra Care scheme in Bridgend to support older people to continue to live independently within their community. Improvements in Porthcawl continued with the completion of the town beach sea defence scheme. The Council continued to support adults and vulnerable people at home through increased expenditure in relation to Disabled Facilities Grants. The Council also invested significantly in ICT infrastructure for schools via the HWB Infrastructure grant award from Welsh Government.



Porthcawl Beach Defences

## **The Financial Statements**

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

### **Statement of Responsibilities for the Statement of Accounts**

This sets out the respective responsibilities of the Council and the Section 151 officer for the preparation and approval of the Statement of Accounts.

### **The Comprehensive Income & Expenditure Statement (CIES)**

This records all of the Council's income and expenditure in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory requirements, which may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

### **Movement in Reserves Statement (MiRS)**

The Movement in Reserves Statement shows the movement from the start of the year to the end of the year on the different reserves held by the Council, analysed into 'usable reserves' - those that can be used to fund expenditure or reduce local taxation - and 'unusable' reserves, which must be set aside for specific purposes. Unusable reserves would include unrealised gains and losses (such as the Revaluation Reserve), where amounts would only become available if the assets are sold, and reserves that reflect 'adjustments between accounting basis and funding under regulations'. The surplus or deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance for council tax setting purposes. The Net Increase/Decrease line shows the statutory Council Fund balance movements in the year following those adjustments.

### **Balance Sheet**

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

### **Cash Flow Statement**

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

net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

### **Notes to the Accounts**

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

### **Conclusion**

Whilst 2019-20 has been a challenging year financially, the Council was able to remain within its net revenue budget despite increasing service demands and a continued negative funding outlook for the public sector in general. However, the impact of the COVID-19 pandemic is likely to have much greater financial and service delivery impacts for at least the next financial year and potentially beyond. These challenging times will have a significant financial impact for us as individuals, for our residents, communities and businesses, and the detailed financial assumptions underpinning the Council's Medium Term Financial Strategy will need constantly revisiting to ensure the ongoing financial resilience of the Council.

# The Statement of Responsibilities for the Statement of Accounts

## The Council's responsibilities

The Council is required to:

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

Signed:



10 September 2020

Chair of Audit Committee

## The Chief Financial Officer's Responsibilities

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

In preparing this Statement of Accounts, the Chief Financial Officer has:

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

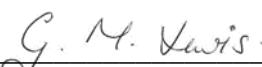
The Chief Financial Officer has also:

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

## Chief Financial Officer's Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of Bridgend County Borough Council as at 31 March 2020 and of its income and expenditure for the year ended 31 March 2020

Signed:



10 September 2020



# Financial Statements

## Comprehensive Income and Expenditure Statement

2018-19 restated					2019-20				Notes	
Gross Expenditure £'000	Govt Grants £'000	Other Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Govt Grants £'000	Other Income £'000	Net Expenditure £'000		
140,656	(26,415)	(9,223)	105,018	Education and Family Support	164,452	(28,167)	(10,326)	125,959		
99,857	(5,531)	(16,336)	77,990	Social Services and Wellbeing	99,469	(7,332)	(17,919)	74,218		
52,223	(7,105)	(6,069)	39,049	Communities	53,945	(8,090)	(5,466)	40,389		
80,514	(55,580)	(2,439)	22,495	Chief Executives	74,483	(50,653)	(2,961)	20,869		
22,948	-	(1,642)	21,306	Council Wide Services	18,453	(175)	(300)	17,978		
<b>396,198</b>	<b>(94,631)</b>	<b>(35,709)</b>	<b>265,858</b>	<b>Cost Of Services</b>	<b>410,802</b>	<b>(94,417)</b>	<b>(36,972)</b>	<b>279,413</b>		
				<b>Other Operating Expenditure</b>						
14,945			14,945	Precepts payable	16,453			16,453	7	
7,070			7,070	Levies payable	7,116			7,116	7	
276			276	(Gain) / loss on disposal of non current assets	-		215	215		
<b>22,291</b>	<b>-</b>	<b>-</b>	<b>22,291</b>	<b>Other Operating Expenditure</b>	<b>23,569</b>	<b>-</b>	<b>215</b>	<b>23,784</b>		
				<b>Financing and Investment Income and Expenditure</b>						
4,550			4,550	Interest payable on debt	4,551			4,551	31	
54			54	Interest element of finance leases (lessee)	48			48		
1,306			1,306	Interest payable on PFI unitary payments	1,256			1,256	31	
6,760			6,760	Net Interest on Net Defined Benefit Liability	6,120			6,120	13	
			(1,012)	Investment Income & Other Interest Receivable	-		(1,099)	(1,099)	30	
			(275)	Changes in fair value of investment properties	-		-	-	31	
<b>12,670</b>	<b>-</b>	<b>(1,287)</b>	<b>11,383</b>	<b>Financing and Investment Income and Expenditure</b>	<b>11,975</b>	<b>-</b>	<b>(1,099)</b>	<b>10,876</b>		
				<b>Taxation and Non-Specific Grant Income</b>						
	(145,780)		(145,780)	Revenue Support Grant	-	(145,354)	-	(145,354)	8	
	(45,802)		(45,802)	National Non Domestic Rates	-	-	(46,452)	(46,452)	9	
	(90,018)		(90,018)	Council Tax	-	-	(96,957)	(96,957)	10	
	(9,494)		(9,494)	Recognised capital grants and contributions	-	(11,798)	-	(11,798)		
	<b>-</b>	<b>(155,274)</b>	<b>(135,820)</b>	<b>(291,094)</b>	<b>Taxation and Non-Specific Grant Income</b>	<b>-</b>	<b>(157,152)</b>	<b>(143,409)</b>	<b>(300,561)</b>	
				<b>(Surplus) or Deficit on Provision of Services</b>	<b>446,346</b>	<b>(251,569)</b>	<b>(181,265)</b>	<b>13,512</b>		
				(Surplus) or deficit on revaluation of Property, Plant and Equipment	-	-	(5,277)	(5,277)	29a	
5,605		(33,337)	(33,337)	Impairment losses on non-current assets charged to the Revaluation reserve	4,476	-	-	4,476		
		(26,320)	(26,320)	Actuarial (gains) / losses on pension liabilities	7,300	-	-	7,300	30	
				<b>Other Comprehensive (Income) and Expenditure</b>				<b>6,499</b>		
				<b>Total Comprehensive (Income) and Expenditure</b>				<b>20,011</b>		

## Movement in Reserves Statement

	Council Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserves £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
<b>Balance at 31 March 2018 brought forward</b>	<b>8,347</b>	<b>48,075</b>	<b>21,161</b>	<b>288</b>	<b>77,871</b>	<b>48,363</b>	<b>126,234</b>
<b><u>Movement in Reserves during 2018-19</u></b>							
Total Comprehensive (Income) and Expenditure	(8,438)				(8,438)	54,052	45,614
Adjustments between accounting basis & funding basis under regulations (Note 20)	8,899		(3,239)	1,194	6,854	(6,854)	-
Transfers to Earmarked Reserves (Note 28)	(32)	32			-		
<b>Increase/(Decrease) in 2018-19</b>	<b>429</b>	<b>32</b>	<b>(3,239)</b>	<b>1,194</b>	<b>(1,584)</b>	<b>47,198</b>	<b>45,614</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>8,776</b>	<b>48,107</b>	<b>17,922</b>	<b>1,482</b>	<b>76,287</b>	<b>95,561</b>	<b>171,848</b>

	Council Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserves £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
<b>Balance at 31 March 2019 brought forward</b>	<b>8,776</b>	<b>48,107</b>	<b>17,922</b>	<b>1,482</b>	<b>76,287</b>	<b>95,561</b>	<b>171,848</b>
<b><u>Movement in Reserves during 2019-20</u></b>							
Total Comprehensive (Income) and Expenditure	(13,512)				(13,512)	(6,499)	(20,011)
Adjustments between accounting basis & funding basis under regulations (Note 20)	21,191		686	(1,165)	20,712	(20,712)	-
Transfers to Earmarked Reserves (Note 28)	(7,115)	7,115			-		
<b>Increase/(Decrease) in 2019-20</b>	<b>564</b>	<b>7,115</b>	<b>686</b>	<b>(1,165)</b>	<b>7,200</b>	<b>(27,211)</b>	<b>(20,011)</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>9,340</b>	<b>55,222</b>	<b>18,608</b>	<b>317</b>	<b>83,487</b>	<b>68,350</b>	<b>151,837</b>

## Balance Sheet

31 March 2019		31 March 2020	Notes
£'000		£'000	
	<b>Property, Plant &amp; Equipment</b>		
430,421	Other Land and Buildings	425,796	21c
5,078	Vehicles, Plant, Furniture and Equipment	6,742	
65,147	Infrastructure	67,559	
4,912	Community Assets	4,912	
662	Assets under Construction	816	
17,530	Surplus Assets not Held for Sale	17,108	
220		220	
4,635	<b>Heritage Assets</b>	4,635	22
3,593	<b>Investment Property</b>	3,032	21d
4,011	<b>Intangible Assets</b>	-	31
	<b>Long Term Investments</b>		
<b>536,209</b>	<b>Long Term Assets</b>	<b>530,820</b>	
20,054	Short Term Investments	25,097	31
2,560	Assets Held for Sale	2,560	24
725	Inventories	678	
32,300	Short Term Debtors	36,342	23
1,051	Cash and Cash Equivalents	3,646	
<b>56,690</b>	<b>Current Assets</b>	<b>68,323</b>	
(2,551)	Short Term Borrowing	(915)	31
(31,782)	Short Term Creditors	(34,533)	25
(1,925)	Provisions due in 1 year	(986)	26
<b>(36,258)</b>	<b>Current Liabilities</b>	<b>(36,434)</b>	
(4,311)	Provisions due after 1 year	(3,999)	26
(97,412)	Long Term Borrowing	(97,401)	31
	<b>Other Long Term Liabilities</b>		
(17,054)	PFI & Other Long Term Liabilities	(16,447)	27
(263,510)	Net Pensions Liability	(289,190)	30
(2,506)	Capital Receipts in Advance	(3,835)	
<b>(384,793)</b>	<b>Long Term Liabilities</b>	<b>(410,872)</b>	
<b>171,848</b>	<b>Net Assets</b>	<b>151,837</b>	
	<b>Usable reserves</b>		28b
8,776	Council Fund	9,340	
48,107	Earmarked reserves	55,222	28a
17,922	Capital Receipts Reserve	18,608	
1,482	Capital Grants Unapplied	317	
	<b>Unusable Reserves</b>		29
149,553	Revaluation Reserve	145,386	29a
(263,510)	Pensions Reserve	(289,190)	29b
213,123	Capital Adjustment Account	216,218	29c
(715)	Financial Instruments Adjustment Account	(706)	
(2,890)	Short-term Accumulating Compensated Absences Account	(3,358)	
<b>171,848</b>	<b>Total Reserves</b>	<b>151,837</b>	

## Cash Flow Statement

2018-19 £'000		2019-20 £'000	Notes
8,438	Net (surplus)/deficit on the Provision of Services	13,512	
(24,524)	Adjustments to net deficit on the provision of services for non-cash movements	(36,433)	34
11,378	Adjustments for Items included in the net deficit on the provision of services that are investing and financing activities	12,723	
<b>(4,708)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(10,198)</b>	35
14,565	Investing Activities	19,081	36
(10,820)	Financing Activities	(11,478)	37
<b>(963)</b>	<b>Net (Increase) / Decrease in Cash &amp; Cash Equivalents</b>	<b>(2,595)</b>	
(88)	Cash & Cash Equivalent at the beginning of the Reporting Period	(1,051)	
<b>(1,051)</b>	<b>Cash &amp; Cash Equivalent at the end of the Reporting Period</b>	<b>(3,646)</b>	

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



Notes to the Financial Statements

## Notes to the Financial Statements

<b>Note</b>		<b>Page Number</b>
1	Accounting Policies	21
2	Critical Judgements in Applying Accounting Policies	34
3	Assumptions Made about the Future and Other Major Sources of Estimation	34
4	Expenditure and Funding Analysis	36
5	Note to the Expenditure and Funding Analysis	37
6	Expenditure and Income Analysed by Nature	38
	<b>Notes to the Comprehensive Income and Expenditure Statement</b>	
7	Precepts and Levies	40
8	Revenue Support Grant	40
9	National Non-Domestic Rates (NNDR)	40
10	Council tax	41
11	Grants	41
12	Leases	42
13	Private Finance Initiative (PFI)	43
14	Pooled Fund Arrangements	43
15	Officers' Remuneration	44
16	Members' Allowances	48
17	External Audit Costs	48
18	Participation in Joint Committees and Joint Arrangements	48
19	Related Party Transactions	49
	<b>Notes to the Movement in Reserves Statement</b>	
20	Adjustments between Accounting Basis and Funding Basis Under Regulations	51
	<b>Notes to the Balance Sheet</b>	
21	Non-current Assets	54
22	Investment Properties	58
23	Short term Debtors	59
24	Assets Held for Sale	59
25	Short term Creditors	59
26	Provisions	60
27	PFI and Other Long Term Liabilities	60
28	Usable Reserves	61
29	Unusable Reserves	64
30	Pensions liabilities, IAS 19 disclosures	66
31	Financial Instruments Disclosures	73
32	Events after the Reporting Period	79
33	Contingent Liabilities	79
	<b>Notes to Cash Flow</b>	
34	Adjustments for Non-cash Movements	80
35	Operating Activities	80
36	Investing Activities	80
37	Financing Activities	80

## 1. Accounting Policies

### 1.1 General principles

The Statement of Accounts summarises the Council's transactions for the 2019-20 financial year and its position at the year end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 and the Accounts and Audit (Wales) (Amendments) Regulations 2018, in accordance with proper accounting practices. These practices comprise the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) 2019-20 and the *Service Reporting Code of Practice* 2019-20 supported by International Financial Reporting Standards (IFRS).

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

### 1.2 Standards that have been issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 (the Code) requires that the Council discloses information relating to the anticipated impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to the adoption of the following new or amended standards within the 2019-20 Code:

Standard	Effective date	Further details
<b>IAS 28 Investments in Associates and Joint Ventures – Long-Term interests in Associates and Joint Ventures</b>	<b>2019-20</b>	This relates to the application of IFRS 9 – Financial Instruments – to the measurement and application, in particular relating to impairment, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture.
<b>IFRS Standards 2015-17 Cycle</b>	<b>2019-20</b>	This provides amendments to two International Financial Reporting Standards (IFRSs) as a result of the IASB's annual improvements project, namely IFRS 3 – Business Combinations and IFRS 11 – Joint Arrangements, as well as IAS12 – Income Taxes and IAS 23 – Borrowing Costs.
<b>IAS19 Employee Benefits: Plan Amendment, Curtailment or Settlement</b>	<b>2019-20</b>	This requires that if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.
<b>IFRS 16 Leases</b>	<b>2020-21</b>	IFRS16 will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (with an exception for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021.

The Council does not consider these changes will have any impact on the 2019-20 Statements.

### 1.3 Accruals of income and expenditure

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

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

### 1.4 Provisions, Contingent Liabilities and Contingent Assets

#### Provisions

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

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

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

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

#### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a

provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

### Contingent Assets

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

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

### **1.5 Reserves**

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

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

### **1.6 Government grants and contributions**

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

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

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

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

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

## 1.7 Employee benefits

### Benefits Payable during Employment

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

### Termination Benefits

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

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

### Post-Employment Benefits

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

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

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

- The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate.

- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Property – market value
- The change in the net pensions liability is analysed into the following components:
  - Current service cost – the increase in liabilities as result of the number of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to the number of years of service earned in earlier years – debited to Central Services in the Comprehensive Income and Expenditure Statement
  - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
  - Re-measurements comprising:
- The return on plan assets – excluding amounts included in the net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve and Other Comprehensive Income and Expenditure
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions reserve and Other Comprehensive Income and Expenditure:
  - Contributions to the pension fund – cash paid as employer's contribution to the pension fund in settlement of liabilities; not accounted for as an expense.
- In relation to retirement benefits, statutory provisions require the Council Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners for any amounts payable to the fund but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.
- The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## 1.8 VAT

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

## 1.9 Overheads and Support Services

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

## 1.10 Intangible Assets

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

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

## 1.11 Property, Plant and Equipment

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

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

## Measurement

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

- **Land and buildings** – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)
- **Non-specialised operational properties** – existing use value (EUV)
- **Specialised operational properties (such as schools)** – depreciated replacement cost (DRC)
- **Vehicles, plant and equipment** – depreciated historical cost
- **Community assets** – historical cost
- **Assets under construction** – historical cost (until they become operational)
- **Infrastructure assets** – depreciated historical cost
- **Surplus assets and investment properties** – fair value
- **Assets held for sale** – lower of carrying amount and fair value less costs of sale

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

## **Revaluations**

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

## **Impairment**

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

## **Depreciation**

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

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

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

<b>Asset</b>	<b>Policy</b>	<b>Life</b>
Land	No depreciation charged	N/A
Buildings	Straight line depreciation on estimated remaining life	As advised by Valuer (between 1 - 79 years)
Vehicles, plant and equipment	Straight line depreciation on estimated remaining life	3 - 10 years
Infrastructure - Bridges	Straight line depreciation on estimated remaining life	30 years
Infrastructure - Roads	Straight line depreciation on estimated remaining life	15 years
Infrastructure - Other	Straight line depreciation on estimated remaining life	1 - 30 years

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

## Componentisation

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

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

## Disposals and Non-current Assets Held for Sale

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

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

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

## 1.12 Heritage Assets

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

## 1.13 Charges to revenue for non-current assets

Services are debited with the following amounts to record the real cost of holding non-current assets during the year:

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

The Council is not required to raise council tax to fund depreciation, revaluation or impairment losses or amortisation. However, it is required to make an annual prudent provision from revenue to contribute towards the reduction in its overall borrowing requirement. This is detailed in the Council's Annual Minimum Revenue Provision Statement, and differentiates between supported capital expenditure, unsupported capital expenditure, and Finance Leases / PFI. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by this *Minimum Revenue Provision* (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement

for the difference between the two. The Council charges MRP on a straight line basis over 45 years. This ensures that the costs of supported capital expenditure are spread evenly over the lifetime of assets, and that the debt is fully extinguished within forty-five years.

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

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

### **1.15 Leases**

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

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

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

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

##### Operating Leases

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

#### **The Council as a Lessor**

##### Operating Leases

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

## 1.16 Financial Instruments

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

### Financial Assets

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

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

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

#### Financial Assets held at Amortised Cost

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

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

#### Expected Credit Loss Model

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

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

### Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council. Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges

to the Financing and Investment Income and Expenditure Section of the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable together with any accrued interest and interest charged to the Comprehensive Income and Expenditure Statement for the year according to the loan agreement.

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

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

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

### **1.17 Inventories and Long Term Contracts**

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

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

### **1.18 Private Finance Initiatives (PFI)**

PFI contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under the PFI scheme and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under these contracts on its Balance Sheet as part of Property, Plant and Equipment.

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

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

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

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

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

### **1.19 Joint Arrangements**

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

### **1.20 Council Tax Income**

All Council Tax income is shown in the Comprehensive Income and Expenditure Statement of the Council with the major preceptors' precepts (principally Police and Crime Commissioner for South Wales) being included as expenditure. Council Tax Income is shown gross in the Comprehensive Income and Expenditure Statement with any amounts allocated as a result of the Council Tax Reduction Scheme recognised as an expense within net costs of services.

### **1.21 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

### **1.22 Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty of notice of not more than 24 hours. Cash equivalents are investments that mature in no more than a month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

### **1.23 Events after the Balance Sheet date**

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

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

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

### **1.24 Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

The Council instructed external valuers Cooke & Arkwright to provide valuations annually as at 31 December for all of the Council's investment portfolio in line with IFRS13. When the fair values of Investment Properties, Surplus Assets and Assets Held for Sale cannot be measured based on quoted prices in active markets (that is **Level 1 inputs**), their fair value is measured using the following valuation techniques:

**Level 2 inputs:** quoted prices for similar assets or liabilities in active markets at the valuation date

**Level 3 inputs:** based on most recent valuations, adjusted if necessary through the use of indexation and impairment review

The majority of the investment properties were valued at Level 2 inputs with a number valued at Level 3 inputs.

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

### **1.25 Local Authority Schools**

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

## 2. Critical Judgements in Applying Accounting Policies

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

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

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

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

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

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

The items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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

Revaluation of the Council's assets is undertaken on a 3-year rolling programme. The value of those assets is based upon calculations and estimation techniques following the Royal Institute of Chartered Surveyors (RICS) guidance, and in accordance with IFRS. Revaluation takes account of the value and condition of the asset, relevant components and also de-recognition where appropriate.

### **Depreciation of Property, Plant and Equipment**

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

### **Investment Properties, Surplus Assets and Assets Held for Sale**

Fair Value estimations:

The Council instructed external valuers Cooke & Arkwright to provide valuations as at 31 December 2019 for all of the Council's investment portfolio and these were valued in line with IFRS13.

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

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

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

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

### **Pensions Liability**

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

#### 4. Expenditure and Funding Analysis

2018-19 restated				2019-20		
Net Expenditure Chargeable to the Council Fund	Adjustments between the Funding and Accounting Basis & transfers to Earmarked Reserves (Note 5)	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the Council Fund	Adjustments between the Funding and Accounting Basis & transfers to Earmarked Reserves (Note 5)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
110,544	5,526	105,018	Education and Family Support Social Services & Wellbeing	115,059	(10,900)	125,959
69,135	(8,855)	77,990	Communities	71,651	(2,567)	74,218
27,822	(11,227)	39,049	Chief Executives	25,746	(14,643)	40,389
18,065	(4,430)	22,495	Council Wide Services	17,115	(3,754)	20,869
29,988	8,682	21,306		31,551	13,573	17,978
<b>255,554</b>	<b>(10,304)</b>	<b>265,858</b>	<b>Net Cost Of Services</b>	<b>261,122</b>	<b>(18,291)</b>	<b>279,413</b>
(255,983)	1,437	(257,420)	Other income and Expenditure	(261,686)	4,215	(265,901)
<b>(429)</b>	<b>(8,867)</b>	<b>8,438</b>	<b>Surplus or Deficit</b>	<b>(564)</b>	<b>(14,076)</b>	<b>13,512</b>
8,347			Opening Council Fund Balance	8,776		
429			Surplus or (Deficit) on Council Fund for year	564		
<b>8,776</b>			<b>Closing Council Fund Balance as at 31 March</b>	<b>9,340</b>		

## 5. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2018-19				
Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statements amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£'000	£'000	£'000	£'000
Education and Family Support	10,666	(5,772)	632	5,526
Social Services & Wellbeing	(2,560)	(4,531)	(1,764)	(8,855)
Communities	(7,943)	(2,036)	(1,248)	(11,227)
Chief Executives	(962)	(2,111)	(1,357)	(4,430)
Council Wide Services	3,184	-	5,498	8,682
<b>Net cost of services</b>	<b>2,385</b>	<b>(14,450)</b>	<b>1,761</b>	<b>(10,304)</b>
Other income and expenditure from the Expenditure and Funding Analysis	9,494	(6,760)	(1,297)	1,437
<b>Difference between Council Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>11,879</b>	<b>(21,210)</b>	<b>464</b>	<b>(8,867)</b>

Adjustments between Funding and Accounting Basis 2019-20				
Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statements amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£'000	£'000	£'000	£'000
Education and Family Support	(5,882)	(5,006)	(12)	(10,900)
Social Services & Wellbeing	1,345	(3,789)	(123)	(2,567)
Communities	(10,838)	(1,728)	(2,077)	(14,643)
Chief Executives	(1,739)	(1,737)	(278)	(3,754)
Council Wide Services	3,178	-	10,395	13,573
<b>Net cost of services</b>	<b>(13,936)</b>	<b>(12,260)</b>	<b>7,905</b>	<b>(18,291)</b>
Other income and expenditure from the Expenditure and Funding Analysis	11,583	(6,120)	(1,248)	4,215
<b>Difference between Council Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(2,353)</b>	<b>(18,380)</b>	<b>6,657</b>	<b>(14,076)</b>

### Note 1 - Adjustments for Capital Purposes

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

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

### Note 2 - Net Change for the Pensions Adjustments

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

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

### Note 3 - Other Differences

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

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

## 6. Expenditure and Income Analysed by Nature

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

2018-19 restated £'000		2019-20 £'000
	<b>Expenditure</b>	
192,855	Employee expenses	196,559
198,880	Other services expenses	194,015
4,463	Depreciation, amortisation, impairment	20,228
12,670	Interest payments	11,975
22,015	Precepts and levies	23,569
276	(Gain)/Loss on disposal of assets	215
<b>431,159</b>	<b>Total expenditure</b>	<b>446,561</b>
	<b>Income</b>	
(35,709)	Fees, charges and other service income	(36,972)
(135,820)	Income from council tax, non-domestic rates	(143,409)
(249,905)	Government grants and contributions	(251,569)
(1,012)	Investment Income and other Interest Receivable	(1,099)
(275)	Other income	-
<b>(422,721)</b>	<b>Total income</b>	<b>(433,049)</b>
<b>8,438</b>	<b>(Surplus) or Deficit on the provision of services</b>	<b>13,512</b>

## Notes to the Comprehensive Income and Expenditure Statement

### 7. Precepts and levies

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

2018-19 £'000		2019-20 £'000
	<b>Precepts</b>	
12,450	Police and Crime Commissioner for South Wales	13,832
2,495	Community Councils	2,621
<b>14,945</b>	<b>Total Precepts</b>	<b>16,453</b>
	<b>Levies</b>	
6,689	South Wales Fire and Rescue Authority	6,747
271	Coroners Service	260
92	Archive Service	91
18	Swansea Bay Port Authority	18
<b>7,070</b>	<b>Total Levies</b>	<b>7,116</b>
<b>22,015</b>	<b>Total Precepts and Levies</b>	<b>23,569</b>

### 8. Revenue Support Grant (RSG)

This is the principal source of finance towards revenue expenditure from Welsh Government with the amount receivable fixed at the start of each financial year. The amount received in 2019-20 was £145.35 million (£145.78 million for 2018-19).

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

NNDR is organised on a national basis. The Welsh Government (WG) specifies the rate in the pound to be charged and, subject to the effects of transition arrangements, local businesses pay rates calculated by multiplying their rateable value by the rate in the pound (the multiplier). The multiplier was 52.6p in 2019-20 (51.4p in 2018-19). The total rateable value of the Council equalled £99,152,723 on 31 March 2020 (£98,716,925 on 31 March 2019). The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by WG. WG then redistributes the sums payable back to local authorities pro rata to adult population in each Council's area.

The Council receives a contribution directly from the NNDR pool. The income from this is reflected separately in the Comprehensive Income and Expenditure Statement. This amount was £46.452 million in 2019-20 (£45.802 million in 2018-19).

## 10. Council Tax

Council Tax Income derives from charges raised from residential properties, which have been classified into ten valuation bands based on the value the property is estimated to have been on 1 April 2005. Charges are calculated by taking the amount of income required for Bridgend County Borough Council, each Community Council and the Police and Crime Commissioner for South Wales and dividing this by the Council Tax base. The Council Tax base is the total number of properties in each band adjusted by a factor to convert the number to a Band D equivalent, which is then adjusted for discounts. The gross tax base is then multiplied by the estimated collection rate to give the net tax base on which the budget is set – this was 53,710.97 Band D equivalents for 2019-20 (53,315.53 in 2018-19). The average charge for a Band D property is £1,777.19 in 2019-20 (£1,675.82 in 2018-19 on average) and this is multiplied by the factor specified for the particular band to give the individual amount due.

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

Band	A*	A	B	C	D	E	F	G	H	I
Factor	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
Chargeable Dwellings	28	10,156	14,866	14,180	10,568	7,488	4,234	1,404	281	89

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

2018-19 £'000		2019-20 £'000
(90,018)	Council Tax Collectable	(96,957)
	Less:	
2,495	Payable to Community Councils	2,621
12,450	Payable to Police and Crime Commissioner for South Wales	13,832
290	Provision for non-payment of Council Tax increase/(decrease)	417
<b>(74,783)</b>	<b>Net Proceeds from Council Tax</b>	<b>(80,087)</b>

## 11. Grants

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

2018-19 re-stated £'000	Specific Grants credited to Services	2019-20 £'000
(46,357)	Housing Benefit Subsidy	(40,207)
(6,022)	Post 16 Grant	(6,105)
(4,921)	Education Improvement Grant	(4,895)
(4,549)	Pupil Development Grant	(4,592)
(5,837)	Other Education & Family Support	(9,136)
(3,140)	Other Social Services & Wellbeing	(3,274)
(2,210)	Others	(4,911)
(6,074)	Supporting People	(5,767)
(929)	Sport Play & Active Wellbeing	(858)
(2,931)	Concessionary Fares Grant	(2,763)
(3,227)	Flying Start	(3,076)
(781)	Sustainable Waste Grant	(870)
(576)	Housing/Council Tax Benefit Administration	(874)
(1,113)	Integrated Care Fund	(2,168)
(1,858)	Families First	(1,690)
(2,394)	General Capital Grant	(2,280)
(1,712)	Other Capital Grants	(951)
<b>(94,631)</b>	<b>Total</b>	<b>(94,417)</b>

2018-19 £'000	Other Government Grants credited to Taxation and Non-specific Grant Income	2019-20 £'000
(9,494)	Capital Grants and Contributions	(11,798)
<b>(9,494)</b>	<b>Total</b>	<b>(11,798)</b>
<b>(104,125)</b>		<b>(106,215)</b>

## 12. Leases

### Council as a Lessee

#### Operating Leases

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

2018-19 £'000		2019-20 £'000
(704)	Not later than one year	(681)
(1,794)	Later than one year but less than five years	(1,419)
(7,094)	Later than five years	(6,664)
<b>(9,592)</b>	<b>Total</b>	<b>(8,764)</b>

Expenditure charged in the year to the Service areas was £0.734 million made up of minimum lease payments of £0.117 million and £0.617 million for contingent rents (2018-19: £0.747 million made up of £0.153 million minimum lease payments and £0.594 million contingent rents).

## Council as a Lessor

### Operating Leases

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

2018-19 £'000		2019-20 £'000
99	Not later than one year	102
159	Later than one year but less than five years	158
1,719	Later than five years	1,702
<b>1,977</b>	<b>Total</b>	<b>1,962</b>

## **13. Private Finance Initiative (PFI)**

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

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

2018-19 £'000	Unitary Charge	2019-20 £'000
682	Service Charge Element	699
1,306	Interest Element	1,256
641	Finance Lease Liability	690
<b>2,629</b>	<b>Total</b>	<b>2,645</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	2020-21 £'000	2021-22 to 2025-26 £'000	2026-27 to 2030-31 £'000	2031-32 to 2034-35 £'000	TOTAL £'000
Service Charge Element	502	2,511	2,512	1,500	7,025
Interest Element	1,203	5,063	2,959	409	9,634
Finance Lease Liability	743	4,672	6,775	4,119	16,309
<b>Total</b>	<b>2,448</b>	<b>12,246</b>	<b>12,246</b>	<b>6,028</b>	<b>32,968</b>

## **14. Pooled Fund Arrangements**

There are some formal pooled budget arrangements between the Council and Cwm Taf Morgannwg University Health Board under Section 33 NHS (Wales) Act 2006. These arrangements were formerly with Abertawe Bro Morgannwg University Health Board until the health board boundary changes from 1<sup>st</sup> April 2019. The pooled fund arrangement between 3 Councils for the delivery of an Integrated Family Support Service under s.166-169 of the Social Services and Wellbeing (Wales) Act 2014 ended on 31 March 2019

Purpose of Partnership	Partner	Year	Gross Income Of Partnership £'000	Gross Expenditure of Partnership £'000	Council's Contribution £'000
Provision of day opportunities for people recovering from mental health problems.	Cwm Taf-Morgannwg University Health Board	2018-19	(600)	600	300
		2019-20	(600)	600	300
Provision of specified community equipment for service users to enable them to continue to live in their own homes. Rhondda Cynon Taf are the lead partner	Rhondda Cynon Taff CBC Merthyr Tydfil CBC Cwm Taf Morgannwg University Health Board	2018-19	(2,831)	2,712	594
		2019-20	(2,832)	2,799	729
Provision of integrated community support services	Cwm Taf-Morgannwg University Health Board	2018-19	(4,930)	4,930	2,678
		2019-20	(5,176)	5,176	2,539
Provision of an Integrated Family Support Service	Neath Port Talbot CBC, City and County of Swansea Council	2018-19	(632)	632	163
		2019-20	-	-	-

## 15. Officers' Remuneration

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

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

The ratio of the remuneration of the Chief Executive to the median remuneration of all the Council's employees was 6.28 (2018-19: 6.64). The median remuneration of all employees was £21,166 (2018-19: £20,541), and the Remuneration of the Chief Executive was 6.28 times more than the median remuneration of the Council's employees.

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

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

2018-19 including Redundancy Costs	Remuneration Band	Number of Employees			
		2019-20 inc Redundancy Costs (Note 1)	2019-20 exc Redundancy Costs (Note 2)	Number of Teachers inc in Figures exc Redundancy (Note 2)	Number of Non- Teachers inc in Figures exc Redundancy (Note 2)
32	£60,000 - £64,999	28	27	24	3
12	£65,000 - £69,999	19	19	18	1
6	£70,000 - £74,999	5	5	5	-
4	£75,000 - £79,999	4	4	3	1
10	£80,000 - £84,999	9	6	2	4
6	£85,000 - £89,999	5	4	3	1
5	£90,000 - £94,999	3	2	2	-
1	£95,000 - £99,999	3	3	3	-
1	£100,000 - £104,999	1	1	1	-
3	£105,000 - £109,999	1	-	-	-
1	£110,000 - £114,999	4	3	1	2
1	£120,000 - £124,999	-	-	-	-
-	£125,000 - £129,999	-	-	-	-
-	£130,000 - £134,999	1	1	-	1
1	£145,000 - £149,999	-	-	-	-
-	£150,000 - £154,999	1	-	-	-
1	£195,000 - £199,999	-	-	-	-
1	£225,000 - £229,999	-	-	-	-
1	£245,000 - £249,999	-	-	-	-
<b>86</b>		<b>84</b>	<b>75</b>	<b>62</b>	<b>13</b>

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

Note 2: These are officers still in post, of which there are 75 individuals with remuneration of £60,000 or more, including:-

- a) 62 Headteachers and Deputy Headteachers, and
- b) 13 Senior Managers of the Council, including the Senior Officers shown in Disclosure 3 below, and Heads of Service.

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

Job Title	Salary		Compensation for Loss of Office		Pension Contributions (note 1)		Total Remuneration including Pension Contributions	
	18-19 £	19-20 £	18-19 £	19-20 £	18-19 £	19-20 £	18-19 £	19-20 £
Chief Executive Officer & Head of Paid Service (See Note 2)	104,500	132,099	-	-	22,259	28,137	126,759	160,236
Interim Chief Executive Officer & Head of Paid Service (See Note 2)	29,766	-	-	-	6,340	-	36,106	-
Corporate Director - Education and Family Support (See Note 3)	105,982	110,449	-	-	22,574	23,526	128,556	133,975
Corporate Director - Communities (See Note 4)	82,959	8,790	-	-	17,670	1,872	100,629	10,662
Corporate Director - Operational and Partnership Services (See Note 5)	28,205	-	93,903	-	147,424	-	269,532	-
Corporate Director - Social Services & Wellbeing	108,283	110,449	-	-	23,064	23,526	131,347	133,975
Head of Finance & s151 Officer (See Note 6)	-	-	-	-	-	-	-	-
Head of Legal and Regulatory Services (See Note 8)	56,503	53,937	-	-	11,588	10,840	68,091	64,777
Chief Officer - Legal, HR and Regulatory Services (Note 8)	-	26,968	-	-	-	5,420	-	32,388
Head of Partnership Services (See Note 7)	59,923	56,327	-	-	12,764	11,998	72,687	68,325
Head of Operations - Communities	20,708	89,651	-	-	4,411	19,096	25,119	108,747

## Notes

- Note 1 No 'Taxable Expenses' or 'Benefits in kind' were paid in the year. Pension Contributions relate to actual payments made.
- Note 2 The Interim Chief Executive was appointed to the permanent post on 2 May 2019. The remuneration is for the full year in post. The salary excludes payment for Election Duties which amounted to £6,617 for 1 European Election and 1 General Election.
- Note 3 The Corporate Director - Education and Family Support salary excludes payment for Election Duties which amounted to £180 for 1 general election.
- Note 4 The Corporate Director – Communities was appointed on 1 March 2020. It was vacant until that date.
- Note 5 The Corporate Director – Operational and Partnership Services took voluntary redundancy on 6 July 2018.
- Note 6 The Head of Finance – s151 Officer was re-designated as the Chief Officer – Finance, Performance and Change from the 01 December 2019. The position has been vacant during the year with the role fulfilled through an interim arrangement. The Interim Chief Officer- Finance, Performance and Change is appointed under a contractual arrangement with the Welsh Local Government Association. The costs incurred in this arrangement during the year were £115,557 (2018-19: £104,129).
- Note 7 The Head of Performance and Partnership Services was re-designated as the Head of Partnership Services from 01 December 2019. Therefore the disclosure includes the remuneration up to the 30 November 2019. The salary excludes payment for Election Duties which amounted to £390 for 1 European Election and 1 General Election.
- Note 8 The Head of Legal and Regulatory Services was re-designated as the Chief Officer – Legal, HR and Regulatory Services from 01 December 2019.

## Disclosure 4 – Table on Exit Packages

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

Exit Package Cost Band (including Special Payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	18-19 £	19-20 £	18-19 £	19-20 £	18-19 £	19-20 £	18-19 £	19-20 £
£0 - £20,000	32	11	29	6	61	17	731,527	154,872
£20,001 - £40,000	34	9	16	3	50	12	1,446,731	344,406
£40,001 - £60,000	16	4	1	-	17	4	814,416	209,590
£60,001 - £80,000	4	2	1	-	5	2	329,394	150,148
£80,001 - £100,000	2	-	-	-	2	-	178,584	-
£100,001 - £150,000	-	1	1	-	1	1	141,821	141,924
£150,001 - £200,000	2	-	-	-	2	-	366,362	-
	<b>90</b>	<b>27</b>	<b>48</b>	<b>9</b>	<b>138</b>	<b>36</b>	<b>4,008,835</b>	<b>1,000,940</b>

## 16. Members' allowances

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

2018-19 £'000		2019-20 £'000
557	Basic Salary (all Members)	571
481	Senior Salary	481
46	Civic Salary	49
<b>1,084</b>	<b>Total</b>	<b>1,101</b>

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

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

## 17. External audit costs

In 2019-20 Bridgend County Borough Council incurred the following fees relating to external audit and inspection.

2018-19 £'000		2019-20 £'000
192	Financial Statement Audit	188
97	Performance Audit	97
<b>289</b>	<b>External Audit Services</b>	<b>285</b>
54	Grant Claims and Returns	45
<b>343</b>	<b>Total</b>	<b>330</b>

## 18. Participation in Joint Committees and Joint Arrangements

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

	2018-19 £'000	2019-20 £'000
Cardiff Capital Region City Deal (CCRCRCD)	1,257	103
Central South Consortium Joint Education Service	606	571
Integrated Family Support Service (IFSS)	163	-
Joint Adoption Service	949	949
Shared Regulatory Service	1,505	1,686
Shared Internal Audit Service	205	270
Western Bay Youth Justice and Early Intervention Service	287	-
Civil Parking Enforcement	185	190
Glamorgan Archives	92	92
Coychurch Crematorium	-	-
Margam Crematorium	-	-
<b>Total</b>	<b>5,249</b>	<b>3,861</b>

There were sufficient funds within the Cardiff Capital City Region Deal (CCRCD) pooled fund that the Council was only required to contribute £103,000 for 2019-20. The joint arrangements for the provision of an Integrated Family Support Service and Western Bay Youth Justice and Early Intervention Service both ended on 31 March 2019. These services were provided by the Council as from 1 April 2019.

## 19. Related Party Transactions

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

### Welsh Government

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

### Members

Members of the Council have direct control over the Council's financial and operating policies. Members' external interests are maintained in a register, which is available for inspection on the Council's website. The total of members' allowances paid is shown in Note 16. Payments made to organisations where Members had an interest included Care and Repair (Bridgend) £1,749,669 (£1,365,954 in 2018-19), Bridgend County Borough Citizens Advice Bureau £180,556 (£226,709 in 2018-19) and Bridgend Association of Voluntary Organisations £ 596,607 in 2019-20 (£92,322 in 2018-19). In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Other payments made to organisations where members declared interests totalled £478,886 (£293,576 in 2018-19). Balances owed by the Council as at 31 March 2020 included Care & Repair £5,965 (£15,124 in 2018-19) and Sarn Community Council £11,659 (£1,662 in 2018-19). Amounts owed to the Council as at 31 March 2020 included Credu Charity (Porthcawl) Ltd £13,289 (£6,668 in 2018-19) and Valleys to Coast £44,285 (£45,941 in 2018-19). One member did not complete a Related Party Disclosure because he ceased being a Councillor during the year.

### Chief Officers

During 2019-20 the Head of Adult Social Care sat on the Board of Capita Glamorgan Consultancy Ltd. The Council owns 14.7% of the shares of the company and holds voting rights to this value on the Board. During 2019-20 the Council was charged £959,453 (2018-19: £1,146,732) in respect of goods, services and capital works. The balance owed by the council at the 31 March 2020 was £4,063 (£8,748 in 2018-19). In addition the Head of Operations Community Services took over from the Corporate Director on the 24th October 2019 to sit on the Board of CSC Foundry Ltd, a special purpose vehicle which is a wholly owned subsidiary of the City Deal Joint Committee. Details of the payments made to the Cardiff Capital Region City Deal are included in note 18 to the accounts.

The Head of Operations Community Services was a Director of the Bridgend Business Improvement District (BID) until he resigned in December 2019 following the BID ending in September 2019. The Council acted as the collector of Business Rates on behalf of the Business Improvement District and transferred those monies to the company. The Council had no business transactions with the BID Company. No Directors received any remuneration for this role.

The Interim Head of Finance and s151 Officer is an Independent Member of the Health Education and Improvement Wales Board. The Council had no business transactions with the health authority in 2019-20.

### **Other Joint Committees**

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

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

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

#### **Coychurch Crematorium**

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

#### **Margam Crematorium**

Margam Crematorium is subject to the control of a Joint Committee of Members from Neath Port Talbot County Borough Council, who manage the Crematorium. Financial Statements for this Joint Committee are available on the Neath Port Talbot CBC website ([www.npt.gov.uk](http://www.npt.gov.uk))

### **Other Public Bodies**

The Council has a number of pooled budget arrangements with Cwm Taf Morgannwg University Health Board as detailed in Note 14. It also pays a management fee to the Awen Trust for cultural related services which is a not for profit organisation. The amount paid to Awen in 2019-20 was £3,213,429 (2018-19: £3,231,354) and a balance outstanding of £66,756 owed to the Council at the 31 March 2020 (2018-19: £702,532 owed by the Council). The Board of Awen Cultural Trust has two Councillors as Board members.

## Notes to the Movement in Reserves Statement

### 20. Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

#### Council Fund Balance

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

#### Capital Receipts Reserve

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

#### Capital Grants Unapplied

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

#### Unusable Reserves

This includes the Revaluation Reserve which contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment; the Pensions Reserve which absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions; the Capital Adjustment Account which absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing and acquisition, construction or enhancement of those assets under statutory provisions; the Financial Instruments Adjustment Account which absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions; and the Short-term Accumulated Compensated Absences Account which absorbs the differences that would otherwise arise on the Council Fund Balance from accruing holiday entitlements earned but not taken in the year.

The tables below detail the adjustments for 2018-19 for comparative purposes and the adjustments for 2019-20.

2018-19	Usable Reserves			Unusable Reserves £'000
	Council Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustment to the Revenue Resources</b>				
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>				
Pensions costs (transferred to (or from) the Pensions Reserve)	21,210			(21,210)
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(8)			8
Holiday Pay (transferred to the Accumulated Absences Reserve)	(422)			422
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (those items are charged to the Capital Adjustment Account)	8,377			(8,377)
<b>Total Adjustments to Revenue Resources</b>	<b>29,157</b>	-	-	<b>(29,157)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,884)	1,884		
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(4,958)			4,958
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(3,922)			3,922
<b>Total adjustments between Revenue and Capital Resource</b>	<b>(10,764)</b>	<b>1,884</b>	-	<b>8,880</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure		(5,123)		5,123
Application of capital grants to finance capital expenditure	(9,494)			9,494
Cash payments in relation to deferred capital receipts			1,194	(1,194)
<b>Total adjustments to Capital Reserves</b>	<b>(9,494)</b>	<b>(5,123)</b>	<b>1,194</b>	<b>13,423</b>
<b>Total Adjustments</b>	<b>8,899</b>	<b>(3,239)</b>	<b>1,194</b>	<b>(6,854)</b>

2019-20	Usable Reserves			Unusable Reserves
	Council Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustment to the Revenue Resources</b>				
<i>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</i>				
Pensions costs (transferred to (or from) the Pensions Reserve)	18,380			(18,380)
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(9)			9
Holiday Pay (transferred to the Accumulated Absences Reserve)	468			(468)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (those items are charged to the Capital Adjustment Account)	21,561			(21,561)
<b>Total Adjustments to Revenue Resources</b>	<b>40,400</b>	-	-	<b>(40,400)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(926)	926		
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(5,523)			5,523
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(962)			962
<b>Total adjustments between Revenue and Capital Resource</b>	<b>(7,411)</b>	<b>926</b>	-	<b>6,485</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure		(240)		240
Application of capital grants to finance capital expenditure	(11,798)			11,798
Cash payments in relation to deferred capital receipts			(1,165)	1,165
<b>Total adjustments to Capital Reserves</b>	<b>(11,798)</b>	<b>(240)</b>	<b>(1,165)</b>	<b>13,203</b>
<b>Total Adjustments</b>	<b>21,191</b>	<b>686</b>	<b>(1,165)</b>	<b>(20,712)</b>

## Notes to the Balance Sheet

### **21. Non-current Assets**

a) Capital commitments

As at 31 March 2020 the Council had the following material capital commitments.

2018-19 £'000		2019-20 £'000
	- Maesteg Town Hall	6,088
	<b>- Total</b>	<b>6,088</b>

b) Notes on Non-current Assets

Voluntary-aided & Voluntary-controlled Schools

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

c) Non-current Assets valuation

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

Summary of Property, Plant & Equipment (PPE)	Other Land and Buildings £'000	Vehicle, Plant and Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE Assets £'000	PFI Assets Included In PPE £'000
<b>Cost or Valuation</b>								
At 1 April 2018	399,145	9,364	214,177	4,951	15,130	7,739	<b>650,506</b>	24,142
<b>Additions</b>	3,391	1,530	7,457	-	-	9,062	<b>21,440</b>	-
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	(19,417)	(1,123)	-	-	(502)	-	<b>(21,042)</b>	(2,783)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	27,437	352	-	(2)	(56)	-	<b>27,731</b>	1,258
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	16,054	-	-	-	(807)	-	<b>15,247</b>	251
Derecognition - Disposals	(234)	(532)	-	-	(100)	-	<b>(866)</b>	-
Assets reclassified (to)/from Held for Sale	(195)	-	-	-	1,761	-	<b>1,566</b>	-
Other Movements in Cost or Valuation	13,850	-	-	-	2,289	(16,139)	-	-
<b>At 31 March 2019</b>	<b>440,031</b>	<b>9,591</b>	<b>221,634</b>	<b>4,949</b>	<b>17,715</b>	<b>662</b>	<b>694,582</b>	<b>22,868</b>
<b>Accumulated Depreciation and Impairments</b>								
At 1 April 2018	(18,113)	(4,632)	(150,475)	(37)	(2)	-	<b>(173,259)</b>	(1,858)
Depreciation Charge for the year	(10,947)	(1,530)	(5,878)	-	(55)	-	<b>(18,410)</b>	(928)
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	19,417	1,123	-	-	502	-	<b>21,042</b>	2,783
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	(612)	-	(134)	-	-	-	<b>(746)</b>	-
Derecognition - disposals	15	526	-	-	-	-	<b>541</b>	-
Other Movements	630	-	-	-	(630)	-	-	-
<b>At 31 March 2019</b>	<b>(9,610)</b>	<b>(4,513)</b>	<b>(156,487)</b>	<b>(37)</b>	<b>(185)</b>	-	<b>(170,832)</b>	<b>(3)</b>
<b>NBV as at 1 April 2018</b>	<b>381,032</b>	<b>4,732</b>	<b>63,702</b>	<b>4,914</b>	<b>15,128</b>	<b>7,739</b>	<b>477,247</b>	<b>22,284</b>
<b>NBV as at 31 March 2019</b>	<b>430,421</b>	<b>5,078</b>	<b>65,147</b>	<b>4,912</b>	<b>17,530</b>	<b>662</b>	<b>523,750</b>	<b>22,865</b>

<b>Summary of Property, Plant &amp; Equipment (PPE)</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicle, Plant and Equipment £'000</b>	<b>Infrastructure £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total PPE Assets £'000</b>	<b>PFI Assets Included In PPE £'000</b>
<b>Cost or Valuation</b>								
At 1 April 2019	440,031	9,591	221,634	4,949	17,715	662	694,582	22,868
<b>Additions</b>	<b>7,398</b>	<b>2,679</b>	<b>8,145</b>	<b>-</b>	<b>-</b>	<b>753</b>	<b>18,975</b>	<b>-</b>
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	(4,583)	-	-	-	(185)		(4,768)	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,471	-	-	-	(1,096)	-	1,375	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	499	-	-	-	(660)	-	(161)	-
Derecognition - Disposals	(987)	(26)	-	-	(10)	-	(1,023)	-
Derecognition - other	(213)	-	-	-	-	-	(213)	-
Other Movements in Cost or Valuation	(745)	-	-	-	1,344	(599)	-	-
<b>At 31 March 2020</b>	<b>443,871</b>	<b>12,244</b>	<b>229,779</b>	<b>4,949</b>	<b>17,108</b>	<b>816</b>	<b>708,767</b>	<b>22,868</b>
<b>Accumulated Depreciation and Impairments</b>								
At 1 April 2019	(9,610)	(4,513)	(156,487)	(37)	(185)	-	(170,832)	(3)
Depreciation Charge for the year	(11,151)	(1,015)	(5,490)	-	-	-	(17,656)	(1,213)
Accumulated Depreciation and Impairment written out to Gross Carrying Amount	4,583	-	-	-	185	-	4,768	-
Accumulated impairment written off ( where no account balance at 1 April )	(2,656)	-	-	-	-	-	(2,656)	-
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	(574)	-	-	-	-	-	(574)	-
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	1,264	-	(243)	-	-	-	1,021	-
Derecognition - disposals	69	26	-	-	-	-	95	-
<b>At 31 March 2020</b>	<b>(18,075)</b>	<b>(5,502)</b>	<b>(162,220)</b>	<b>(37)</b>	<b>-</b>	<b>-</b>	<b>(185,834)</b>	<b>(1,216)</b>
<b>NBV as at 1 April 2019</b>	<b>430,421</b>	<b>5,078</b>	<b>65,147</b>	<b>4,912</b>	<b>17,530</b>	<b>662</b>	<b>523,750</b>	<b>22,865</b>
<b>NBV as at 31 March 2020</b>	<b>425,796</b>	<b>6,742</b>	<b>67,559</b>	<b>4,912</b>	<b>17,108</b>	<b>816</b>	<b>522,933</b>	<b>21,652</b>

## d) Intangible Assets.

The Intangible asset refers to the Wales Community Care Information System, WCCIS. As at 31 March 2020 the remaining life of the asset was 4 years.

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

Intangible Assets	£'000
<b>Cost or Valuation</b>	
At 1 April 2019	6,040
<b>At 31 March 2020</b>	<b>6,040</b>
<b>Accumulated Depreciation and Impairments</b>	
At 1 April 2019	(2,447)
Depreciation Charge for the year	(561)
<b>At 31 March 2020</b>	<b>(3,008)</b>
<b>NBV as at 1 April 2019</b>	<b>3,593</b>
<b>NBV as at 31 March 2020</b>	<b>3,032</b>

e) Sources of finance for Capital Expenditure

2018-19 £'000		2019-20 £'000
(6,163)	Loans	(5,215)
(12,037)	Government grants	(13,902)
(5,123)	Capital receipts	(240)
(3,922)	Revenue contribution	(1,168)
(369)	Other contributions	(2,297)
<b>(27,614)</b>	<b>Total</b>	<b>(22,822)</b>

f) Revenue Expenditure Funded from Capital under Statute

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

2018-19 £'000		2019-20 £'000
6,137	Revenue Expenditure Funded from Capital under Statute	3,847
(4,106)	Grants and Contributions	(3,230)
<b>2,031</b>	<b>Total</b>	<b>617</b>

g) Capital financing requirement and the financing of capital expenditure

2018-19 £'000	Capital Financing Requirement	2019-20 £'000
170,880	Opening Capital Financing Requirement	172,084
	<b>Capital Investment</b>	
21,477	Property, Plant and Equipment and Intangible Assets	18,975
6,137	Revenue Expenditure Funded from Capital under Statute	3,847
	<b>Sources of Finance</b>	
(12,407)	Grants & Contributions	(16,199)
(5,123)	Capital receipts applied	(240)
(3,922)	Revenue Contributions	(1,168)
(2,858)	Minimum Revenue Provision	(2,885)
(1,459)	Unsupported Borrowing MRP	(1,948)
(641)	PFI School MRP	(690)
<b>172,084</b>	<b>Closing Capital Financing Requirement</b>	<b>171,776</b>
	<b>Explanation for Movements in Year</b>	
1,077	Increase/(Decrease) in Underlying Need to Borrow (supported by government financial assistance)	1,053
768	Increase/(Decrease) in Underlying Need to Borrow (unsupported by government financial assistance)	(671)
(641)	Assets acquired under PFI Contract	(690)
<b>1,204</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(308)</b>

## 22. Investment Properties

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

2018-19 £'000		2019-20 £'000
4,360	<b>Balance at 1 April</b>	4,635
275	Net gain / (loss) from fair value adjustments	-
<b>4,635</b>	<b>Balance as at 31 March</b>	<b>4,635</b>

## 23. Short Term Debtors

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

2018-19 £'000		2019-20 £'000
7,016	Trade Receivables	8,118
2,582	Prepayments	3,056
22,702	Other Receivable Amounts	25,168
<b>32,300</b>	<b>Balance as at 31 March</b>	<b>36,342</b>

The Council collects NNDR payments on behalf of Welsh Government. As at 31 March 2020, the Council had paid over more cash than it collected, this excess was included in the Balance Sheet as a debtor of £0.613 million. The equivalent for 2018-19 was a debtor of £1.385 million.

#### 24. Assets Held for Sale

2018-19 £'000		2019-20 £'000
5,961	Balance at 1 April	2,560
195	Assets newly classified as held for sale: Property, Plant & Equipment	-
(1,761)	Assets declassified as held for resale: Property, Plant & Equipment	-
	Revaluation Gain/(Loss)	-
(1,835)	Assets Sold	-
<b>2,560</b>	<b>Balance as at 31 March</b>	<b>2,560</b>

#### 25. Short Term Creditors

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

2018-19 £'000		2019-20 £'000
(5,131)	Trade Payables	(5,883)
(26,651)	Other Payables	(28,650)
<b>(31,782)</b>	<b>Balance as at 31 March</b>	<b>(34,533)</b>

#### 26. Provisions

The Council has provisions as detailed below:

	Insurance £'000	Carbon Reduction Commitment £'000	Other Provisions £'000	Total £'000
<b>Balance at 1 April 2019</b>	5,276	242	718	<b>6,236</b>
Additional provisions made in 2019-20	284	-	-	<b>284</b>
Amounts used/released in 2019-20	(653)	(242)	(640)	<b>(1,535)</b>
<b>Balance at 31 March 2020</b>	<b>4,907</b>	-	<b>78</b>	<b>4,985</b>

Provisions < 1 yr	908	-	78	986
Provisions > 1 yr	3,999	-	-	3,999
<b>Balance at 31 March 2020</b>	<b>4,907</b>	-	<b>78</b>	<b>4,985</b>

#### Insurance Provision (Self-funding / MMI)

##### Self-Fund

The Council has a self-insurance fund. This Insurance Provision has been set aside to meet the estimated cost to the Council of outstanding liability for policy years up to 2019-20 for Employer's Liability, Public Liability and Property. However the actual cost of individual claims and the timing of payments is uncertain. The Council also has an earmarked reserve for Insurance which acts as an additional contingency for the fund, over and above the total outstanding liability, to allow for unexpected events, worse than anticipated deterioration in the current reserves and higher than anticipated future losses both in frequency and cost.

##### Carbon Reduction Commitment Energy Efficiency Scheme

This provision represented the obligation to purchase Carbon Reduction Commitment (CRC) Allowances in relation to carbon dioxide emissions incurred during 2018-19. The payment was made with the retrospective purchase of allowances in 2019-20. This scheme ceased on 31 March 2019.

##### Other Provisions

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

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

2018-19 £'000		Movement in year £'000	Moved to Short Term Creditors £'000	2019-20 £'000
16,310	Maesteg School PFI Lease		(743)	15,567
447	Innovation Centre		(98)	349
250	Waste Contract		(50)	200
47	Escrow		(34)	13
-	- Salix Loan	374	(56)	318
<b>17,054</b>	<b>Balance as at 31 March</b>	<b>374</b>	<b>(981)</b>	<b>16,447</b>

The PFI Finance Lease Liability matches the fair value of the fixed asset for the PFI School as at the date the asset came onto the Council's Balance Sheet being £21.898 million (July 2008). This will be written down over the life of the PFI contract by the value of the unitary payment deemed to be the finance lease element each year. For 2019-20, the amount written down was £690,000 and £743,000 has been transferred to Short Term Creditors leaving an outstanding long term liability of £15.567 million on the PFI scheme at year end.

The Innovation Centre Financial Liability of £0.917 million was recognised in 2009-10 as a loan in substance. This is being written down over the remaining fourteen years of the loan. The amount written down in 2019-20 was £90,000 and £98,000 was transferred to Short Term Creditors resulting in a long term financial liability of £0.349 million at 31 March 2020.

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

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

## **28. Usable Reserves**

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

### **a) Usable Capital Receipts Reserve**

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

2018-19 £'000		2019-20 £'000
21,161	Balance at 1st April	17,922
1,884	Capital Receipts Received	926
(5,123)	Receipts Used to Finance Capital Expenditure	(240)
<b>17,922</b>	<b>Balance as at 31 March</b>	<b>18,608</b>

### **b) Earmarked Reserves**

The Earmarked Reserves in the Balance Sheet as at 31 March 2020 are detailed below:

Opening Balance 2018-19 £'000	Reserve	Movement during 2019-20		Closing Balance 2019-20 £'000
		Additions/ Re- classification £'000	Drawdown by Directorates £'000	
8,776	<b>Council Fund</b>	564	-	9,340
	<b>Corporate Reserves:</b>			
14,072	Capital Programme Contribution	7,339	(333)	21,078
5,274	Major Claims Reserve	1,000	(998)	5,276
5,301	Service Reconfiguration	-	(309)	4,992
12,083	Other Corporate Reserves	3,395	(3,336)	12,142
36,730	<b>Total Corporate Reserves</b>	11,734	(4,976)	43,488
	<b>Other Reserves:</b>			
5,895	DIRECTORATE RESERVES	1,332	(1,786)	5,441
1,900	CITY DEAL RESERVE	589		2,489
7,795	<b>Total Directorate Reserves</b>	1,921	(1,786)	7,930
614	Delegated Schools Balance		(506)	108
	<b>Total Reserves excluding Equalisation Reserves</b>			
45,139	<b>Equalisation Reserves</b>	13,655	(7,268)	51,526
2,968	<b>Equalisation and Grant Reserves</b>	1,758	(1,030)	3,696
	<b>TOTAL EXCLUDING COUNCIL FUND</b>	15,413	(8,298)	55,222
	<b>TOTAL INCLUDING COUNCIL FUND</b>	15,977	(8,298)	64,562

## Council Fund

The transfer to the Council Fund for 2019-20 was £0.564 million. This increased the balance on the Fund to £9.340 million at 31 March 2020 (£8.776 million at 31 March 2019).

## Other Earmarked Reserves

The transfer to Earmarked Balances excluding the Council Fund Balance was a net increase of £7.115 million in 2019-20 (net increase of £0.305 million in 2018-19). An overview of each earmarked reserve is explained below.

### Corporate Reserves

#### Capital Programme Contribution

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

#### Major Claims Earmarked Reserve

This reserve has been created to mainly cover the deficit on the pension fund, major capital contractual claims and mitigate against potential other claims against the Council.

**Service Reconfiguration / Severance Costs**

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

**Directorate Reserves****City Deal Reserve**

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

**Directorate Issues**

This reserve relates to specific Directorate issues anticipated in 2020-21 together with some carried forward amounts from 2019-20. Examples include reserves to support transitional arrangements for a residential care home, the process towards Community Asset Transfer, the continued requirement for enforcement officers and dog litter wardens and road safety improvements.

**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**

2018-19 Closing Balance £'000	School Types	No's in Category	2019-20 Budget £'000	2019-20 Spend £'000	2019-20 Closing Balance £'000
351	Primary Schools	48	46,299	46,842	(543)
(198)	Secondary Schools	9	43,812	43,720	92
461	Special Schools	2	9,818	9,259	559
<b>614</b>	<b>Total</b>	<b>59</b>	<b>99,929</b>	<b>99,821</b>	<b>108</b>

*The 2018-19 Closing Balance figure is included within the 2019-20 Budget. This accounting treatment of including the prior year's closing balance in the current year's budget applies solely to Schools and does not apply in any other area of the accounts.*

**Equalisation and Grant Reserves**

This includes grant reserves where under proper accounting practice, all grants and contributions should be analysed to see whether there are specific conditions attached to them. When the conditions are actually satisfied the grant is credited to the Comprehensive Income and Expenditure Statement regardless of whether the actual expenditure has been incurred. In these cases the Council can decide to transfer the grant monies to an earmarked reserve to fund future expenditure. In 2019-20 there were £1,758,000 (2018-19 - £805,000) of new grants that have been transferred to earmarked reserves, to ensure the funding is protected in accordance with the original terms and conditions of the grant or contribution. In addition there are a small number of equalisation reserves that ensures expenditure that is incurred in a particular future year is smoothed over the period of the MTFS. These include the costs of elections, the Special Regeneration Fund, the preparation of the Local Development Plan and the Building Control Earmarked Reserves. £1.030 million of the reserves were drawn down during the year.

## 29. Unusable Reserves

The following notes detail the Unusable Reserves of the Council.

### a) Revaluation Reserve (RR)

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

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

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

2018-19			2019-20	
£'000	£'000		£'000	£'000
(32)	126,378	<b>Balance at 1 April</b>		149,553
33,337		Prior Year adj	5,277	
(5,605)		Upward Revaluation of Assets	(4,476)	801
	27,700	Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services		
(3,755)		<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of services</b>	(4,566)	
(770)		Difference between fair value depreciation and historical cost depreciation (charged to the Capital Adjustment Account)	(402)	
(4,525)		Accumulated gains on assets sold or scrapped		(4,968)
		Amount written off to the Capital Adjustment Account		
	<b>149,553</b>	<b>Balance as at 31 March</b>		<b>145,386</b>

### b) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2018-19 £'000		2019-20 £'000
(268,620)	<b>Balance at 1 April</b>	(263,510)
26,320	Actuarial gains or losses on pensions assets and liabilities	(7,300)
(38,650)	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	(35,850)
17,440	Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	17,470
<b>(263,510)</b>	<b>Balance as at 31 March</b>	<b>(289,190)</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 Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties.

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

2018-19			2019-20	
£'000	£'000		£'000	£'000
	194,640	<b>Balance at 1 April</b> <b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :</b> Charges for depreciation and impairment of non-current assets		213,123
(18,964)			(18,218)	
14,502		Revaluation gain/(losses) on Property, Plant and Equipment	(1,797)	
(2,031)		Revenue Expenditure funded from Capital Under Statute	(618)	
		Other amounts including Mortgage Payments		
		Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(738)	
	(7,850)			(21,371)
3,755		Adjusting amounts written out to the Revaluation Reserve		4,566
	(4,095)	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(16,805)</b>
		<b>Capital financing applied in the year:</b> Use of the Capital Receipts Reserve to finance capital expenditure	240	
5,123		Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that has been applied to capital financing	12,969	
8,300		Statutory provision for the financing of capital investment charged against the Council Fund	5,523	
4,958		Capital expenditure charged against the Council Fund	1,168	
3,922				
	<b>22,303</b>			<b>19,900</b>
		Movement in the market value of Investment Properties credited to the Comprehensive Income and Expenditure Statement		
	275			
	<b>213,123</b>	<b>Balance as at 31 March</b>		<b>216,218</b>

### 30. Pensions liabilities, IAS 19 disclosures

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

This Council participates in the Rhondda Cynon Taf County Borough Council Pension Fund, which is administered under the Regulations governing the Local Government Pension Scheme. This is a defined benefit scheme, meaning that the Council and employees pay contributions into a fund, at a rate determined by the Fund's Actuary based on triennial actuarial valuations, which aims to balance 100% of pension liabilities with investment assets. The last triennial valuation took place in 2019-20.

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

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

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

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

The disclosures required for 2019-20 include information provided by the pension administrators, Rhondda Cynon Taff CBC and Aon Hewitt Associates Limited as the pension fund scheme's actuary.

Year-end valuation reports provided to RCT Pension Fund include a statement that there is a material valuation uncertainty related to the UK property funds managed on behalf of the pension fund. The total value of these investments as at 31 March 2020 is £209 million, of which £36.8 million (17.63%) is attributable to Bridgend County Borough Council.

### **McCloud Judgement**

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

### **Transactions Relating to Post-employment Benefits**

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

Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total	Comprehensive Income & Expenditure Statement	Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total	
£m	£m	£m	£m	Cost of Services :	£m	£m	£m	£m	
2018-19	2018-19	2018-19	2018-19	2018-19	2019-20	2019-20	2019-20	2019-20	
22.65	-	-	22.65	<b>Service cost comprising:</b> current service cost past service costs (gain)/loss from settlements		29.26	-	-	29.26
9.24	-	-	9.24	<b>Financing &amp; Investment Income &amp; Expenditure :-</b> Net interest expense		0.47	-	-	0.47
-	-	-	-			-	-	-	-
-	-	-	-			5.87	0.17	0.08	6.12
6.47	0.19	0.10	6.76	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>		35.60	0.17	0.08	35.85
38.36	0.19	0.10	38.65	<b>Other Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</b>					
(40.76)	-	-	(40.76)	<i>Remeasurements of the net defined benefit liability comprising:</i> Return on plan assets (excluding the amount included in the net interest expense) Actuarial (gains) / losses due to changes in financial assumptions		22.71	-	-	22.71
46.24	0.19	0.07	46.50	Actuarial (gains) / losses due to changes in demographic assumptions Actuarial (gains) / losses due to liability experience		(16.85)	(0.06)	(0.01)	(16.92)
(32.89)	(0.33)	(0.20)	(33.42)			(10.53)	(0.05)	0.00	(10.58)
1.33	0.02	0.01	1.36			12.14	(0.03)	(0.02)	12.09
(26.08)	(0.12)	(0.12)	(26.32)	<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>		7.47	(0.14)	(0.03)	7.30
<b>Movement in Reserves Statement:-</b>									
(38.36)	(0.19)	(0.10)	(38.65)	Reversal of net charges made for retirement benefits in accordance with IAS 19		(35.60)	(0.17)	(0.08)	(35.85)
				<b>Actual amount charged against the Council Fund Balance for pensions in the year</b>					
16.58	0.48	0.38	17.44	Employer's Contributions payable to the scheme		16.63	0.48	0.36	17.47
(30.34)	(0.48)	(0.38)	(31.20)	Retirement Benefits Paid Out		(25.48)	(0.48)	(0.36)	(26.32)

### Pensions Assets and Liabilities Recognised in the Balance Sheet

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

Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total		Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total
£m 2018-19	£m 2018-19	£m 2018-19	£m 2018-19		£m 2019-20	£m 2019-20	£m 2019-20	£m 2019-20
856.10	7.23	3.47	866.80	Present value of defined benefit obligation	870.04	6.78	3.16	879.98
(603.29)	-	-	(603.29)	Fair Value of Plan Assets	(590.79)	-	-	(590.79)
<b>252.81</b>	<b>7.23</b>	<b>3.47</b>	<b>263.51</b>	<b>Net liability arising from defined benefit obligation</b>	<b>279.25</b>	<b>6.78</b>	<b>3.16</b>	<b>289.19</b>

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

£m 2018-19		£m 2019-20
557.45	<b>Opening fair value of scheme assets at 1 April</b>	603.29
14.38	Interest income on assets	14.43
40.76	The return on plan assets, excluding the amount included in the net interest expense	(22.71)
16.58	Contributions by Employer	16.63
4.46	Contributions by Participants	4.63
(30.34)	Net Benefits Paid Out	(25.48)
<b>603.29</b>	<b>Balance as at 31 March</b>	<b>590.79</b>

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

Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total			Local Govt Pension Scheme	LGPS Unfunded Benefits	Teachers' Unfunded Benefits	Total
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
2018-19	2018-19	2018-19	2018-19			2019-20	2019-20	2019-20	2019-20
2018-19	2018-19	2018-19	2018-19			2019-20	2019-20	2019-20	2019-20
814.56	7.64	3.87	826.07	<b>Opening balance at 1 April</b>		856.10	7.23	3.47	866.80
22.65	-	-	22.65	Current Service Cost		29.26	-	-	29.26
20.85	0.19	0.10	21.14	Interest Cost		20.30	0.17	0.08	20.55
4.46	-	-	4.46	Contributions from scheme participants		4.63	-	-	4.63
				<i>Remeasurement (gains) and losses:</i>					
46.24	0.19	0.07	46.50	Actuarial gains / losses arising from changes in financial assumptions		(16.85)	(0.06)	(0.01)	(16.92)
(32.89)	(0.33)	(0.20)	(33.42)	Actuarial gains / losses arising from changes in demographic assumptions		(10.53)	(0.05)	0.00	(10.58)
				Actuarial gains / losses arising from changes in liability experience					
1.33	0.02	0.01	1.36			12.14	(0.03)	(0.02)	12.09
9.24	-	-	9.24	Past Service Cost		0.47	-	-	0.47
(30.34)	(0.48)	(0.38)	(31.20)	Benefits Paid		(25.48)	(0.48)	(0.36)	(26.32)
-	-	-	-	Liabilities extinguished on settlements		-	-	-	-
<b>856.1</b>	<b>7.23</b>	<b>3.47</b>	<b>866.8</b>	<b>Balance as at 31 March</b>		<b>870.04</b>	<b>6.78</b>	<b>3.16</b>	<b>879.98</b>

**Local Government Pension Scheme assets comprised:**

Fair Value of Scheme Assets 2018-19 £m	Asset Split 2018-19 %		Fair Value of Scheme Assets 2019-20 £m	Asset Split 2019-20 %
<b>6.80</b>	<b>1.13</b>	<b>Cash and cash equivalents</b>	<b>5.04</b>	<b>0.85</b>
		<b>Equity Instruments:</b> <i>by industry type (FTSE Sector)</i>		
3.27	0.54	Oil & Gas	1.86	0.31
7.92	1.31	Basic Materials	6.71	1.14
26.08	4.32	Industrials	20.92	3.54
37.08	6.15	Consumer Goods	14.02	2.37
10.02	1.66	Health Care	10.71	1.81
0.00	0.00	Consumer Services	25.21	4.27
0.67	0.11	Telecommunications	1.30	0.22
0.46	0.08	Utilities	0.00	0.00
24.21	4.01	Financials	19.55	3.31
8.29	1.37	Technology	10.71	1.81
285.68	47.35	Pooled Equity Investment Vehicles	265.94	45.02
<b>403.68</b>	<b>66.90</b>	<b>Sub-total equity</b>	<b>376.93</b>	<b>63.81</b>
		<b>Bonds:</b> <i>By Sector</i>		
75.09	12.45	Corporate	82.90	14.03
72.20	11.97	Government	75.18	12.73
<b>147.29</b>	<b>24.42</b>	<b>Sub-total bonds</b>	<b>158.08</b>	<b>26.76</b>
		<b>Property:</b> <i>By Type</i>		
7.24	1.20	Retail	8.07	1.37
6.06	1.00	Office	6.75	1.14
13.43	2.23	Industrial	14.97	2.53
18.80	3.12	Other Commercial	20.95	3.55
<b>45.53</b>	<b>7.55</b>	<b>Sub-total property</b>	<b>50.74</b>	<b>8.59</b>
<b>603.30</b>	<b>100.00</b>	<b>Total assets</b>	<b>590.79</b>	<b>100.00</b>

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme (LGPS) and discretionary benefits liabilities have been estimated by Aon Hewitt, an independent firm of actuaries, in accordance with IAS 19.

The significant assumptions used by the Actuary were:

2018-19 % pa		2019-20 % pa
2.40	Discount rate	2.30
2.20	Rate of pension increases	2.00
3.45	Rate of salary increases	3.25
Years		
	<i>Mortality Assumptions:</i> Longevity at 65 for current pensioners :-	
22.20		Men 21.70
24.10		Women 24.00
	Longevity at 65 for future pensioners :-	
23.89		Men 22.70
25.90		Women 25.50

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

Increase in Assumption 2018-19	Decrease in Assumption 2018-19		Increase in Assumption 2019-20	Decrease in Assumption 2019-20
£m	£m		£m	£m
(15.60)	15.89	Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(17.30)	17.66
3.19	(3.16)	Rate of increase in salaries (increase or decrease by 0.1%)	1.80	(1.78)
12.68	(12.47)	Rate of increase in pensions (increase or decrease by 0.1%)	16.68	(16.31)
27.68	(27.39)	Longevity (increase or decrease in 1 year)	27.86	(27.54)

## Impact on the Council's Cash Flows

The funded nature of the LGPS requires the Employer and its employees to pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets. The current Employer's contribution rate to achieve a funding level of 100% of scheme liabilities will be reviewed at this point. Consequently, whilst there is a significant shortfall (liability) between the benefits earned by past and current employees and the resources the Council has set aside to meet them, the statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

The expected employer's contributions to the Local Government Pension Scheme for the accounting period ending 31 March 2021 are:-

	2020-21 £m
Local Government Pension Scheme	34.51
LGPS Unfunded	0.15
Teachers Unfunded	0.07
<b>Total</b>	<b>34.73</b>

The weighted average duration of the defined benefit obligation for the scheme members is 20.1 years, which is an increase of 1.7 years compared to 2018-19.

## Teachers

In 2019-20, the Council paid £10.845 million (£8.3 million for 2018-19) to the Teachers Pensions Agency in respect of teachers' pension costs. In addition, the Council is responsible for all pension payments relating to added years awarded, together with the related increases. In 2019-20, these amounted to £0.402 million (£0.420 million for 2018-19).

## 31. Financial Instruments Disclosures

### Categories of Financial Instruments

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

#### Financial Assets

31 March 2019					31 March 2020				
Current		Non-current			Current		Non-current		
Investments £'000	Debtors £'000	Investments £'000	Total £'000		Investments £'000	Debtors £'000	Investments £'000	Total £'000	
21,105	7,016	4,011	32,132	Amortised Cost	28,743	8,118		36,860	
<b>21,105</b>	<b>7,016</b>	<b>4,011</b>	<b>32,132</b>	<b>Total financial assets</b>	<b>28,743</b>	<b>8,118</b>	<b>-</b>	<b>36,860</b>	
-	-	4,635	4,635	Non-financial assets	-	-	4,635	4,635	
<b>21,105</b>	<b>7,016</b>	<b>8,646</b>	<b>36,767</b>	<b>Total</b>	<b>28,743</b>	<b>8,118</b>	<b>4,635</b>	<b>41,495</b>	

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

The £8.118m (2018-19: £7.016 million) debtors figure in the table above relates to trade debtors for goods and services delivered and is included in the overall debtors figure of £36.342 million (2018-19):

£32.300 million) included in the balance sheet. More information in relation to debtors can be found at note 23.

### Financial Liabilities

31 March 2019					31 March 2020				
Current		Non-current			Current		Non-current		
Borrowings £'000	Creditors £'000	Borrowings & Other Long Term Liabilities £'000	Total £'000		Borrowings £'000	Creditors £'000	Borrowings & Other Long Term Liabilities £'000	Total £'000	
(2,551)	(5,687)	(114,466)	(122,704)	Amortised Cost	(915)	(6,337)	(113,848)	(121,100)	
<b>(2,551)</b>	<b>(5,687)</b>	<b>(114,466)</b>	<b>(122,704)</b>	<b>Total</b>	<b>(915)</b>	<b>(6,337)</b>	<b>(113,848)</b>	<b>(121,100)</b>	

The current borrowings figure above includes £0.278 million of accrued interest payable for the year.

The current creditors figure of £6.337 million (2018-19: £5.687 million) relates to trade creditors for goods and services received of £5.883 million (2018-19: £5.132 million) and £0.454 million (2018-19: £0.555 million) monies held by the Council on behalf of third parties and is included in the overall creditors figure of £34.533 million (2018-19: £31.782 million) on the balance sheet. More information in relation to creditors can be found at note 25.

### Offsetting financial assets and liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The table below shows those instruments that have been offset on the balance sheet.

31 March 2019 Gross Assets (Liabilities) £'000	Offsetting of Financial Assets and Liabilities	31 March 2020 Gross Assets (Liabilities) £'000
1,859	Bank Accounts in Credit	1,936
<b>1,859</b>	<b>Total Financial Assets</b>	<b>1,936</b>
(1,982)	Bank Overdrafts	(1,530)
<b>(1,982)</b>	<b>Total Financial Liabilities</b>	<b>(1,530)</b>
<b>(123)</b>	<b>Net Position on Balance Sheet</b>	<b>406</b>

### Income, expense, gains and losses

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

31 March 2019				31 March 2020		
Financial Liabilities Amortised Cost	Financial Assets Amortised Cost	Total		Financial Liabilities Amortised Cost	Financial Assets Amortised Cost	Total
£'000	£'000	£'000		£'000	£'000	£'000
5,910	-	5,910	Interest Expense	5,855	-	5,855
-	(1,012)	(1,012)	Investment Income and Other Interest Receivable	-	(1,099)	(1,099)
<b>5,910</b>	<b>(1,012)</b>	<b>4,898</b>	<b>Net (gain)/loss for the year</b>	<b>5,855</b>	<b>(1,099)</b>	<b>4,756</b>

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

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

31 March 2019		Financial Assets	31 March 2020	
Carrying amount £'000	Fair Value £'000		Carrying amount £'000	Fair Value £'000
		<i>Financial assets held at amortised cost:</i>		
4,011	4,010	Long-term investments	-	-
<b>4,011</b>	<b>4,010</b>	<b>Total interest revenue</b>	<b>-</b>	<b>-</b>

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

31 March 2019		Financial Liabilities	31 March 2020	
Carrying amount £'000	Fair Value £'000		Carrying amount £'000	Fair Value £'000
		<i>Financial liabilities held at amortised cost:</i>		
(77,617)	(110,769)	PWLB	(77,617)	(111,997)
(19,795)	(31,507)	LOBOs	(19,784)	(31,299)
(17,054)	(25,391)	PFI and other long term liabilities	(16,447)	(22,813)
<b>(114,466)</b>	<b>(167,667)</b>	<b>Total</b>	<b>(113,848)</b>	<b>(166,109)</b>

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

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

- PWLB – Public Works Loan Board – market rates for local authority loans of the same remaining term to maturity as at the Balance Sheet date
- LOBO – Lender's Option Borrower's Option – increased by the value of the embedded options. Lender's options to propose an increase to the interest rate on the loan have been valued

according to a proprietary model for Bermudian cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual rate.

- Other financial liabilities – discounted contractual cash flows at the appropriate AA-rated corporate bond yield.

## Nature and extent of risks arising from Financial Instruments

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

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

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

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The risk is minimised through the Annual Investment Strategy included in the Council's Treasury Management Strategy, which is available on the Council's website via the Council agenda Item 10 – Treasury Management and Capital Strategies 2019-20 [here](#).

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

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

### Credit risk exposure

As at 31 March 2020 the Council had the following exposure to credit risk. £21.079 million of the £30.094 million investments outstanding at 31 March 2020 were invested with other Local Authorities, where an expected loss allowance is not required. For those financial assets where a 12 month expected credit loss is calculable, the calculated credit loss is £6,657. This has been calculated by reference to historic default data published by credit rating agencies as advised by our Treasury Management Advisors. Due to the immateriality of the expected credit loss, no adjustment has been made in the accounts for this.

	Credit risk rating (as used by the Council)	Gross carrying amount £'000
12 month expected credit losses	AA+	(2,000)
	AA-	(2,008)
	A+	(3,000)
	A	(2,006)
Simplified approach	Local Authorities - unrated	(21,079)
<b>TOTAL</b>		<b>(30,093)</b>

Council does not generally allow credit for its customers (trade debtors) such that all the trade debtors are recognised as short term, however, £3.696 million balance of debtors is past due date for payment. These are not included in the credit risk table above.

## Liquidity Risk

The Council manages its liquidity risk through its cash-flow management to ensure that cash is available when required. It has ready access to instant access deposit accounts, overdraft facilities and borrowing from the Money Markets or other local authorities to cover any day to day cash flow need. In addition the Council can access Public Works Loan Board (PWLB) borrowing, although rates increased in October 2019 by 1%, making this a less favourable financing option. The Council arranges fixed term loans and investments with a range of maturity dates within the framework and indicators approved each year. There is no perceived risk that the Council will be unable to raise finance to meet its commitments, instead the risk relates to replenishing a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the maturity structure of fixed rate borrowing such that no more than 50% of loans are due to mature in any one year through careful planning of new loans taken out and (where it is beneficial to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

31 March 2019 £'000	Maturity Analysis Financial Liabilities	31 March 2020 £'000
(11,314)	Less than 1 year	(8,181)
(891)	Between 1 and 2 years	(995)
(3,092)	Between 2 and 5 years	(3,248)
(19,410)	Between 5 and 10 years	(26,582)
(29,888)	Between 10 and 20 years	(21,800)
(41,390)	More than 20 years	(41,389)
(19,795)	Uncertain date*	(19,784)
<b>(125,780)</b>	<b>Total Financial Liabilities</b>	<b>(121,979)</b>

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

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

## Market Risk

The Council is exposed to the risk that financial loss could potentially occur as a result of changes in such measures as interest rate movements, market prices or foreign currency exchange rates.

### Interest Rate Risk

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

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fixed rate protects the Council from increased interest charges as an equivalent loan would now cost more. The fair value of the borrowing (liability) will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fixed rate prevents the Council from receiving higher investment income from the same principal invested. The fair value of the asset will fall

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

The Council monitors market and forecast interest rates within the year to adjust exposures appropriately, to allow any adverse changes to be accommodated. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans may be repaid early to limit exposure to losses. According to this strategy, at 31 March 2020, if there had been a 1% change in interest rates with all other variables held constant, the financial effect would be approximately:

	Estimated £'000 + 1%	Estimated £'000 -1%
Interest payable on variable rate borrowings	133	-
Interest receivable on variable rate investments	(212)	212
<b>Impact on Surplus or Deficit on Provision of Services</b>	<b>(79)</b>	<b>212</b>

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

### **Price risk**

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

### **Foreign Exchange Risk**

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

### **Transition to IFRS9 Financial Instruments**

The Council adopted the IFRS9 Financial Instruments accounting standard with effect from 1 April 2018. The main changes include the reclassification and re-measurement of financial assets and the earlier recognition of the impairment of financial assets.

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

## **32. Events after the Reporting Period**

Where an event or information arises after the reporting period (i.e. after 31 March 2020) that relates to conditions existing at 31 March 2020, certain figures in the financial statements and notes would be adjusted if necessary, in all material respects, in order to reflect the impact of the event or information. Whilst there have been no such events after 31 March 2020 that have required adjustment, there is one non-adjusting event that needs reporting.

With regard to the McCloud Judgement outlined in note 30, on 16 July 2020 the Ministry of Housing, Communities and Local Government (MHCLG) and HM Treasury published consultation documents seeking views on a proposed remedy for the McCloud pension case. The consultation, which closes on 8 October 2020, seeks views on proposals that would extend LGPS statutory underpin protection to younger members of the scheme.

## **33. Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. As at 31 March 2020 the Council had been made aware of issues about the standard of work undertaken by a contractor who is now insolvent. No provision has been made in these accounts.

## Notes to the Cash Flow Statement

### 34. Adjustments for Non-Cash Movements

2018-19 £'000		2019-20 £'000
(4,463)	Depreciation & Impairment of Assets	(20,015)
5,067	Movement in Inventories, Debtors & Creditors	1,852
(21,210)	Pension Fund Adjustments	(18,380)
(2,034)	Provisions	1,251
(2,159)	Disposal of Non Current Asset	(1,141)
275	Changes in Fair Value of Investment Property	-
<b>(24,524)</b>	<b>Adjustments to net deficit on the provision of services for non-cash movements</b>	<b>(36,433)</b>

### 35. Operating Activities

The cash flows for operating activities include the following items:

2018-19 £'000		2019-20 £'000
(9,577)	Cash Flow on Revenue Activities	(16,662)
4,549	Interest Paid	6,228
1,360	Interest element of finance lease and PFI rental payments	1,305
(1,040)	Interest Received	(1,069)
<b>(4,708)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(10,198)</b>

### 36. Investing Activities

The cash flows for investing activities include the following items:

2018-19 £'000		2019-20 £'000
21,477	Purchase of Property, Plant and Equipment and Intangibles	18,975
(5,028)	Purchase / (Proceeds) from Short Term Investments	1,031
	Proceeds from sale of Property, Plant and Equipment and Investment	
(1,884)	Property	(925)
<b>14,565</b>	<b>Net Cash Flows from Investing Activities</b>	<b>19,081</b>

### 37. Financing Activities

The cash flows for financing activities include the following items:

2018-19 £'000		2019-20 £'000
(2,920)	Cash Receipts of short and long term borrowing	1,647
(10,900)	Other Receipts from financing activities	(13,125)
3,000	Repayments of short and long term borrowing	-
<b>(10,820)</b>	<b>Net Cash Flows from Financing Activities</b>	<b>(11,478)</b>

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

## Report on the audit of the financial statements

I have audited the financial statements of Bridgend County Borough Council for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Bridgend County Borough Council as at 31 March 2020 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.

### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of Bridgend County Borough Council in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of matter

I draw attention to Note 30 of the financial statements, which describes the impact of a material uncertainty disclosed in a pension fund manager report in their year-end valuation report for the UK property fund they manage on behalf of the Rhondda Cynon Taf Pension Fund. The Council has disclosed this material uncertainty and my audit opinion is not modified in respect of this matter.

### Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Bridgend County Borough Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## Report on other requirements

### Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20.
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

### Matters on which I report by exception

In the light of the knowledge and understanding of Bridgend County Borough Council and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

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

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

## Certificate of completion of audit

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

## Responsibilities

### Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 13, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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



**Anthony J Barrett**

**For and on behalf of the Auditor General for Wales**

**24 Cathedral Road, Cardiff CF11 9LJ**

**14 September 2020**

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



# Annual Governance Statement

## Foreword

**“One Council working together to improve lives”**

**This is the Council’s vision as stated in the [Corporate Plan](#) for 2018-2022 reviewed for 2020-21, which also sets out what our long-term Well-being objectives are so that amongst all of the complexity of increased demand and reduced resources we can keep a clear focus on what is really important for our communities.**

We want to contribute to a place where people love to live, work, study and do business, where people have the skills and qualifications they need to improve their life chances, enjoy good health and a sense of well-being and independence.

It is necessary to ensure that our communities and those that use and pay for our services, those who deliver our services and our partners and suppliers have confidence in our governance arrangements. They must be assured that our services are provided effectively and efficiently and delivered on a consistent basis, that public money is safeguarded and properly accounted for; and that decisions are taken transparently and lawfully. This is especially the case given the challenges faced by us all during the worldwide Coronavirus pandemic that has affected everyone and every business across the county borough. Additional measures have been put in place to ensure the Council maintains proper governance through this unprecedented event.

The Council also has a duty to set well-being objectives under the Well-being of Future Generations (Wales) Act 2015 and the Local Government (Wales) Measure 2009 to make arrangements to secure continuous improvement in delivering its functions in terms of strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation.

Our governance arrangements operate effectively in supporting the Council in meeting its challenges and responsibilities, and have continued to do so in the current uncertain times. Improvements are continually being made and opportunities to do so going forward have been identified. These will be monitored during 2020-21 to ensure that the necessary improvements are made.



Mark Shepherd  
Chief Executive



Cllr Huw David  
Leader of the Council



Dunraven Place regeneration

## What is Corporate Governance?

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

The Governance Framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

## What this Statement tells you

This Statement describes the extent to which the Council has complied with its Code of Corporate Governance and the requirements of the Accounts and Audit (Wales) Regulations 2014 and the Accounts and Audit (Wales) (Amendments) Regulations 2018, for the year ended 31 March 2020.

It also sets out how the Council has responded to governance issues identified during 2018-19 and actions to be undertaken during 2020-21 following an annual review of the Governance Framework during 2019-20.

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

## The Council's Governance Responsibilities

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

It also has a duty to make arrangements to secure continuous improvement in the exercise of its functions in terms of strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation<sup>1</sup>.

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

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

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

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

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

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

<sup>1</sup> Local Government (Wales) Measure 2009

<sup>2</sup> Well-being of Future Generations (Wales) Act 2015

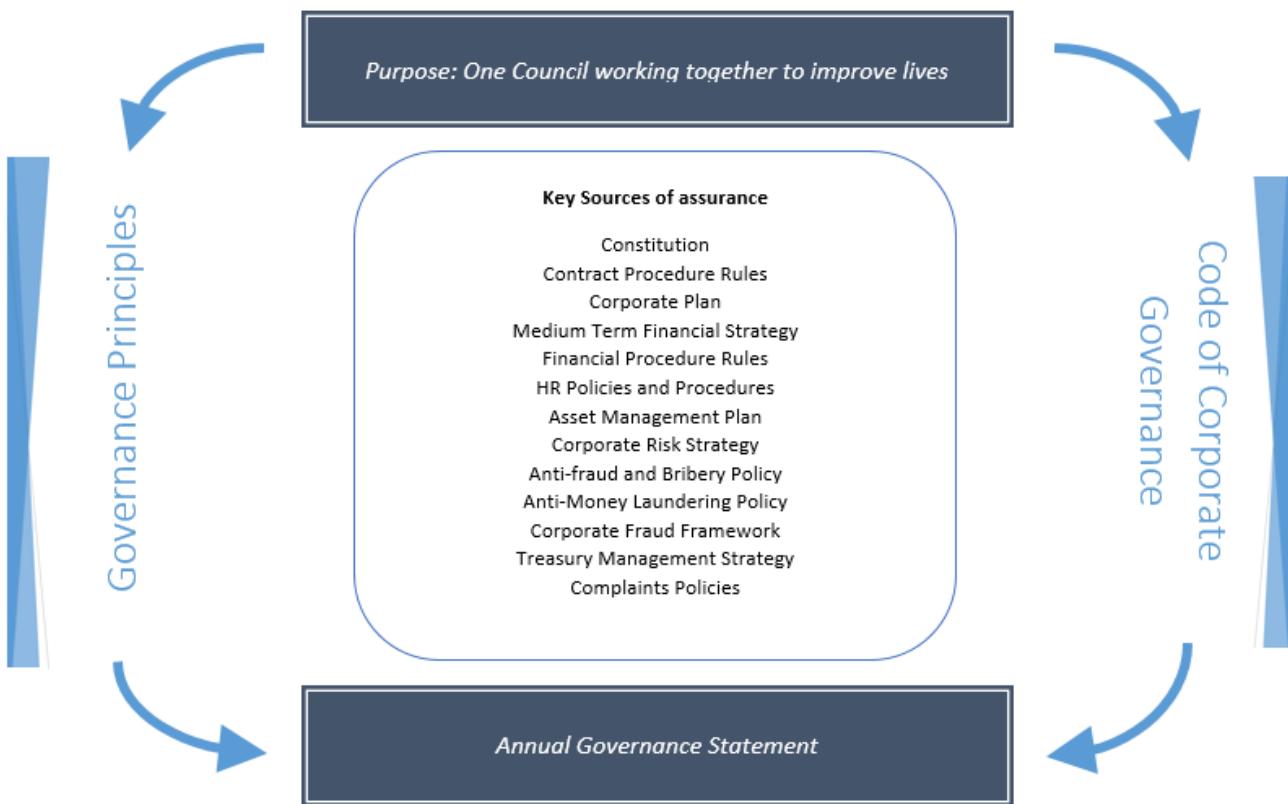
## The Governance Framework

**The Governance Framework comprises the systems, processes and values by which the Council is directed and controlled and the means by which it accounts to, engages with and leads the local community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.**

The system of internal control is a significant part of that framework and is designed to make appropriate use and prevent loss of public funds. It also assists with managing the risk of failure to achieve policies, aims and objectives. It does not eliminate all the risk, the system of internal control is designed to identify and prioritise risks, evaluate the likelihood of those risks materialising and manage their impact.

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

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



More widely, as part of its partnership and joint working arrangements, the Council is involved in bespoke external governance arrangements driven by the different partnership and delivery arrangements in place. Examples of these include the following:

- The Council is one of ten Councils jointly delivering the Cardiff Capital Region City Deal (CCRC), which has in place joint Scrutiny and Cabinet to ensure governance in its implementation. The CCRC aims to raise economic prosperity, job prospects and improve digital and transport connectivity and is a significant investment into the South Wales economy.

The Council is committed to contributing to the delivery of these objectives across the region to ensure that the community and business within the Borough can benefit from this investment.

- One of the most significant changes in April 2019 was the Health Board boundary change which meant that all community health services within Bridgend County Borough transferred from Abertawe Bro Morgannwg University Health Board into the new Cwm Taf Morgannwg University Health Board. Bridgend is now part of the new Cwm Taf Morgannwg Region. During 2019/20 the new regional arrangements have been put in place for the health and social care partnership and a new governance structure will be presented to the Regional Partnership Board in early 2020/21.
- The Council is a participant in a number of shared services, with other local authorities, such as the Shared Regulatory Services with Cardiff and the Vale of Glamorgan Councils, and Central South Consortium, a joint education service for five local authorities. These are governed by joint committees which comprise elected members from each of the local authorities. The Council also is a partner in the Regional Internal Audit Shared Services with Vale of Glamorgan, Rhondda Cynon Taff and Merthyr Tydfil Councils.

## COVID-19

The UK was put into lockdown on 23 March 2020 in an unprecedented step to attempt to limit the spread of coronavirus. This followed similar action in other countries across the world. The UK Government put into place a limited number of reasons for people to be allowed to leave their homes. As a consequence many non-essential shops and businesses had to close, schools were closed and all non-key workers were required to work from home where possible. Initially the lockdown was for a period of 3 weeks but this was then extended with a slow lifting of restrictions only beginning 2 months after the lockdown started. The worldwide COVID-19 pandemic has, and will continue to have, an unprecedented impact upon society as a whole. This has led to significant changes to the day-to-day management of the Council, and the nature and delivery of its operations.

In order to maintain continuity of service wherever possible, the Council moved extremely quickly to equip as many of its office-based staff with mobile technology to enable home-working within a very short timescale. Nearly all office-based staff have been equipped to work at home with laptops, with telephone facilities installed on the laptops as offices across the County Borough closed. Some staff have been able to work on home computers and link to the Council's corporate network. The Council significantly increased its infrastructure ability to enable all who could work from home to do so. This included providing multiple accessibility platforms to enable access. The capacity of back end storage has been increased. Whilst the security of the network remains at a high level, to mitigate a potential risks the use of Outlook Web Access was removed. In addition to this and to further strengthen network security, the Council has increased its firewall provision. Where roles for staff have diminished as a result of reduced volumes of work or services not being delivered, opportunities for temporary redeployment are actively sought and implemented.

The Council has had to consider which of its front-line services it could continue to deliver, taking into account the number of staff self-isolating and actually sick. The Council maintained a significant number of essential services running, particularly the provision of social care services for vulnerable adults and children and waste collection services. However, following a Welsh Government announcement the majority of schools closed for pupils on 20 March 2020 with the exception of some schools for the children of essential and key workers who have to be in work and are unable to keep their children at home. The provision of free school meals for eligible children has also continued. Whilst day centres within Adult Social Care were closed, alternative provision at home has been provided where possible. Services not operating during the pandemic include:

- Schools (as noted above)
- Day Services (although alternative provision is being put in place where appropriate)
- Leisure Centres (which are run by our partner organisation, Halo)
- Cultural venues – libraries, life centres and the Grand Pavilion
- Parks & Playing Fields

Some services were temporarily suspended and/or delivered in a new way, including:

- Community recycling centres and garden waste
- Registrars
- Provision of transport

As the country moved into lockdown, all formal meetings of Council were immediately cancelled. This was in line with government measures to mitigate the spread of Coronavirus. This extended to Council, Cabinet and all committee and sub-committee meetings including Development Control, Overview and Scrutiny, Audit Committee and Licensing. All other non-essential meetings were also cancelled. Key and urgent decisions continue to be made in accordance with the Council's Scheme of Delegation of Functions and urgent decision-making procedures. Schedules of the use of the Emergency Powers and key decisions exercised during the pandemic are reported to all Elected Members on a weekly basis and published on the Council's website. To ensure appropriate governance procedures are in place during this time, on 17 March 2020 a COVID-19 Group was established with members of the Cabinet and Corporate Management Board (CMB), along with a number of other key officers. Decisions made during these COVID-19 meetings and outside the normal delegation process are recorded in the minutes, and any actions or updates communicated via the Council's daily updates on its website.

Local Authorities have now been given new powers to hold public meetings virtually under the Local Authorities (Meetings) (Wales) Regulations 2020 using video conferencing technology. This was effective from 22 April 2020 and applies to meetings held up until 1 May 2022. There is no longer a requirement to hold such meetings in person during the pandemic. This will enable the Council to make effective and transparent decisions on the delivery of services for residents whilst ensuring that Councillors, staff and the wider public are able to follow government advice by staying at home to stop the spread of Coronavirus. The Council will be required to determine how meetings are conducted, voting procedures will work and how to ensure that the public have access.

Part of the national response to the impact of the pandemic has been to provide additional financial support to the economy, including the distribution of Business Grants and extended business rates relief, both of which have been administered by the Council. This has required staff to focus on administering, managing and paying a large volume of grants in short timescales, at the same time as dealing with the impact of the new council tax and business rates bills on citizens and businesses within the County Borough. The management of this has been coordinated via the Finance department, working closely with colleagues in Regeneration, Legal and Customer Services to respond to as many businesses as possible within as short a timescale as possible, at the same time ensuring that public funds are used appropriately and that control mechanisms are in place to safeguard the funding.

Other services have had to think differently about how they could continue to provide services during the lockdown period, and to re-consider options as time went on. One example is the provision of free school meals, which initially was provided through a 'packed lunch' style arrangement, which pupils collected from specific locations. Over time, and to address social distancing rules, this has changed to a food parcel delivery service to pupils' homes. Options were presented to the Covid-19 Group to determine the preferred way forward.

In addition to the business grants, Welsh Government has provided a number of specific grants to meet the additional costs of Local Authorities, for costs in general and targeted at specific areas, such as adult social care, free school meals, cyber security and school counselling. Costs are being collated

across the Council to enable these grants to be drawn down. There is also the impact of lost income from fees and charges, which creates an additional pressure, coupled with a likely downturn in council tax collection due to the impact of the financial circumstances on a number of residents, and the consequential increase in those claiming council tax reduction. At this stage is it unclear whether this additional funding will cover all of the Council's additional costs incurred as a result of the pandemic, but close monitoring is in place and all costs are subject to close scrutiny.

The Council took on board the guidance and advice set out in Procurement Policy Notice 01/20: Responding to Covid-19, and subsequent notices, and put in place a number of measure to support suppliers, including payments in advance of supply where appropriate, maintaining management fee levels for some of our key providers during the pandemic, and increasing the number of BACS payments made per week to ensure funding reached supplier accounts more quickly. This was done mindful of the Council's Financial Procedure Rules, delegated powers process and the Covid-19 decision making process. Whilst supporting suppliers in this way, to minimise any risk of fraud, those who received funding from the Council were requested to sign up to an open book accounting process so that the Council could verify any funding the organisation received, to ensure no duplicate funding was made.

Whilst a number of Council capital schemes have been delayed, the longer term consequences of the coronavirus pandemic are not yet known or have been quantified. However it seems inevitable that a number of businesses will find themselves in financial difficulties and maybe go out of business. There are also likely to be potential increases in levels of deprivation with associated demands placed upon Council services as a consequence of the increased number of families applying for universal credit and council tax support. Financially we expect there to be pressures on service costs, reduced council tax and business rates income, reduced income at car parks and playing fields and other facilities as people remain wary of going out and socialising in large groups. In the short term it will be difficult to quantify the wider impacts, which will be understood once the peak of the pandemic has passed and life begins to return to normal. Whilst the Council has provided a holiday rental window to businesses renting Council premises during the crisis period, this may not be enough for their longer term survival. It is likely it will take some time to recover from the economic downturn due to Covid and the impact is likely to be felt for at least the next year if not longer.

The Government is likely to impose social distancing rules for some time to come, which will have consequential impacts on service such as leisure and cultural services, where mass attendances at leisure centres, swimming pools and public performance events will have to adjust to any new rules following Covid-19. Retail and leisure services independent to the Council will also be affected as it takes time for public confidence to increase.

In July 2020 the Council established a cross-party Recovery Panel whose role is to inform, support and challenge the recovery exercise, and ensure that elected Members and key partners have an opportunity to feed into and shape thinking, and make recommendations back to Cabinet.



## The Corporate Plan

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

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



Corporate Plan 2018-2022 reviewed for 2020-2021

Well-being Goal	Well-being Objective		
	Supporting a successful sustainable economy	Helping people and communities to be more healthy and resilient	Smarter use of resources
A prosperous Wales	✓		✓
A resilient Wales			✓
A healthier Wales	✓	✓	✓
A more equal Wales	✓	✓	✓
A Wales of cohesive communities	✓	✓	✓
A Wales of vibrant culture and thriving Welsh language	✓	✓	
A globally responsible Wales	✓		✓

Underpinning the Council's Corporate Plan and throughout its decision-making process, the principles of the Well-being of Future Generations (Wales) Act 2015 are applied. The table shows how the Council's well-being objectives contribute to the seven well-being goals.

In addition to the seven well-being goals, the Well-being of Future Generations (Wales) Act 2015 puts in place the sustainable development principle, and defines the five ways of working that public bodies must adopt to demonstrate they have applied the sustainable development principle. The five ways of working are:

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

**Prevention:** this is the step before any issues arise and is aimed at making sure that solutions and interventions are targeted and available to stop statutory services being required.

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

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

5 Ways of Working	Long term	Prevention	Integration	collaboration	Involvement
<b>Our Principles</b>					
To support communities and people to create their own solutions and reduce dependency on the Council.					
To focus diminishing resources on communities and individuals with the greatest need.					
To use good information from service users and communities to inform its decisions.					
To encourage and develop capacity amongst the third sector to identify and respond to local needs.					
To not let uncertainty over the future of public services prevent meaningful and pragmatic collaboration with other public sector bodies.					
To work as one Council and discourage different parts of the organisation from developing multiple processes or unnecessarily different approaches.					
To transform the organisation and many of its services to deliver financial budget reductions as well as improvements.					

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

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



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

## Assessing Performance

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

Audit Wales<sup>3</sup>, our External Auditor, assesses the Council's arrangements for delivering continuous improvement and subsequent performance, the results of which are published in their [Annual](#)

<sup>3</sup> Since 1 April 2020 the Wales Audit Office and Auditor General are branded as Audit Wales. The statutory names remain Wales Audit Office and Auditor General for Wales.

**Improvement Report.** In October 2019 they reported that ‘the Auditor General believes that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2019-20’. Whilst there were some proposals for improvements, the Auditor General made no formal recommendations, demonstrating the commitment of the Council to continuous improvement.

Audit Wales have undertaken and reported on a number of reviews during the year, the key outcomes of which are set out below.

Report	Key outcomes
<b>Savings Planning Follow Up, August 2019</b>	<p><b>The purpose of the review was to assess the Council's progress in addressing proposals for improvement in the Council's savings planning, and consider the effectiveness of the Council's arrangements for achieving its savings proposals.</b> Overall the review found that the Council has strengthened arrangements to develop and achieve savings plans, but further work is needed to develop a deliverable medium term financial strategy. The review noted that the Council has identified indicative proposals to cover the period of the medium term financial strategy, but more work is needed to fully develop proposals for 2020-21 and beyond. The Council has strengthened the arrangements for developing budget savings proposals, but further work is needed to ensure that timescales for delivery are as accurate as possible. The review also noted that in prior years achievement of savings plans has been variable, but the Council achieved most of its 2018-19 savings plans and now needs to ensure that its strengthened arrangements continue this improved position. No further proposals were identified during the follow up.</p>
<b>Delivery with Less – Environmental Health Services – Follow up Review, September 2019</b>	<p><b>The purpose of the review was to follow up on recommendations made after a 2014 national review of Environmental Services.</b> Since that time Bridgend has partnered with Cardiff Council and the Vale of Glamorgan Council under a joint working agreement known as the Shared Regulatory Service (SRS), providing environmental health, licensing and trading standards. The review sought to answer the question: ‘is the Council’s environmental health service continuing to deliver its statutory obligations given the financial challenges?’</p> <p>Overall the Audit Wales found that the SRS model is enabling the Council to sustain its delivery of environmental health services in a context of reducing resources and additional responsibilities placed on it by ongoing changes in legislation. They did feel however that there is scope for the Council to strengthen its scrutiny and oversight arrangements of environmental health services and work with SRS and other providers to explore the opportunities for future improvement.</p>
<b>Well-being of Future Generations: An examination of delivering the Porthcawl Resort Investment Focus Programme, October 2019</b>	<p><b>The review sought to assess the steps the Council has taken to meet its Wellbeing Objectives and the extent to which it is acting in accordance with the Sustainable development principle in delivering the programme.</b> The review found that there are positive aspects in how the Council has taken account of the sustainable development principle in its approach to delivering the programme. It did find however that the Council has further work to do to consistently embed the five ways of working. The Council has responded to these recommendations including a review of the Masterplan for Porthcawl to develop a long-term and holistic vision for the town; it will work with its partners and regularly review how to integrate local and national Wellbeing Goals as early as possible; and long term transport solutions will be considered as part of the Strategic Transport Plan and Local Development Plan.</p>
<b>Follow-up review of corporate arrangements for the safeguarding of children, October 2019</b>	<p><b>Audit Wales undertook to seek assurance that the Council has effective corporate arrangements in place for safeguarding</b> and to answer the question: ‘Has the Council acted upon the recommendations and proposals for improvement contained in the national and local reports of the Auditor General published in 2014 and 2015?’</p>

	<p>Overall the review found that the Council has met, or partially met, the previous recommendations and proposals for improvement, but it identified some further proposals for improvements to strengthen aspects of the Council's corporate safeguarding arrangements. These included:</p> <ul style="list-style-type: none"> <li>• strengthening awareness of the roles of the lead officer and lead member for safeguarding</li> <li>• strengthen the Corporate Safeguarding Policy</li> <li>• strengthen its Recruitment and Selection Manager's Guidelines in relation to safeguarding and safe recruitment</li> <li>• update the DBS Policy to make sure it makes reference to current legislation</li> <li>• ensure the consistent use of safeguarding provisions in tenders and contracts awarded across all Directorates and ensure appropriate monitoring of such contractual commitments</li> <li>• improve the approach to safeguarding training including when mandatory training needs to be refreshed</li> <li>• develop a central system for recording and monitoring volunteer information, including training records and DBS checks for volunteers</li> </ul>
--	--

## Decision Making and Responsibilities

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



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

All Council and Committee meetings' agendas, papers and minutes can be viewed on-line and all meetings are open to the public unless exempt or confidential matters are being discussed. The Council's forward work programme contains information about all matters that are likely to be the subject of a decision taken by full Council or Cabinet during the forthcoming period. They also include



information regarding Scrutiny Committees. To further enhance **openness** and **comprehensive stakeholder engagement** the Council has a Citizen's Panel, which takes part in surveys on a range of issues. The Council also uses social media to promote services and engage with the public and makes information available on a range of formats to maximise the opportunity for information sharing and residents communicating with the Council.

## Managing Risk

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

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

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

Risks are viewed from both a Service and Council-wide perspective which ensures the key risks are distilled in the [Corporate Risk Assessment](#). The Risk Assessment sets out how the Council is addressing these risk and the mitigating actions it will put in place to reduce them. It is regularly reviewed and challenged by both senior management and the Audit Committee.

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

## Financial Management

**The financial management of the Council is conducted in accordance with all relevant legislation and the Constitution. The Council has in place Financial Procedure Rules, Contract Procedure Rules, a specific Financial Scheme for Schools and the scheme of delegation also provides the framework for financial control. The Section 151 Officer is responsible for establishing a clear framework for the management of the Council's financial affairs and for ensuring that arrangements are made for their proper administration.**

The Council's ability to deliver savings and contain its expenditure within its overall budget is well established. However, the Council faces significant challenges in the future in the face of further Government plans to cut public spending and significant uncertainty as a result of Brexit and the impacts this might have on Council services. The Council estimates that it will need to generate approximately £29 million of savings over the period 2020-21 to 2023-24. The Medium Term Financial Strategy has taken account of cost pressures and priority areas in line with the Corporate Plan, and involved extensive consultation to ensure a robust process. It can be found on the Council's website [here](#). Given the single-year funding provided by the Welsh Government, the Council has developed detailed budgets for year on of the Strategy with indicative budgets thereafter based on a range of funding scenarios.



### Consultation overview

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

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

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

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

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

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

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

The Council follows the CIPFA Code on Treasury Management and Welsh Government's Guidance on Local Authority Investments to ensure that funds invested are secure, accessible when necessary and attract an appropriate return and any borrowings needed are in line with the Council's Treasury Management Strategy, as approved by Council. During the Coronavirus pandemic reliance on Treasury Management advice has been crucial, and significant levels of cash movements meant an increased focus was needed on managing cash flows in as secure a manner as possible. Significant use was made of the Treasury's Debt Management Office to deposit funds during the initial stages of the crisis to maintain security and liquidity, but as the crisis begins to ease monies will be invested in wider instruments in line with the Council's Treasury Management Advisor's advice.

The updated Prudential Code and Treasury Management Code of Practice, issued in December 2017, set out new requirements in relation to the setting of a Capital Strategy. Detailed guidance on these new codes were issued in August and September 2018 with new statutory guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG) in March 2018, outlining new requirements for the Capital Strategy. Welsh Government adopted this guidance in 2019 and the Council approved its Capital Strategy 2019-20 in February 2019, in line with the Code requirements. The strategy requires the Council to consider the longer term as well as the short term. It requires that capital expenditure plans are affordable, prudent and sustainable and outlines the future commitments so that affordability of both the long term plan and any new proposals can be properly understood. Further it enables the ongoing capital and revenue implications of capital expenditure to be better understood. The Capital Strategy is evolving to provide a robust, medium to long term capital plan for the Council.



## Audit and Audit Assurances

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

In 2019 the External Auditor gave an unqualified audit opinion on the financial statements 2018-19.

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

In addition Audit Wales undertake reviews of various services and also performance reviews throughout the year, the outcome of which are reported to Audit Committee.

The Head of Internal Audit's annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control for 2019-20 is:

### ***“Reasonable Assurance”***

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

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

An issue for the Regional Internal Audit Service has been the number of vacant posts carried by the service. As a consequence SWAP Internal Audit Services were commissioned to help address the shortfall and deliver elements of the Plan. The Internal Audit coverage was still sufficient for the Head of Audit to be able to give an opinion.

A new staffing structure has been developed for the Service and it is planned to commence recruitment when the restrictions around the COVID-19 pandemic allow.

The Audit Committee provides independent assurance on the Council's internal control environment. It is a statutory requirement and consists of 12 Councillors and 1 Lay Member. Its main functions are:

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

The COVID-19 outbreak has had little impact on the delivery of the internal audit plan for 2019-20 as relevant testing in all but 3 reviews had been completed prior to the lockdown coming into force, allowing final reports to be issued.

During the year there continued to be interim arrangements in place to cover the statutory position of the Council's Section 151 Officer/Head of Finance, which does cause some concern from a continuity and capacity perspective. Whilst there is little or no risk in the short term as the current Statutory Officer is extremely experienced and more than capable to fulfil the role, it is important that the interim position is permanently addressed as soon as possible. To help strengthen the resilience of the Finance function, a temporary Deputy Head of Finance and Section 151 Officer post was appointed in May 2019. Following a review of the Head of Finance role, Council agreed the post should be re-designated as Chief Officer, Finance, Performance and Change. The post was subsequently advertised at the start of 2020, but there was not sufficiently qualified applicants to be able to progress through all stages of the appointments process. The post was re-advertised during June 2020.



*The Pavilion, Porthcawl*

## Improving Governance

The progress made on the significant issues identified in the Council's 2018-19 Annual Governance Statement is shown below:

<p>Medium Term Financial Strategy – the economic uncertainty and increasing public expectations and demands facing public sector organisations continue to challenge and place pressures on the Council, impacting on its ability to deliver the required efficiencies.</p>	<p>The external fiscal climate is kept under continuous review, with regular information on the economic climate, including interest rates and inflation predictions received from our Treasury Management advisors. Assumptions built into the MTFS are adjusted accordingly over the 4 year period.</p> <p>All current and proposed budget reductions are monitored closely against their implementation plan to ensure that they remain deliverable. Any deviation from plans are highlighted through quarterly monitoring reports to Cabinet, and more regular reports to Directors, to ensure plans are put in place to mitigate these.</p> <p>A budget reduction contingency reserve is also available to draw on for one-off delays to proposals that are outside of officers' control.</p> <p>In addition the Council's earmarked reserves are regularly reviewed to make sure they are still required, and at the right level. New reserves are established to deal with one-off pressures, to avoid unnecessary burden on the MTFS, and the Council Fund is maintained at a level that is deemed sufficient to mitigate any unexpected events, without placing the Council in financial difficulty and challenging its financial sustainability.</p>
<p>The findings from the HMIP report on Western Bay Youth Offending Service concluded that the overall rating was inadequate and that '<i>The governance and leadership of the service are ineffective. There is no vision, understanding of purpose or the strategy to provide a high-quality personalised responsive service to children and young people.</i>'</p>	<p>Good progress is being made with implementing the post inspection action plan (PIAP). A new staff management structure is in place with two operational lead practitioners overseeing the work of the team. New quality assurance and management oversight arrangements are in place which will result in improved assessments, care plans and associated interventions. A full-time health practitioner has now started with the team to oversee the health needs of young people open to the service.</p> <p>A new management board is in place which has strengthened the governance arrangements. The board is jointly chaired by the Chief Executive of the Council and Cabinet Member for Communities.</p> <p>The focus now is on quality assurance and risk management, which is being driven by the two new operational lead practitioners. Support for young people open to the team is also benefiting from services available from the wider integrated working and family support portfolio.</p>
<p>Outcome of the Estyn Inspection on Education Services</p>	<p>A post inspection action plan was submitted to Estyn in August 2019 following reporting of the plan to Scrutiny. Estyn established 4 recommendations:</p> <ul style="list-style-type: none"> <li>• raise standards of literacy in primary schools</li> <li>• improve outcomes for post-16 learners in sixth forms</li> <li>• increase the pace of improvement in schools causing concern</li> <li>• strengthen the role of the Welsh Education Strategic Forum (WESP) to ensure timely progress in delivering the priorities identifying in the Welsh Education Strategic Plan.</li> </ul> <p>The Council has in place a detailed action plan and continues to deliver the actions identified in order to respond to the recommendations raised by Estyn. The Director of Education and Family Support and the Post-16 Coordinator conducted reviews with</p>

	<p>all the schools at the beginning of the academic year to identify and share good practice. There have been a number of activities for more able pupils via the Seren Network to help them work towards the highest grades.</p> <p>One school was taken out of special measures in September 2019, a 2<sup>nd</sup> is on track to be taken out in a timely manner following the most recent Estyn inspection and the 3<sup>rd</sup> has had a change of leadership and is now making good progress in improvements.</p> <p>The Council has been working closely with Welsh Government, other local authorities and the national coordinator for the parent's action group (RhAG) to review the composition and function of the Forum to increase its effectiveness in delivering the WESP priorities.</p> <p>The impact of COVID-19 and the closure of schools in March 2020 will mean that further progress will need to be made in the new academic year to fully respond to the recommendations made.</p>
The role of the s.151 Officer is filled on an interim basis pending decisions on way forward with the post in light of the appointment of the Chief Executive	The Chief Executive was permanently appointed in May 2019 and the Section 151 post was advertised at the start of 2020. Unfortunately there was not sufficiently qualified applicants to be able to progress to the assessment centre stage. To help strengthen the resilience of the Finance function, a temporary Deputy Head of Finance and Section 151 Officer post was appointed in May 2019.
The impact of the Health Boundary change from the Western Bay Region to the Cwm Taf Region	The Council is now formally part of the new Cwm Taf Morgannwg Regional Partnership Board and the associated groups. The Council has contributed to the planning and review of this new partnership to ensure that the new arrangements reflect the changes made. This was monitored throughout the year and the partnership continues to progress well.
The impact of Brexit on services and finances could place increased pressures on Council resources	The Council has established an internal cross-Directorate Brexit Forum, chaired by the Chief Executive, to assess the potential impact of Brexit on service delivery along with actions to mitigate against risks. A report was presented to Cabinet in March 2019 setting out a Brexit risk register, which has been actively monitored and updated as necessary, and the Council will continue to do so as the UK progresses an exit from the European Union.
The Council's scrutiny functions should seek ways to improve its focus and scrutiny activity to ensure that the Council makes the most effective use of the resources available and improve the impact of scrutiny activity <sup>4</sup>	<p>A system of monitoring recommendations has been implemented to ensure that the impact of scrutiny is properly evaluated and acted upon to improve the function's effectiveness; including following up on proposed actions and examining outcomes. A report is presented to each Overview and Scrutiny Committee to approve the feedback and responses to the comments and recommendations prepared by Members at the previous meeting. Red, Amber and Green (RAG) statuses are allocated to each recommendation where appropriate and action the feedback as needed. The RAG statuses are monitored by Committees on an ongoing basis and actioned as appropriate.</p> <p>Research has been undertaken by the Scrutiny Team to look at best practice elsewhere, particularly how other local authorities get the public involved in the scrutiny process. In pursuance of this, members of the Scrutiny Team attend and participate fully in two Scrutiny Networks, namely the Welsh Local Government Association (WLGA) Scrutiny Officers' Network and the South East Wales Scrutiny</p>

<sup>4</sup> Audit Wales Annual Improvement Report 2017-18 – September 2018

	<p>Officers' Network. Both Networks provide an invaluable opportunity for Scrutiny Officers to exchange ideas on best practice and to receive training.</p> <p>Regular Officer Planning meetings take place with the Chairs of Overview and Scrutiny Committees to enable them to have more involvement and input into the Scrutiny Forward Work Programme items that are recommended by Officers.</p> <p>Regular quarterly meetings are held between Cabinet, Corporate Management Board (CMB) and Scrutiny Chairs. These meetings have been very positive to agree to add to and also change the order of the Forward Work Programme to accommodate pre decision topics.</p> <p>The WLGA has recently delivered training to Scrutiny Committee Members on Questioning Skills to enable Members to be equipped with the necessary skills to effectively scrutinise and challenge service performance. A repeat session has been arranged to take place. In addition, the WLGA will shortly be delivering Scrutiny Committee Chairs training.</p>
Digital Transformation and channel shift – the Council needs to continue to develop its online platforms to enable residents and businesses to interact with the Council digitally	<p>The continuation of promoting self-serve routes into council services and supporting the ambition of helping people be more self-reliant is the ongoing focus. The introduction of a chatbot has been the recent contact tool to aid channel shift; this will also be enhanced by creating a new customer self-serve hub in the civic reception where our public can utilise technology to transact with us via the My Account platform.</p> <p>The Housing Jigsaw portal is now live and provides an online, bi-lingual customer gateway to housing services that supports the individual management of supported accommodation and maximises the capacity of the customer services and housing staff. The online portal provides citizens with a digital solution that replaces the previous 'homelessness' and 'housing register' processes which were time consuming, often involving follow up meetings and the production of evidence which caused unnecessary delay. The online portal allows citizens to complete their applications online, at a time that is convenient to them, and also allows them to upload any evidence that is required, saving time and speeding up the housing services we offer.</p> <p>We are in the final stages of testing the Love Clean Streets functionality and we are now at a point to go-live with this system, allowing citizens to report their environmental issues with us.</p> <p>Our Social Services teams have also been trialling new software enhancing the support services that are given to older people and our most vulnerable citizens. This will be live in June 2020.</p> <p>With a rapidly changing market in digital platforms, work has been ongoing to assess how the Council can further improve citizen independence by growing the platform further with intelligent and innovative functionality.</p>

Based on a review of the governance framework, the following significant issues identified in 2019-20 which will be addressed in 2020-21:

Covid-19 will have significant impacts as the infection rate increases. This will impact on workforce, delivery of services, economic and social pressures and disruption for months and possibly years to come.	The Council will need to consider how its front-line services can continue to deliver, taking into account the number of staff self-isolating and those who are ill with the virus. The Council will face increasing cost pressures, such as the provision of personal protective equipment (PPE) to front line staff, equipping office based staff to work remotely via IT solutions – laptops and associated software requirements, and increased needs of communities as people's personal financial positions change. Following the move back to more normal operating conditions the Council will need to plan to bring back into operation those services temporarily suspended, and the potential impacts on service demand following the pandemic.
The uncertainty regarding the impact of and exit from the European Union may well place continued increasing expectations and demands on public sector organisations and the Council which will need to be factored into the Medium Term Financial Strategy	The Council will continue to monitor external economic and fiscal information to ensure that it can respond as quickly as possible to unexpected events. The COVID-19 pandemic will place increasing pressures on Council resources and budgets, and the Council will need to closely monitor costs and lost income as a result of the pandemic and lockdown arrangements, on its budget and cash-flow requirements.
Changes in Senior Management at Corporate Management Board level	The current coronavirus pandemic means that taking forward any recruitment process will be delayed, until such time as the Council is able to return to more normal operational arrangements. The Corporate Director Social Services and Wellbeing was due to retire at the end of April, but has agreed to continue in the role for a 3 month period during the pandemic. A new Director was appointed in June 2020 and will take up the post in October 2020. A new Corporate Director Communities took up position in March 2020. The Council was unable to recruit to the Chief Officer, Finance, Performance and Change and arrangements will be put in place to take forward this crucial role over the next few months. Although the post has not been filled on a permanent basis, the current interim arrangements are likely to continue until the post is filled.
Outcome of the Audit Wales report into Safeguarding and implementing the recommendations made therein	The outcome of the Audit Wales report are noted under 'Assessing Performance'. The report makes a number of recommendations that the Council will need to put in place to ensure that the Council's safeguarding arrangements are robust. The Council's Audit Committee have requested they have the opportunity to review an action plan and progress report from Officers.
Outcome of the Care Inspectorate Wales – Inspection of Older Adults Services Bridgend County Borough Council (January 2020)	The purpose of the inspection was to explore how well the Council, with its partners, is promoting independence and preventing escalating needs for older people. The inspection identified a significant number of areas of strength, and some areas for improvements. The council will consider these improvements and put in place processes to address the areas identified over the forthcoming period.
Strengthen the scrutiny and oversight arrangements of environmental health services and work with the Shared Regulatory Services and other providers to explore the opportunities for future improvements	As noted above under 'Assessing Performance', a number of recommendations have been made to strengthen the scrutiny and oversight of environmental health services for Bridgend, within the overall Shared Regulatory Services arrangements. The Council will need to ensure that it works with the Shared Regulatory Services and other providers to ensure a robust service with sufficient and appropriate monitoring thereof.

The risk of fraud especially in the current Covid-19 pandemic with significant funding moving around and increased digitalisation of transacting with the Council	<p>The Council is seeking to strengthen arrangements to tackle and minimise fraud including considering the appointment of a Corporate Fraud Officer, updating and strengthening anti-fraud and anti-money laundering polices and mandatory e-learning for all staff, and continued working alongside the UK Government's National Fraud Initiative.</p> <p>In terms of the specific funding being provided for business grants, we are considering alternative options for a post-payment check on grants awarded to provide assurance that grants were not fraudulently obtained. This most likely will be through the National Fraud Initiative.</p>
The increasingly challenging budgets for Schools, with potential for greater deficit school budgets	<p>There have been increasing pressures on school budgets and an increase in schools setting deficit budgets. Whilst schools do set deficit budgets, this must be a licensed deficit and in line with the requirements set out in the Financial Scheme for Schools, which includes the need to have approved deficit recovery plans in place. At the end of 2019-20 school balances overall were a net surplus of £108,000, a reduction of £506,000 for the year.</p> <p>It is difficult to know what impact Covid-19 will have on school budgets during 2020-21 as the majority will have been closed for months, whereas others are set up as hubs. There may be a requirement to re-allocate funding either amongst schools where expenditure was incurred, or even wider outside of school budgets where cost pressures have not been funded elsewhere.</p>

These issues will be monitored via a detailed action plan during 2019-20, with the responsible officer and deadline for implementation identified for each action, and reported to Cabinet/Corporate Management Board and to the Audit Committee.

## Assurance

The Council reacted quickly to the Covid-19 pandemic to put in place controls and recoding of decision made to ensure that appropriate governance arrangements were in place. Given these arrangements no significant internal control or governance issues have arisen, and the Council continues to have in place appropriate internal control and governance arrangements.

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

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

Signed: M. Mayes Date: 27 August 2020  
 (Chief Executive)

Signed: H. David Date: 27 August 2020  
 (Leader)

## Glossary Of Terms

**Accrual**

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

**Actuary**

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

**Amortisation**

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

**Audit**

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

**Balance Sheet**

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

**Budget**

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

**Capital expenditure**

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

**Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

**Capital receipt**

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

**Cash flow Statement**

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

**Comprehensive Income and Expenditure Statement**

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

**Contingent liabilities**

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

**Corporate and Democratic Core (CDC)**

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

**Creditor**

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

**Current assets**

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

**Current liabilities**

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

**Debtor**

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

**Delegated schools balances**

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

**Depreciation**

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

**Earmarked reserves**

These are reserves set aside for a specific purpose.

**Escrow account**

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

**Expenditure and Funding Statement**

This statement brings together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the Council Fund.

**Financial Year**

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

**Finance leases**

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

**Government grants**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in form of cash or transfers of assets to a Council in return for past or future compliance with certain conditions relating to the activities of the Council.

**International Financial Reporting Standard (IFRS)**

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

**International Financial Reporting Standards Interpretations Committee (IFRICs)**

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

**Inventories**

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

**Leasing**

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

**Liability**

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

**Minimum Revenue Provision (MRP)**

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

**Movement in Reserves Statement (MIRS)**

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

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

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

**Net Realisable Value**

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

**Non Distributable Costs (NDC)**

NDC is a category of costs defined by the Best Value Accounting Code of Practice and cannot be allocated to specific services. It represents:

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

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

OMVEU is a basis for valuation of fixed assets.

**Operating assets**

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

**Operating leases**

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

**Post balance sheet events**

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

**Precepts**

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

**Prior year adjustment**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of 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 loan facility provided by the Government Debt Management Office (DMO), which provides longer term loans to local authorities.

**Related party transactions**

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

**Revaluation Reserve**

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

**Revenue account**

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

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

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

**Temporary borrowing or investment**

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

**Trust fund**

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

**Work in progress (WIP)**

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

