

Meeting of:	<b>Council</b>
Date of Meeting:	<b>Monday, 09 September 2019</b>
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Statement of Accounts 2018/19
Purpose of Report:	To approve the Statement of Accounts and the Annual Governance Statement and agree the Final Letter of Representation for 2018/19.
Report Owner:	Report of the Section S151 Officer
Responsible Officer:	Head of Finance/ Section 151 Officer
Elected Member and Officer Consultation:	None
Policy Framework:	The proposals in this report are in accordance with Policy Framework and Budget
<p>Executive Summary:</p> <ul style="list-style-type: none"> <li>• The audit of the 2018/19 Statement of Accounts is now complete.</li> <li>• The final audited Statement of Accounts must be signed by the Auditor General before 15th September 2019, following approval of Council.</li> </ul>	

## **Recommendations**

1. That the Letter of Representation to the Wales Audit Office for 2018/19 be noted and is agreed and signed and dated by the Mayor as Chairman of the Council.
2. That the Annual Governance Statement (within the Statement of Accounts) for 2018/19 be approved and signed and dated by the Leader of the Council.
3. That the Statement of Accounts for 2018/19 be approved and signed and dated by the Mayor as Chairman of the Council.

## **Reasons for Recommendations**

4. That the signed representation letter is returned to the Wales Audit Office.
5. That the Annual Governance Statement is signed and dated as required.
6. That the Statement of Accounts be approved prior to the deadline.

## **1. Background**

- 1.1 The Council's external auditors have completed the audit of the Council's Financial Statements for 2018/19 and amendments have been incorporated therein.

## **2. Key Issues for Consideration**

- 2.1 The 2018/19 Statement of Accounts and Annual Governance Statement will be considered by Audit Committee on 3rd September 2019 and Council will be advised of their recommendations in respect of the 2018/19 Statement of Accounts.
- 2.2 The Wales Audit Office requires the Authority to sign a final Letter of Representation which is attached at Appendix 1. I have consulted with the Monitoring Officer and appropriate officers in order that I can sign the said letter as Section 151 Officer.
- 2.3 Under the Accounts and Audit Regulations, the Statement of Accounts must be approved before the 15th September and signed and dated by the Mayor as Chairman of the Council. The Statement of Accounts is attached at Appendix 2 at the back of the agenda.
- 2.4 In addition the Annual Governance Statement needs to be formally approved by Council and signed and dated by the Leader of the Council. This statement is part of the Statement of Accounts and has already been considered and endorsed by the Audit Committee.

### **3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?**

- 3.1** The Council's revenue budget and therefore its expenditure is incurred in order to achieve its corporate priorities as set out in the Corporate Plan 2016-2020 through the 4 well-being outcomes.

### **4. Resources and Legal Considerations**

#### **Financial**

- 4.1** As stated in the body of the report

#### **Employment**

- 4.2** None as a direct consequence of this report

#### **Legal (Including Equalities)**

- 4.3** The Statement of Accounts is prepared in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 (as amended).

### **5. Background Papers**

None

Date/Dyddiad: 9<sup>th</sup> September 2019  
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## Final Letter of Representation

Auditor General for Wales,  
Wales Audit Office,  
24 Cathedral Road,  
Cardiff.  
CF11 9LJ

### Representations regarding the 2018-19 financial statements

This letter is provided in connection with your audit of the financial statements of the Vale of Glamorgan Council for the year ended 31 March 2019 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### Management representations

#### Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018-19; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

#### Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;

Correspondence is welcomed in Welsh or English/Croesewir gohebiaeth yn Gymraeg neu Saesneg

- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

## Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions.

## Representations by the Vale of Glamorgan Council

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Council on 9 September 2019.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:  
*Officer who signs on behalf of  
management*  
Date: 9 September 2019

Signed by:  
*Member who signs on behalf of  
those charged with governance*  
Date: 9 September 2019



VALE of GLAMORGAN COUNTY BOROUGH COUNCIL  
**STATEMENT OF ACCOUNTS 2018/19**

Year Ended 31 March 2019



Narrative Report.....	1
Statement of Responsibilities for the Statement of Accounts.....	11
Audit report of the Auditor General to the Vale of Glamorgan Council.....	12
Expenditure and Funding Analysis.....	15
Movement in Reserves Statement 2017-18.....	16
Movement in Reserves Statement 2018-19.....	16
Comprehensive Income and Expenditure Statement.....	17
Balance Sheet as at 31 <sup>st</sup> March 2019.....	18
Cash Flow Statement.....	19
Notes to the Financial Statements.....	20
The Housing Revenue Account.....	89
Trust Funds.....	94
Glossary.....	95
Annual Governance Statement.....	102



Statement of Accounts 2018/19 Year Ended 31st March 2019

## Narrative Report

### Introduction

This document presents the Statement of Accounts for The Vale of Glamorgan County Borough Council for 2018/19 and is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

The Vale of Glamorgan Council is a Welsh Unitary Authority and was created on 1<sup>st</sup> April 1996 by virtue of the Local Government (Wales) Act 1994.

The Council serves one of Wales' most diverse local authority areas, covering rural and coastal communities and busy market towns. It has a population of around 130,000, making it the 12<sup>th</sup> largest authority by population size of the 22 local authorities in Wales.

It provides a wide range of services including Education, Social Services, Highways, Waste collection and Council Housing.

The narrative report provides insight into the Council's funding and expenditure during the year, the key financial issues and pressures and a look to future years.

### Governance Structure

The Vale of Glamorgan Council has 47 elected members, representing 23 wards. The current political make up of the Council is 15 Conservative, 14 Labour, 8 Vale Independents Group, 4 Plaid Cymru, 4 Llantwit First Independent and 2 Independent. The Council is led by the Leader and Cabinet, a body of 7 Councillors that makes key decisions about policy and budget. The Council also has a number of committees that fulfill various scrutiny, statutory oversight and regulatory functions.

The Council's Chief Officers are divided into Directors, Heads of Service and Operational Managers. As service managers they make recommendations to and are held accountable by the Cabinet.

### Summary of Financial Performance – Revenue

The financial position for the Council is regularly reported to Cabinet and Scrutiny Committees during the year. The Closure of Accounts report for 2018/19 was reported to Cabinet on 1<sup>st</sup> July 2019 and the report can be accessed on the Council [website](#).

The 2018/19 financial settlement from Welsh Government was again financially challenging for the Council. The Council received Revenue Support Grant of £111.736M and National Non Domestic Rate of £40.744M from Welsh Government. This represented a reduction in funding of £0.634M (0.41%) from the previous year. Based on this funding level, the Council was ranked 21<sup>st</sup> out of 22 councils in Wales (21<sup>st</sup> in 2017/18) on a funding per head of population, which is £160 per head below the Welsh average (£153 per head below in 2017/18). As a consequence, a savings target of £6.298M was set for the year and services were able to find actual savings to the value of £5.172M. The Reshaping Services savings target of £775k for Neighbourhood Services was not achieved as there was a delay in the

## Vale of Glamorgan County Borough Council

implementation of the new service operating model, however, the new structure is now in place. This shortfall was funded by the use of reserves. The Commercial Opportunities savings target has a shortfall of £183k this year though work continues to explore new ways of generating income. The Digital Strategy savings target had a £131k shortfall at year end however work is underway to deliver digital projects focusing on customer and employee systems.

The anticipated level of funding to be received from Council Tax in 2018/19 was £69.573M. This was based on a Band D rate of £1,186.92, excluding Police and town and community council precepts. This is ranked 14<sup>th</sup> highest in Wales and is £32 below the Welsh average.

The Council's revenue budget outturn for 2018/19 is shown in the table below along with revenue net transfers to reserves.

	<b>Amended Revenue Budget</b>	<b>Actual</b>	<b>Variance +Favourable ( ) Adverse</b>	<b>Net Transfer to /(From) Reserve</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Learning & Skills	103,729	103,729	0	+66
Social Services	63,677	63,677	0	+1,359
Environment and Housing	30,578	30,570	+8	(1,306)
Managing Director and Resources	5,630	5,642	(12)	+856
General Policy	18,439	18,435	4	+3,138
Council Tax Surplus	0	0	0	+1,723
<b>TOTAL</b>	<b>222,053</b>	<b>222,053</b>	<b>0</b>	<b>+5,836</b>

A number of the Council's budgets continue to be under considerable pressure.

- In Learning and Skills, there has been a significant increase in demand to meet the needs of pupils educated other than at school (EOTAS) and the pupil referral units at Key Stages 3 and 4 for behavioral purposes. The pupil placements budget is also under pressure and out-turned with an adverse variance.
- In Social Services, the Children's External Placements budget has overspent due to the higher cost of placements for children with significant complex behaviour. The number of children remanded were higher than usual and a small number required secure accommodation. The year end position was helped by the provision of an in year grant from Welsh Government.
- Environment and Housing were not able to meet all their savings targets in the year and there remains pressure on the Waste services in part due to the increased cost of recycling since China made a decision to reject elements of mixed recycling. During the year, service changes were introduced which required additional staff resources to be employed, for example as Waste Wardens, to assist residents with the change in waste collection.

Elsewhere, the main areas of underspend related to capital charges (£3.029M) and the effective collection of Council Tax (£1.723M).

## Vale of Glamorgan County Borough Council

The Council was able to transfer £4M into the Council Fund. The opening balance on the Council Fund as at 1<sup>st</sup> April 2018 was £9.6M with no planned drawdown during the year and therefore the fund stood at £13.6M as at 31<sup>st</sup> March 2019. Whilst there is no set requirement for the minimum level for the Council Fund, some commentators use 5% of the net budget as a guide. For the Vale this is around £11M. However, in view of the prudent approach the Council takes with regard to earmarked reserves, the Section 151 Officer currently believes that the minimum balance on the Council Fund Reserve should be no less than £7M. The Council also holds earmarked reserves which were used in 2018/19 and stood at £69.523M (excluding Joint Committees) as at 31<sup>st</sup> March 2018 and reduced by £61k in year. These reserves are allocated for both capital and revenue purposes.

### Summary of Financial Performance – Capital

The General Capital Funding received from Welsh Government in 2018/19 was £5.505M which was a £100K (1.85%) increase in funding from 2017/18. This funding is partly through grant and partly an allocation for borrowing, the financing costs of which are supported by Welsh Government funding. The allocation is 14<sup>th</sup> highest in Wales. It is therefore necessary for the Council to fund its capital programme through a variety of sources however it continued to fund most of its capital programme from 'cash' resources as opposed to new borrowing.

In 2018/19 the Council spent £43M on capital as shown by service area in the table below:

<b>Expenditure Incurred on Services</b>	<b>£'000</b>	<b>£'000</b>
Education & Schools	7,146	
Libraries	159	
Catering	41	
<b>Total Learning &amp; Skills</b>		7,346
Children and Youth Services	116	
Adult Services	546	
<b>Total Social Services</b>		662
Neighbourhood and Transport Services	7,107	
Public Sector Housing (HRA)	11,444	
<b>Total Environment and Housing Services</b>		18,551
Resources	1,593	
Regeneration and Planning	12,925	
Private Sector Housing	1,262	
<b>Total Managing Director and Resources</b>		15,780
City Deal		1,043
<b>Total Capital Expenditure 2018/19</b>		<b>43,382</b>

Of the capital expenditure incurred in the year, £2.5M was spent on the 21<sup>st</sup> Century Schools Band B investment programme. £12M was incurred during the year on a large highways scheme at Five Mile Lane, which is wholly funded by Welsh Government grant. The Council undertook further Highways Improvements during the year with a value of over £2.5M. The

## Vale of Glamorgan County Borough Council

Council achieved Welsh Housing Quality Standard (WHQS) by the end of March 2018, however, further capital investment of over £11M was made as part of a continuing Housing Improvement Programme. Works to upgrade the Council's Leisure Centres has commenced during the year with expenditure of over £1.1M.

The following table shows the resources used in 2018/19 to fund the capital programme :

<b>Capital Expenditure Financed By :</b>	<b>£'000</b>
General Capital Funding Grant – Welsh Government	2,083
General Capital Funding Loan – Welsh Government	3,422
Other Loans	1,980
Specific Grants – Welsh Government	15,445
Major Repairs Allowance – Welsh Government	2,759
Other Grants/Contributions	3,909
Capital Receipts	3,355
Revenue/Reserves	10,429
<b>Total Capital Expenditure 2018/19</b>	<b>43,382</b>

As at 31<sup>st</sup> March 2019 the Council held general capital receipts with a value of £7.2M, with a further £6.5M being ringfenced for Education and £1.3M being ringfenced for Social Services.

The Council's assets at the 31 March 2019 have a book value of £653M. The Council Dwellings and Other Land and Buildings etc. are revalued on a rolling 5 year programme normally by a MRICS external valuer. During 2018/19, Education and Social Services assets were revalued.

### Housing Revenue Account (HRA)

The Council still retains its stock of Council Houses and as at 31<sup>st</sup> March 2019 had 3,875 dwellings. The HRA transferred £1.893M into its reserve in 2018/19 leaving a balance on the HRA reserve of £2.668M as at 31<sup>st</sup> March 2019. This balance is higher than planned partly due to the receipts from a higher number of Council house sales in 2018/19 (£1.695M) which was used to fund capital expenditure and therefore resulting in a lower revenue contribution to capital expenditure being required. A review of the level of this reserve will be undertaken as part of the production of the next Housing Business Plan. The Housing Business Plan, which incorporates a detailed financial forecast in the form of a 30 year financial model, is produced on an annual basis and the latest version was approved by Council on 27<sup>th</sup> February 2019. The Council has invested over £100M in its housing stock between 2012/13 and 2018/19 and all its dwellings reached Welsh Housing Quality Standard by March 2018.

### Levels of Borrowing/Funding Arrangements

The Local Government Act 2003 requires a local authority to set its authorised borrowing limit for the following year. The limit set for this Authority for 2018/19 was £200.854M. The actual external borrowing as at 31 March 2019 was £155.145M as shown below.

The external debt was made up of the following:

	31 March 2018	31 March 2019
Source of Loan	£'000	£'000
Public Works Loan Board	147,165	146,445
Long Term Loans	8,100	8,600
Other	100	100
<b>Total External Borrowing</b>	<b>155,365</b>	<b>155,145</b>
Accrued Interest	1,423	1,234
Accounting Adjustments	(363)	(304)
Joint Committee Borrowing	535	0
<b>Total Borrowing as per Balance Sheet</b>	<b>156,960</b>	<b>156,075</b>

Before the commencement of the 2018/19 financial year the Authority approved the Treasury Management Strategy /Policy Statement which deals with the treasury functions of the Authority. The report was approved by Council on 28<sup>th</sup> February 2018 and can be accessed on the Council Website; [Treasury Management and Investment Statement](#)

#### Joint Committees and Joint Arrangements

Since the 2015/16 financial year the Council has been Host Authority for two Joint Committees - the Shared Regulatory Service commencing on 1<sup>st</sup> May 2015 and the Vale, Valleys & Cardiff Adoption Collaborative Service which commenced on 1<sup>st</sup> June 2015. The Authority is also party to a number of other Joint Committees such as Prosiect Gwyrdd, Central South Consortium and the Glamorgan Archives. The Council's share of these transactions and balances are incorporated in these financial statements. Separate financial statements are also available. In addition the Council participates in a number of shared services.

#### City Deal

The Vale of Glamorgan Council is a participant in the Cardiff Capital Region City Deal which has been established between the UK Government, the Welsh Government and 10 local authorities in South East Wales. The agreement with the UK and Welsh Governments' provides £1.2 billion of which £734m is allocated to the Metro, with the balance of £495m being made available as the Wider Investment Fund. The Regional Cabinet has stated that the high level aims of the Wider Investment Fund are the creation of 25,000 new jobs and £4 billion of private sector investment. The Deal will cover a 20 year period.

#### Impact of the Current Economic Climate

The financial pressures on the Council continued during 2018/19 and even after an increase in the base rate, by 0.25% during August 2018, investment income rates still remain low. The outcome of the European Union Referendum has led to a high degree of economic uncertainty. The Council will continue to monitor and manage risks as a result of the negotiation process for the exit from the European Union. The Council considers that it has sufficient balances and reserves, however, they will be put under pressure if there is a continued reduction in funding settlements from Welsh Government.

## Reshaping Services Strategy

The Strategy aims to reshape the Council to enable it to meet the future needs of citizens of the Vale of Glamorgan in the context of unprecedented financial challenges. An update on the programme was presented to Cabinet on 18<sup>th</sup> March 2019 which can be accessed on the Council Website. [Reshaping Services Update](#)

## The Pension Liability

Pensions for non-teaching staff are provided under the Local Government Pension scheme and the Council is a member of the Cardiff and Vale Pension Fund, administered by Cardiff County Council. Employees and employers contribute into the fund, along with investment income and growth generated. The value of the pension liability in 2018/19 is £215.181M. This value is based on a number of actuarial assumptions and will fluctuate between years.

The Teachers Pension scheme is administered by the Department for Education. This is an unfunded scheme, meaning that there are no investment assets accumulated to meet pension costs before they arise and therefore no fund assets or liabilities appear in the Council's Balance Sheet.

## Corporate Aims and Objectives

The Council's Performance Management Framework is the mechanism through which key priorities and targets are monitored and realised in order to secure continuous improvement. The Council has adopted a new Corporate Plan (2016-2020) which reflect the requirements of the Well-being of Future Generations (Wales) Act 2015 and identifies 4 Well-being Outcomes and 8 Objectives for the Council. The Corporate Plan is being monitored by Cabinet and Scrutiny Committees on a quarterly basis.

The 4 Well-being Outcomes with the associated 8 Objectives are :-

- An Inclusive and Safe Vale – Citizens of the Vale of Glamorgan have a good quality of life and feel part of the local community
  - Reducing poverty and social exclusion
  - Providing decent homes and safe communities
- An Environmentally Responsible and Prosperous Vale – The Vale of Glamorgan has a strong and sustainable economy and the local environment is safeguarded for present and future generations.
  - Promoting regeneration, economic growth and employment
  - Promoting sustainable development and protecting our environment
- An Aspirational and Culturally Vibrant Vale – All Vale of Glamorgan citizens have opportunities to achieve their full potential.
  - Raising overall standards of achievement
  - Valuing culture and diversity
- An Active and Healthy Vale – Citizens of the Vale of Glamorgan have a good quality of life and feel part of the local community.
  - Encouraging and promoting active and healthy lifestyles
  - Safeguarding those who are vulnerable and promoting independent living

## Vale of Glamorgan County Borough Council

Progress is monitored using a RAG status with Green being on or above target, Amber being within 10% of target and Red missing target by 10% or more. Good progress has been made up to quarter 3 towards delivering the key outcomes giving an overall RAG status of Amber. The latest report was Quarter 3 and was reported to Cabinet on 1<sup>st</sup> April 2019. This report provides full details and can be accessed on the Council website at [Quarter 3 \(2018-19\) Corporate Plan Performance Report](#).

### Looking Forward

The budget for 2019/20 is again challenging. The 2019/20 revenue allocation from Welsh Government was £152.07M which is a reduction of £1.181M (0.77%). The Council Tax was therefore increased by 4.9% from 1<sup>st</sup> April 2019 with a budget of £74.028M being set for Council Tax during 2019/20. A budget of £226.098 was approved by Council on 8<sup>th</sup> March 2019 and a savings target of £3.8M was set for 2019/20.

The full Council report can be accessed on the Council website [Final Proposals for the Revenue Budget 2019/20](#).

It is anticipated that future year's settlements from Welsh Government will continue to decrease and additional savings will need to be identified. No indicative allocation has been advised by Welsh Government for 2020/21. As part of the 2019/20 budget setting process, it was considered that the shortfall in funding between 2020/21 and 2021/22 could be around be between £9.7M and £14M depending on whether Council Tax was set at CPI (2.1% for December 2018) or the same level as the 2019/20 Council Tax. This will be further assessed as part of the Medium Term Financial Plan which will be updated during the coming year. The Reshaping Services Programme will continue to implement the further savings required.

The Council will remain committed to the Well-being of Future Generations Act which aims to improve the social, economic, environmental and cultural well-being of Wales and ensures that the needs of the present are met without compromising the ability of future generations to meet their own need.

In December 2018 the Welsh Government announced proposals for an extra £100M of capital funding to be made available for local authorities over 3 years commencing in 2018/19. The General Capital Funding from Welsh Government for 2019/20 is £6.643M which is an increase of £1.138M (20.7%) from the previous year. The 2019/20 Capital Programme was approved by Council on 27<sup>th</sup> February 2019 and amounted to £79.96M gross of which external grants and contributions total £46.918M. The programme is briefly summarised below;

	<b>2019/20 Net (excluding grants and contributions)</b>	<b>2019/20 Gross(including grants and contributions)</b>
	<b>£'000</b>	<b>£'000</b>
Learning and Skills	7,722	41,401
Social Services	400	627
Environment and Housing	21,907	26,719
Managing Director and Resources	2,577	10,777
City Deal	436	436
<b>Total Capital Programme</b>	<b>33,042</b>	<b>79,960</b>

There will be investment in the Council's Schools as part of the 21<sup>st</sup> Century Schools Band B programme of £38.2M, £3.1M in the Council's Vehicles and £2.5M in Highways. The Five Mile Lane scheme will continue in year with grant funding from Welsh Government of £8M. Even though the Housing stock meets WHQS, further work is being undertaken which will include Environmental Works and the construction and acquisition of new houses totaling £17.9M.

The full report can be accessed on the Council Website; [Final Capital Proposals 2019/20 to 2023/24.](#)

Over the coming years the next major capital investment by the Council will be the Band B 21<sup>st</sup> Century Schools programme which will require capital investment between 2019/20 and 2023/24. The currently approved funding included in the capital programme is £143.792M over this period, with a contribution of £95.8M from Welsh Government.

#### Further Information

Further information about the accounts is available from the Resources Service, Civic Offices, Holton Road, Barry, CF63 4RU. This is part of the Council's policy of providing full information about the Council's affairs.

#### Introduction to the Financial Statements

##### Statement of Accounting Policies

The purpose of this statement is to explain the basis of the figures in the accounts. It outlines the accounting policies adopted.

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

This sets out the responsibilities of the Council and the Head of Finance (Section 151 Officer) for the preparation of the Statement of Accounts. The Statement has to be signed and dated by the Mayor as Chairman of the Council at the meeting at which the accounts are approved.

##### Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates.



## Vale of Glamorgan County Borough Council

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

### Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and “unusable reserves”. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Authority’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 and the Housing Revenue Account for Council Tax setting and dwelling rents setting purposes. The Net Increase/Decrease before transfers to Earmarked Reserves line shows the statutory Council Fund balance and the Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

### Comprehensive Income and Expenditure Statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and Movement in Reserves Statement.

### Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (Assets less Liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserve and any statutory limitations on their use (for example the Capital Receipts may only be used to fund Capital expenditure or repay debt). The second category of reserves are those that the Authority is not able to use to provide services called Unusable Reserves. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold and also reserves that hold timing differences shown in the Movement in Reserves Statement line “Adjustments between accounting basis and funding basis and regulations”.

### Cash Flow Statement

The Cash Flow Statement shows the change in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows into operating and 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 Authority 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 Authority’s future service delivery. Cash flows arising from

## Vale of Glamorgan County Borough Council

financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

### Annual Governance Statement

The statement sets out the framework within which the Vale of Glamorgan Council manages and reviews internal control. It outlines the components of the framework, including the arrangements for Internal Audit and how the Authority has complied with the various elements of the framework.

## 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 secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Finance (Section 151 Officer).
- To manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

Signature:

Date:

Mayor as Chairman of the Council

### Responsibilities of the Head of Finance (Section 151 Officer).

The Head of Finance is responsible for the preparation of the 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 the Statement of Accounts, the Head of Finance 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 Head of Finance has also throughout the financial year:

- Kept proper accounting records that were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

### Certificate of the Head of Finance (Section 151 Officer)

I certify the statement of accounts give a true and fair view of the financial position of The Vale of Glamorgan County Borough Council as at 31st March 2019 and its income and expenditure for the period then ended.

Signature:

Date: 3<sup>rd</sup> September 2019

Head of Finance/Section 151 Officer

## **The independent auditor's report of the Auditor General for Wales to the members of Vale of Glamorgan Council**

### **Report on the audit of the financial statements**

#### **Opinion**

I have audited the financial statements of Vale of Glamorgan Council for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

Vale of Glamorgan Council's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure 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 2018-19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Vale of Glamorgan Council as at 31 March 2019 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 2018-19.

#### **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 the 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.

#### **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 the 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 statement of accounts. The other information comprises the information included in the statement of accounts other than the financial statements and my auditors 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 2018-19;
- 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 the 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:

- proper 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 Vale of Glamorgan 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 11, the responsible financial officer is responsible for the preparation of the statement of accounts, which give 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 statement of accounts, the responsible financial officer is responsible for assessing the 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.

## Vale of Glamorgan County Borough Council

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

12<sup>th</sup> September 2019

24 Cathedral Road

Cardiff

CF11 9LJ

## Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. Further information on this note is shown on page 8.

2017/18 Restated (Restatement adjustments are set out in Note 7 Prior Period Adjustment)	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis (Note 9)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000
Learning and Skills	100,884	(5,480)	95,404
Social Services	56,925	(2,018)	54,907
Visible and Housing Services	31,641	(3,347)	28,294
Housing Revenue Account (HRA)	183	(5,196)	(5,013)
Managing Director and Resources	16,316	7,033	23,349
Net Cost of Services	205,949	(9,008)	196,941
Other Income and Expenditure	(207,773)	(7,107)	(214,880)
<b>(Surplus) or Deficit</b>	<b>(1,824)</b>	<b>(16,115)</b>	<b>(17,939)</b>
<b>Opening General Fund and HRA Balance at 31 March 2017</b>	<b>(77,661)</b>		
Plus Surplus on General Fund and HRA Balance in Year	(1,824)		
<b>Closing General Fund and HRA Balance 31 March 2018</b>	<b>(79,485)</b>		

2018/19	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis (Note 9)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000
Learning and Skills	106,404	(3,883)	102,521
Social Services	62,316	(1,588)	60,728
Visible and Housing Services	33,731	(4,083)	29,648
Housing Revenue Account (HRA)	(1,894)	(3,036)	(4,930)
Managing Director and Resources	9,244	13,293	22,537
Net Cost of Services	209,801	703	210,504
Other Income and Expenditure	(214,145)	(12,488)	(226,633)
<b>(Surplus) or Deficit</b>	<b>(4,344)</b>	<b>(11,785)</b>	<b>(16,129)</b>
<b>Opening General Fund and HRA Balance at 31 March 2018</b>	<b>(79,485)</b>		
Plus Surplus on General Fund and HRA Balance in Year	(4,344)		
<b>Closing General Fund and HRA Balance 31 March 2019</b>	<b>(83,829)</b>		

Vale of Glamorgan County Borough Council  
**Movement in Reserves Statement 2017-18**

This statement shows the movement in the year on the different reserves held by the Authority, analysed into “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and “unusable reserves”. Further information on this statement is shown on page 8.

Movement in Reserves Statement	Council Fund	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 31<sup>st</sup> March 2017</b>	<b>9,309</b>	<b>67,394</b>	<b>958</b>	<b>9,823</b>	<b>737</b>	<b>88,221</b>	<b>215,556</b>	<b>303,777</b>
Total Comprehensive Income and Expenditure	8,698	1,682	7,559	0	0	17,939	(10,951)	6,988
Adjustments between accounting basis and funding basis under regulations (Note 111)	(8,373)		(7,742)	1,476	1,114	(13,525)	13,525	0
<b>Increase/(Decrease) in 2017/18</b>	<b>325</b>	<b>1,682</b>	<b>(183)</b>	<b>1,476</b>	<b>1,114</b>	<b>4,414</b>	<b>2,574</b>	<b>6,988</b>
<b>Balance as at 31<sup>st</sup> March 2018</b>	<b>9,634</b>	<b>69,076</b>	<b>775</b>	<b>11,299</b>	<b>1,851</b>	<b>92,635</b>	<b>218,130</b>	<b>310,765</b>

**Movement in Reserves Statement 2018-19**

Movement in Reserves Statement	Council Fund	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 31<sup>st</sup> March 2018</b>	<b>9,634</b>	<b>69,076</b>	<b>775</b>	<b>11,299</b>	<b>1,851</b>	<b>92,635</b>	<b>218,130</b>	<b>310,765</b>
Total Comprehensive Income and Expenditure	11,523	(1,551)	6,157	0	0	16,129	10,655	26,784
Adjustments between accounting basis and funding basis under regulations (Note 111)	(7,521)	0	(4,263)	3,825	4,345	(3,614)	3,614	0
<b>Increase/(Decrease) in 2018/19</b>	<b>4,002</b>	<b>(1,551)</b>	<b>1,893</b>	<b>3,825</b>	<b>4,345</b>	<b>12,514</b>	<b>14,269</b>	<b>26,784</b>
<b>Balance as at 31<sup>st</sup> March 2019</b>	<b>13,636</b>	<b>67,525</b>	<b>2,668</b>	<b>15,124</b>	<b>6,196</b>	<b>105,149</b>	<b>232,399</b>	<b>337,548</b>



## Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices rather than the amount to be funded from taxation. Further information is shown on page 9.

2017/18 Restated				Note	2018/19		
Gross Expt.	Income	Net Expt.			Gross Expt.	Income	Net Expt.
£'000	£'000	£'000	Expenditure on Services		£'000	£'000	£'000
126,574	31,170	95,404	Learning and Skills		132,738	30,217	102,521
70,750	15,843	54,907	Social Services		75,114	14,385	60,729
46,567	18,273	28,294	Visible and Housing Services		46,151	16,503	29,648
14,953	19,966	(5,013)	Housing Revenue Account (HRA)		14,986	19,916	(4,930)
70,437	47,088	23,349	Managing Director and Resources		69,252	46,716	22,536
<b>329,281</b>	<b>132,340</b>	<b>196,941</b>	<b>Cost of Services</b>		<b>338,241</b>	<b>127,737</b>	<b>210,504</b>
21,188	3,578	17,610	Other operating expenditure	13	22,456	1,088	21,368
12,430	259	12,171	Financing and investment income and expenditure	14	12,719	635	12,084
0	244,661	(244,661)	Taxation and non-specific grant income	15	0	260,085	(260,085)
<b>362,899</b>	<b>380,838</b>	<b>(17,939)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>		<b>373,416</b>	<b>389,545</b>	<b>(16,129)</b>
		1,397	(Surplus)/Deficit on revaluation of non current assets	19			(6,591)
		9,565	Impairment losses on non-current assets charged to the Revaluation Reserve	19			4,826
		(11)	Remeasurements of the net defined benefit liability/(asset)	44			(8,890)
		0	Transfer of the net defined benefit liability/(asset)	44			0
		<b>10,951</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(10,655)</b>
		<b>(6,988)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(26,784)</b>

The Comprehensive Income and Expenditure Statement has been restated in 2017/18 to reflect the movement of the Council Tax Reduction Scheme budget (£9.3M) and the elimination of Internal Recharges on the segments shown in the Cost of Services. The detail of these adjustments is set out in Note 7 Prior Period Adjustment.

**Balance Sheet as at 31<sup>st</sup> March 2019**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (Assets less Liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories: Usable and Unusable Reserves. Further information is shown on page 9 of this report.

<b>31 March 2018</b>		Notes	<b>31 March 2019</b>
<b>£'000</b>			<b>£'000</b>
626,047	Property, Plant and Equipment	19	653,497
788	Intangible Assets	23	608
2	Long Term Investments	24	2
607	Long Term Debtors	24	236
<b>627,444</b>	<b>Long Term Assets</b>		<b>654,343</b>
66,313	Short Term Investment	24	81,321
8,310	Assets Held for Sale	21	168
393	Inventories		404
34,009	Short Term Debtors	25	33,053
6,159	Cash and Cash Equivalents	26	12,048
<b>115,184</b>	<b>Current Assets</b>		<b>126,994</b>
2,243	Short Term Borrowing	24	2,569
32,950	Short Term Creditors	27	35,105
2,408	Provisions (Short Term)	28	1,919
2,752	Grants Receipts in Advance – Capital	38	9,592
<b>40,353</b>	<b>Current Liabilities</b>		<b>49,185</b>
557	Provisions (Long Term)	28	444
154,716	Long Term Borrowing	24	153,506
5,297	Other Long Term Liabilities	29	6,617
215,523	Other Long Term Liabilities (Pensions)	44	220,472
15,417	Grants Receipts in Advance - Capital (Long Term)	38	13,565
<b>391,510</b>	<b>Long Term Liabilities</b>		<b>394,604</b>
<b>310,765</b>	<b>Net Assets</b>		<b>337,548</b>
92,635	Usable Reserves	30	105,149
218,130	Unusable Reserves	31	232,399
<b>310,765</b>	<b>Total Reserves</b>		<b>337,548</b>

## Cash Flow Statement

The Cash Flow Statement shows the change in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows into operating and investing and financing activities. Further information is included on page 9 of this report.

31 March 2018		Notes	31 March 2019
£'000			£'000
<b>17,939</b>	<b>Net surplus or (deficit) on the provision of services</b>		<b>16,129</b>
27,686	Adjustments to net surplus or deficit on the provision of services for non-cash movements	32	32,241
(26,426)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	32	(36,765)
<b>19,199</b>	<b>Net cash flows from Operating Activities</b>		<b>11,605</b>
(16,845)	Investing Activities	33	(7,961)
(1,304)	Financing Activities	34	2,245
<b>1,050</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>5,889</b>
5,109	Cash and cash equivalents at the beginning of the reporting period		6,159
<b>6,159</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>26</b>	<b>12,048</b>

## Notes to the Financial Statements

### 1. Statement of Accounting Policies

#### a. Accounting Policies

The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 (as amended) which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 supported by International Financial Reporting Standards (IFRS) and statutory guidance. The accounts are prepared on a going concern basis.

#### b. Revenue / Expenditure

The transactions of the Council are accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- 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.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

There are certain exceptions to this principle. The main items are:-

(a) Electricity charges, telephone expenses, leasing and similar periodic payments are included in the Accounts on a payments basis and not accrued to 31st March each year. Payments in respect of a full twelve months are included.

(b) The amount included in the accounts for Government Revenue Support Grant for 2018/19 is on the basis of cash received. Where final figures are not available e.g. Subsidy Entitlement, the amounts included are based on the latest available information.

The difference between the amounts charged annually to the Revenue Accounts in respect of items (a) and (b) and the amounts that would be charged if they were accrued to 31st March each year is not significant.

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

A change in accounting policies or to correct a material error can result in a prior period adjustment. Changes in accounting estimates do not give rise to a prior period adjustment but are accounted for prospectively.

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 of the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

### **d. Charges to Revenue for Non- Current Assets**

The following amounts are charged to revenue to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets chargeable to the service.
- Amortisation of intangible non-current assets attributable to the service.

Council Tax is not required to be raised to fund depreciation, revaluation, impairment losses or amortisations. However, an annual contribution is required from revenue (Minimum Revenue Provision) towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance.

### **e. Employee Benefits**

#### **Benefits Payable during Employment**

Short term employee benefits are those due to be settled within 12 months of the year end. An accrual is made for the cost of holiday entitlements (or any form of leave) earned by employees but not taken before the year end which employees can carry forward into the next financial year. Holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

#### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. These costs are charged on an accruals basis to the appropriate service or where applicable to Non Distributed costs.

#### **Post Employment Benefits**

Employees of the Authority are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, administered by Cardiff County Council Pension Authority.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Authority.

The arrangements for the teachers' scheme means that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.

### **The Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Cardiff and Vale Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate.
- The assets of the Cardiff and Vale Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value.
- The actuarial valuation carried out at 31<sup>st</sup> March 2016 excludes staff working for the Shared Regulatory Service and Vale and Valleys Adoption Service.

The change in the net pension's liability is analysed into the following components:

### **Service cost comprising**

- Current service cost – the increase in liabilities as a result of years of service earned this year which is 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 years of service earned in earlier years. Debited to the surplus or deficit of services in the Comprehensive Income and Expenditure as part of Non Distributed costs.
- Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit (asset) during the period as a result of contribution and benefit payments.

### **Remeasurements comprising:**

- The return on plan assets – excluding amounts included in net interest on the net defined liability (asset). This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Statutory provisions require the Council Fund balance be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year in relation to retirement benefits.

### **Discretionary Benefits**

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements.

#### **f. Events after the Balance Sheet Date**

These are 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. Such events could result in the Statement of Accounts being adjusted. 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.

#### **g. Cash and Cash Equivalents**

Cash includes any cash in hand, overnight deposits and bank overdrafts. Cash equivalents must be readily convertible to known amounts of cash with insignificant risk of change in value and include investments held overnight on 31<sup>st</sup> March 2019. Any other short term investment deposits are excluded from cash and cash equivalents and are included in current assets. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts.

#### **h. Financial Instruments**

##### **Financial Liabilities**

Financial liabilities are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in 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.

## **Financial Assets**

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale assets – assets that have a quoted market price and / or do not have fixed or determinable payments.

### **Loans and Receivables**

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

When a soft loan is made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

#### **i. Available for Sale Assets**

Available for Sale Assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure Income line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value.

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain /loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been



incurred. These are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement along with any net gain / loss for the asset accumulated in the reserve.

#### **j. Government Grants and Contributions**

Government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Grants and contributions advanced for which conditions have not been satisfied are carried in the Balance Sheet as creditors. Once conditions are satisfied, the grants or contributions are credited to the Comprehensive Income and Expenditure Statement.

Capital grants are credited to the Comprehensive Income and Expenditure Statement and are reversed out of the Council Fund Balance in the Movement in Reserves Statement. Grants not yet used to finance capital expenditure, are posted to the Capital Grants Unapplied reserve. Once applied, it is posted to the Capital Adjustment Account.

#### **k. Intangible Assets**

Expenditure on non monetary assets that do not have physical substance but are controlled by the Authority is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

#### **l. Inventories**

Inventories should be included in the Balance Sheet at the lower of cost and net realisable value. However, some stock is valued at the latest price paid, with an allowance made for obsolete and slow-moving items. The effect of the different treatment is considered to be immaterial.

#### **m. Jointly Controlled Operations**

Joint operations are arrangements undertaken by the Council in conjunction with other ventures that make use of its assets and resources. Joint Committees are examples of Jointly Controlled Operations.

The relevant proportion of the transactions and balances for Joint Committees are included within the Council's Financial Statements. These reflect the transactions and balances as per the draft accounts prepared for each Joint Committee. To date there has been no audit opinion issued in respect of any of these Joint Committees.

#### **n. Leases**

The Council currently has no Finance Leases. The land and buildings elements of a lease are considered separately for classification.

## **The Authority as Lessee**

### **Operating Leases**

Rentals paid under operating leases are charged to the services in the Comprehensive Income and Expenditure Statement that benefit from the use of the leased property, plant or equipment.

## **The Authority as Lessor**

### **Operating Leases**

Rental income under an operating lease is credited to the Comprehensive Income and Expenditure Statement; the property, plant or equipment is retained in the Balance Sheet.

#### **o. Overheads and Support Services**

In line with CIPFA's updated guidance the accounts have been adjusted to remove internal recharges for overheads and support services from the figures shown in the Comprehensive Income and Expenditure Statement. The 2017/18 statement has been restated to reflect this change and the reconciliation between years is shown in Note 7.

#### **p. Property, Plant and Equipment**

Revaluation of the assets of the Authority will be undertaken on a rolling basis over a five year cycle by an external valuer. An annual desk top review will also be undertaken for those assets not externally valued in the year.

Council Dwellings are regarded by the Authority as operational and valued using the Beacon approach (adjusted vacant possession value).

Land and Property regarded by the Authority as operational was valued on the basis of constructing modern equivalent buildings, or where this could not be assessed because there was no market for the subject asset (i.e. specialised property) the depreciated replacement cost.

Land and Property regarded by the Authority as non-operational have been valued on the basis of cost, fair value, or depreciated replacement cost as appropriate.

Infrastructure, Vehicles, Plant and Equipment and Community Assets are included at cost (less depreciation where required).

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably.

A de-minimis rule for capital has been applied – generally no capital expenditure valued at under £10,000 is included within capital spend.

Assets are initially measured at cost, comprising:

- the purchase price.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

Where decreases in value for individual assets are identified, they are accounted for either by setting it off against gains for the asset in the Revaluation Reserve or against the relevant service lines in the Comprehensive Income and Expenditure Statement.

### **Component accounting**

Assets with a net book value in excess of £3 million will be reviewed to determine if there are any significant components that require a separate depreciation calculation and whether it is material. No adjustment for component accounting was made in the accounts.

### **Impairment**

Assets are assessed at each year end as to whether there is an indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount is estimated and if this is less than the carrying amount an impairment loss is recognised for the shortfall. This is either set against the balance of the Revaluation Reserve if there have been previous valuation gains for the asset or it is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets over their useful lives. An exception is where assets are without a determinable finite useful life (i.e. Freehold Land and Community Assets) and assets that are not available for use (i.e. assets under construction).

Depreciation is calculated on the following basis:

- Dwellings and other buildings - straight line allocation over the useful life of the property as estimated by the valuer.

- Vehicles, plant, furniture and equipment - over the life of the asset.
- Infrastructure – straight line allocation over 40 years.

No depreciation is charged in the year of acquisition with a full year charge applied in the disposal year, except for Vehicles which is charged in the month following acquisition.

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

### **Disposals and Non Current Assets Held for Sale**

An asset is reclassified as Held for Sale when it is probable that the carrying amount will be recovered principally through a sale transaction. The asset is revalued immediately before reclassification and carried at the lower of this amount and the fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Depreciation is not charged on Assets Held for Sale.

Where assets no longer meet the criteria to be classified as Assets Held for Sale they are reclassified back to non-current assets.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line of the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal. Any revaluation gains that are accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

The written off value on disposals is not a charge to Council Tax as the cost for non current assets is separately provided for under separate arrangements for capital financing.

### **q. Fair Value Measurement**

The authority measures some of its assets held for sale and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement

assumes that the transaction to sell the asset or transfer the liability takes place either;

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their best economic interest by using the asset in its highest and best use, or selling the asset to another participant.

The authority uses valuation techniques that are appropriate in the circumstances maximising the use of observable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed are categorized within the fair value hierarchy, as follows;

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

#### **r. Provisions, Contingent Liabilities and Contingent Assets**

##### **Provisions**

Provisions are made when an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefit or service potential, and a reliable estimate can be made of the amount of the obligation.

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – 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. See note 28 to the accounts.

##### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or

otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

### **Contingent Assets**

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

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

#### **s. Specific Reserves**

These reserves represent sums of money that are voluntarily set aside for specific purposes. The purpose of these reserves is explained in Note 30 to the accounts.

#### **t. Revenue Expenditure Funded from Capital under Statute**

Expenditure 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. The total gross expenditure is £4.342 million. Where the Council has determined to meet the cost of this expenditure 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 that there is no impact on the level of Council Tax.

#### **u. Local Authority Schools**

The Council does not include a school's property, plant and equipment in its Balance Sheet where it does not own or have significant control over the economic benefit of these assets. This means that the buildings used by voluntary aided, Roman Catholic aided and voluntary controlled schools are excluded from property, plant and equipment where they are not owned by the Council. However, land owned by the Council and used by these schools is recognised in property, plant and equipment. The property, plant and equipment of community and foundation schools are recognised on the Authority's Balance Sheet. The income and expenditure for all schools is included within the CI&ES and any unspent resources held by schools are included within earmarked reserves in the Council's Balance Sheet.

#### **v. Value Added Tax**

Income and expenditure excludes any amounts related to Value Added Tax (VAT), as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

## 2. Accounting Standards that have been issued but have yet to be adopted

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

- **IFRS 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.
- **IAS 40 Investment Property:** Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Council as it already complies.
- **IFRIC 22 Foreign Currency Transactions and Advance Consideration** clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.
- **IFRIC 23 Uncertainty over Income Tax Treatments** provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the single entity accounts and minimal impact on the group accounts.

The Council is carrying out work to establish the extent of the impact of IFRS16 on the Authority's accounts none of the other new or amended standards within the 2018/19 Code are expected to have a material impact on the information provided in the financial statements.

## 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out above, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

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

## 4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are

as follows:

### Property, Plant and Equipment

Property Plant and Equipment (excluding infrastructure, community assets, assets under construction and vehicles, plant and equipment) are revalued annually for indicators of impairment. Judgements are required to make an assessment as to whether there has been an assessment of impairment .

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. Useful asset lives will impact on depreciation calculations. For assets such as Infrastructure (40 years) Vehicles (6 years) and Equipment (5 years) standard asset lives are used unless evidence is available to the contrary. The Useful Economic Lives of operational buildings is estimated by a RICs qualified valuer as part of the valuation process.

### Minimum Revenue Provision

Statutory provision is made in the accounts for the repayment of the Council's borrowing. The Minimum Revenue Provision is based on a straight line repayment over the estimated life of the asset. The estimated life is based on information provided by a qualified valuer as part of the valuation process and the Council's asset register.

### Provisions

A provision is included in the accounts for Municipal Mutual Insurance (MMI) liability using current information.

The MMI liability has been calculated based on the Vale of Glamorgan's share of outstanding claims from South Glamorgan, Mid Glamorgan and Vale of Glamorgan Borough. The scheme administrator regularly reviews the scheme and any significant changes in the financial position may lead to a further clawback.

### Debtors

Sundry and council tax debtors were examined which resulted in a provision for doubtful debts. If the provision is too low, the Authority's finances would be affected. The Provision for Bad and Doubtful Debts is set based on the rates of collection for old debt in the previous financial year.

### 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 actuaries is engaged to provide the Cardiff and Vale Pension Fund with expert advice about the assumptions to be applied.



### Fair Value

Where the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets their fair value is measured using valuation techniques. Where possible the inputs to these valuations are based on observable data but where this is not possible judgement is required in establishing fair values.

Fair Values as at 31<sup>st</sup> March 2019 for the Council's financial assets and liabilities have been provided by the Council's Treasury Management advisor Link Asset Management Ltd. Disclosure notes set out the fair values for the Authority's financial assets and liabilities as at 31<sup>st</sup> March 2019.

### 5. Material Items of Income and Expenditure

The Council does not have any material items of income and expenditure to report that require any further explanation.

### 6. Events after the Balance Sheet Date

The unaudited statement of accounts was authorised for issue by the Head of Finance (Section 151 Officer) on 3rd September 2019. Events taking place after this date are not reflected in the financial statement or notes. There have been no post balance sheet events prior to this date that have been reflected in the statement of accounts.

### 7. Prior Period Adjustment

The 2017/18 accounts have been restated to reflect two changes in guidance around the presentation of the accounts.

1. The CIPFA guidance has clarified that the figures presented in the Comprehensive Income and Expenditure Statement should not include any internal recharges between segments. The internal charges should be excluded from the accounts as part of the Category Transfer adjustments on the Expenditure and Funding analysis note.
2. To bring the Council's accounts in line with the detail of the CIPFA code and guidance, the Council Tax income in the accounts should be presented net of the Council Tax Reduction Scheme.

Both of the above changes do not change the balances of reserves or the figures shown on the Comprehensive Income and Expenditure Statement for the Surplus or Deficit on the Provision of Services. However, the individual segmental reporting lines are amended on the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis and the adjustments shown in the restated 2017/18 accounts are set out below;

<b>Expenditure on Services</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	Audited 2017/18 Accounts Net Expt.	Adj for Internal Charges	Adj for the Council Tax Reduction Scheme	Restated Net Expt.
Learning and Skills	99,168	(3,764)		95,404
Social Services	56,919	(2,012)		54,907
Visible and Housing Services	30,501	(2,207)		28,294
Housing Revenue Account (HRA)	(5,013)	0		(5,013)
Managing Director and Resources	24,708	7,983	(9,342)	23,349
<b>Cost of Services</b>	<b>206,283</b>	<b>0</b>	<b>-9,342</b>	<b>196,941</b>
Other operating expenditure	17,610			17,610
Financing and investment income and expenditure	12,171			12,171
Taxation and non-specific grant income	(254,003)		9,342	(244,661)
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(17,939)</b>	<b>0</b>	<b>0</b>	<b>(17,939)</b>

## 8. Adoption of New Financial Standards

The Council adopted the IFRS9 Accounting Standard with effect from 1<sup>st</sup> April 2018. The main changes are the reclassification and measurement of financial assets, the remeasurement of loan liabilities and earlier recognition of the impairment of financial assets. CIPFA has put in place transitional provisions to avoid prior period restatement.

Discussions with the Council's Treasury Management advisors and internal assessment has resulted in no changes to the presentation of the Council's financial liability or financial asset balances on the Balance Sheet.

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.

The Council's financial liabilities held during the year measured at amortised cost comprised:

- Long-term loans from Public Works Loan Board and commercial lenders
- Overdraft with Lloyds Bank
- Trade payables for goods and services received

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Council during the year are

classified as measured at amortised cost and are those held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and where the cash flows are solely payments of principal and interest.

Financial assets held during the year measured at amortised cost comprised:

- Fixed Term Investments
- Cash in hand including Imprest accounts
- Bank current and deposit accounts.
- Trade receivables for goods and services delivered

## 9. Note to the Expenditure and Funding Analysis

2017/18 Restated Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Category Transfer	Adjustments for Capital Purposes	Net Change for Pensions Adjustment	Other Differences	Total Adjustment
	£'000	£'000	£'000	£'000	£'000
Learning and Skills	(4,137)	(1,325)	79	(97)	(5,480)
Social Services	(2,017)	(13)	14	(2)	(2,018)
Visible and Housing Services	(2,444)	(1,040)	127	10	(3,347)
Housing Revenue Account (HRA)	(3,021)	(2,350)	175	0	(5,196)
Managing Director and Resources	(6,585)	6,435	7,125	58	7,033
<b>Net Cost of Services</b>	<b>(18,204)</b>	<b>1,707</b>	<b>7,520</b>	<b>(31)</b>	<b>(9,008)</b>
Other Income and Expenditure	18,204	(25,311)	0	0	(7,107)
Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure statement surplus or deficit	<b>0</b>	<b>(23,604)</b>	<b>7,520</b>	<b>(31)</b>	<b>(16,115)</b>

The detail of the above restatement is set out in Note 7 Prior Period Adjustment.

2018/19 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Category Transfer	Adjustments for Capital Purposes	Net Change for Pensions Adjustment	Other Differences	Total Adjustment
	£'000	£'000	£'000	£'000	£'000
Learning and Skills	(3,307)	(2,535)	2,221	(262)	(3,883)
Social Services	(2,051)	(653)	1,115	2	(1,587)
Visible and Housing Services	(3,411)	(1,509)	846	(10)	(4,084)
Housing Revenue Account (HRA)	(3,004)	(345)	313	0	(3,036)
Managing Director and Resources	(6,412)	10,301	9,344	60	13,293
<b>Net Cost of Services</b>	<b>(18,185)</b>	<b>5,259</b>	<b>13,839</b>	<b>(210)</b>	<b>703</b>
Other Income and Expenditure	18,185	(30,673)	0	0	(12,488)
Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure statement surplus or deficit	<b>0</b>	<b>(25,414)</b>	<b>13,839</b>	<b>(210)</b>	<b>(11,785)</b>

Note (i) Adjustments for Capital Purposes

- Depreciation/impairment and revaluation gains and losses are added in.
- Adjustment for disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Statutory Capital Financing charges are deducted (Minimum Revenue Provision).
- Capital Grants and Donations are adjusted for.

Note (ii) Net Change for the Pensions Adjustments

This adjustment relates to the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income which means:

- The replacement of the employer pension contributions with current service costs and past service costs.
- The net interest on the defined benefit liability is charged to the Other Income and Expenditure line.

Note (iii) Other Differences

- Adjustments are made for accumulated absences.

## 10. Expenditure and Funding Analysis by Nature

<b>31 March 2018 Restated £'000</b>		<b>31 March 2019 £'000</b>
143,261	Employee Expenses	149,147
9,748	Employee Expenses (Aided Schools)	9,964
154,781	Other Service Expenses	158,329
21,434	Depreciation, Amortisation and Impairment	20,743
57	Soft Loan	59
7,405	Interest Payments	7,300
21,188	Precepts & Levies	22,455
0	Loss on Disposal of Non-Current Assets	0
5,025	Interest on net defined benefit liability/ (asset)	5,419
0	Deficit on trading not included in net cost of service	0
<b>362,899</b>	<b>Total Expenditure</b>	<b>373,416</b>
(46,337)	Fees Charges & Other Service Income	(43,603)
(236)	Interest and Investment Income	(594)
(73,373)	Income from Council Tax	(78,020)
(257,291)	Government Grants and Contributions	(266,200)
(23)	Surplus on trading not included in net cost of service	(41)
(3,578)	Gains Disposal of Non-Current Assets	(1,087)
<b>(380,838)</b>	<b>Total Income</b>	<b>(389,545)</b>
<b>(17,939)</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(16,129)</b>

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

Adjustments between Accounting Basis and Funding Basis under Regulations 2017/18	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapp	Mvmt in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments to Revenue Resources</b>					
<b>Amounts by which the income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	20,074	454	0	0	(20,528)
Employers pension contributions and direct payments to pensions payable in the year	(12,726)	(280)	0	0	13,006
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	57	0	0	0	(57)
Holiday pay (transfers to the Accumulated Absences Reserve)	(89)	0	0	0	89
Charges for Depreciation/Impairment of non-current assets	10,743	5,845	0	0	(16,588)
Revaluation (surplus)/deficit on Property Plant and Equipment	(970)	532	0	0	438
Amortisation of intangible assets	172	0	0	0	(172)
Amounts of non-current assets written off on disposal to CIES	161	317	0	0	(478)
Revenue Expenditure funded from capital under statute	5,167	0	0	0	(5,167)
<b>Total Adjustments to Revenue Resources</b>	<b>22,589</b>	<b>6,868</b>	<b>0</b>	<b>0</b>	<b>(29,457)</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,490)	(3,201)	4,691	0	0
Administrative costs of the non-current asset disposals (funded by Capital Receipts Reserve)	520	114	(634)	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(4,816)	(1,506)	0	0	6,322
Capital Expenditure financed from revenue balances (transferred to the Capital Adjustment Acc.)	(6,240)	(7,218)	0	0	13,458
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(12,026)</b>	<b>(11,811)</b>	<b>4,057</b>	<b>0</b>	<b>19,780</b>
<b>Adjustments to Capital Resources</b>					
Use of Capital Receipts Reserve to finance capital expenditure	0	0	(2,591)	0	2,591
Application of capital grants to finance capital expenditure	(18,936)	(2,799)	0	1,114	20,621
Cash payments in relation to deferred capital receipts	0	0	10	0	(10)
<b>Total Adjustments to Capital Resources</b>	<b>(18,936)</b>	<b>(2,799)</b>	<b>(2,581)</b>	<b>1,114</b>	<b>23,202</b>
<b>Total Adjustments</b>	<b>(8,373)</b>	<b>(7,742)</b>	<b>1,476</b>	<b>1,114</b>	<b>13,525</b>

Adjustments between Accounting Basis and Funding Basis under Regulations 2018/19	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapp	Mvmt in Unusable Reserves
<b>Adjustments to Revenue Resources</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Amounts by which the income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	26,618	586	0	0	(27,204)
Employers pension contributions and direct payments to pensions payable in the year	(13,091)	(273)	0	0	13,364
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	59	0	0	0	(59)
Holiday pay (transfers to the Accumulated Absences Reserve)	(269)	0	0	0	269
Charges for depreciation/impairment of non-current assets	11,007	6,578	0	0	(17,585)
Revaluation (surplus)/deficit on Property Plant and Equipment	(890)	5	0	0	885
Amortisation of intangible assets	236	0	0	0	(236)
Amounts of non-current assets written off on disposal to CIES	5,292	718	0	0	(6,010)
Revenue Expenditure funded from capital under statute	4,276	66	0	0	(4,342)
<b>Total Adjustments to Revenue Resources</b>	<b>33,238</b>	<b>7,680</b>	<b>0</b>	<b>0</b>	<b>(40,918)</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(5,492)	(1,688)	7,180	0	0
Administrative costs of the non-current asset disposals (funded by Capital Receipts Reserve)	84	0	0	0	(84)
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(3,475)	(1,517)	0	0	4,992
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) Glamorgan Archives Joint Committee Notional Debt	(535)	0	0	0	535
Capital Expenditure financed from revenue balances (transferred to the Capital Adjustment Acc.)	(5,016)	(5,478)	0	0	10,494
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(14,434)</b>	<b>(8,683)</b>	<b>7,180</b>	<b>0</b>	<b>15,937</b>
<b>Adjustments to Capital Resources</b>					
Use of Capital Receipts Reserve to finance capital expenditure	0	0	(3,355)	0	3,355
Application of capital grants to finance capital expenditure	(26,325)	(3,260)	0	4,345	25,240
Cash payments in relation to deferred capital receipts	0	0	0	0	0
<b>Total Adjustments to Capital Resources</b>	<b>(26,325)</b>	<b>(3,260)</b>	<b>(3,355)</b>	<b>4,345</b>	<b>28,595</b>
<b>Total Adjustments</b>	<b>(7,521)</b>	<b>(4,263)</b>	<b>3,825</b>	<b>4,345</b>	<b>3,614</b>

## 12. Transfers To/From Earmarked Reserves

This sets out the amounts set aside from the Council Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Council Fund and HRA expenditure in 2018/19.

	31 March 2017	Tfr In	Tfr Out	31 March 2018	Tfr In	Tfr Out	31 March 2019
<b>Council Fund</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>School Reserves</b> - Under Local Government Management of Schools, schools are able to carry forward surpluses and deficits. These are ringfenced for schools.	2,322	997	696	2,623	884	722	2,785
<b>Capital Reserves</b>							
<b>ICT Renewal</b> - This is a fund set aside to meet ICT renewals required by the Authority.	4,163	826	1,037	3,952	67	573	3,446
<b>School Investment Strategy</b> - The fund is available in respect of improvements to Schools as part of the 21 <sup>st</sup> Century schools capital programme.	9,734	2,069	432	11,371	81	2,415	9,037
<b>WG Additional Schools Capital Grant</b> – Funding received late in financial year carried forward for capital works in schools during 2019/20	0	0	0	0	1,765	0	1,765
<b>Disabled Facilities Grant Capital</b> – To fund additional expenditure in the Capital Programme for Disabled Facilities Grants.	450	0	450	0	0	0	0
<b>Project Fund</b> - This fund is to finance capital projects.	3,591	0	411	3,180	0	330	2,850
<b>Vehicle Repairs and Renewals</b> - For the replacement of plant and vehicles.	2,275	802	663	2,414	807	277	2,944
<b>Neighbourhood Services Reserve</b> – To fund Neighbourhood Services improvements.	7,545	2,677	3,022	7,200	1,049	3,663	4,586
<b>Waste Transfer Station</b> – Establishment of a Waste Transfer Station.	1,500	0	0	1,500	0	0	1,500
<b>Council Building Fund</b> – To maintain Council buildings.	7,309	103	830	6,582	55	1,162	5,475
<b>Social Services Buildings</b> - To fund the update of Social Services premises to meet the future demands of the Service.	500	0	0	500	0	0	500
<b>ICF Capital</b> - To fund ICF capital projects.	0	0	0	0	330	0	330
<b>Gypsy Traveller Study and Site Provision</b> Funding for Gypsy Traveller Site scheme.	1,060	0	1	1,059	0	7	1,052
<b>Jenner Park</b> – To provide funds for improvements at Jenner Park Stadium and for Colcot pitches.	335	0	335	0	0	0	0
<b>Capital Scheme Commitments</b> – Set aside to top up Barry Regeneration schemes.	34	139	81	92	0	18	74
<b>Capital Fund</b> – To fund Capital Commitments.	288	0	285	3	0	3	0
<b>Telecare</b> – Replacement fund for Telecare.	399	166	0	565	75	0	640

	31 March 2017	Tfr In	Tfr Out	31 March 2018	Tfr In	Tfr Out	31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Council Fund</b>							
<b>Capital Reserves Continued</b>							
<b>Energy Management Fund</b> – Energy management schemes initially funded from the reserve and services make repayments to the fund once savings are achieved.	292	178	152	318	162	259	221
<b>Coastal Works</b> - To fund the ongoing liabilities of coastal developments.	680	0	110	570	0	33	537
<b>City Deal</b> – To provide funds for the Cardiff Capital Region City Deal.	1,250	648	0	1,898	0	0	1,898
<b>Revenue Reserves</b>							
<b>Events</b> - To provide funds to promote events in the Vale of Glamorgan.	368	200	228	340	200	137	403
<b>Early Retirement and Redundancy Fund</b> - This is set aside to meet future costs of the early retirement and redundancy scheme.	973	0	0	973	0	0	973
<b>Corporate Governance</b> - This reserve has been set aside in respect of the Modernising Local Government Agenda.	338	0	0	338	0	0	338
<b>Election Expenses</b> –Set aside for Council Elections.	368	49	201	216	158	4	370
<b>Library</b> - To provide funds to implement the Libraries Review and other costs.	303	0	152	151	0	0	151
<b>Catering</b> - To provide funds to make improvements to the Catering function.	254	0	67	187	0	0	187
<b>Grant Exit Strategy</b> – To pay potential redundancy costs if Welsh Government grants are discontinued and costs cannot be grant funded.	460	170	0	630	0	0	630
<b>Trainee Appointments</b> – To fund the appointment of trainees and interns to support services and the Reshaping Service Programme.	721	0	41	680	0	0	680
<b>Legal Services</b> – To provide for external and additional legal capacity required for one off schemes and major projects.	727	0	70	657	49	4	702
<b>Performance and Development</b> - To fund temporary posts, the purchase of hardware, software and equipment.	403	0	60	343	45	0	388
<b>Building Services Improvement</b> – Monies set aside for improvements to the Building Services.	304	44	99	249	55	28	276
<b>Insurance Fund</b> - This reserve covers an estimate of potential claims (those estimated to have occurred but not reported as at 31 March 2019). These would include claims for public and employers liability, motor vehicle, buildings insurance costs.	2,545	1,032	125	3,452	439	0	3,891
<b>Schools Rationalisation</b> - This reserve will meet the costs of school restructuring and reorganisation and support schools in the improvement of their teaching and learning facilities.	733	211	181	763	149	284	628
<b>Schools Placement</b> – Fund set aside to be used for any overspend in the Schools Placement budget.	200	0	200	0	0	0	0



	31 March 2017	Tfr In	Tfr Out	31 March 2018	Tfr In	Tfr Out	31 March 2019
<b>Council Fund</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>School Deferred Pensions</b> – To initially fund pension costs for schools staff which will be reimbursed by schools over a number of years.	0	252	0	252	53	39	266
<b>Regeneration Fund</b> - To fund regeneration projects.	850	60	597	313	20	28	305
<b>Reshaping Services</b> - To fund one off costs that will be incurred during the implementation of the Council's Reshaping Services Programme.	669	0	100	569	300	55	814
<b>Digital Reshaping</b> - To fund one off costs that will be incurred during the implementation of the Council's Reshaping Services Digital Programme.	0	0	0	0	225	0	225
<b>Bad Weather</b> - To fund costs due to bad weather.	431	295	302	424	0	313	111
<b>Social Services Legislative Changes</b> – To cover additional burdens on the authority due to changes in legislation.	3,476	1,355	0	4,831	1,278	0	6,109
<b>Welfare Reforms</b> - To fund pressures resulting from Welfare Reforms.	756	0	0	756	0	0	756
<b>Legal Claims</b> - Funds have been set aside to cover potential legal cases.	1,920	0	0	1,920	0	0	1,920
<b>Social Services Plan</b> - These monies support the agreed Social Services plan to achieve a balanced budget.	980	0	0	980	0	0	980
<b>Social Services Pressures</b> - To cover potential expenditure on high cost children placements.	1,913	0	0	1,913	0	0	1,913
<b>Social Services Development</b> – To cover costs of implementing service development and contingency for premises maintenance.	350	0	0	350	0	0	350
<b>Homelessness and Housing Staffing</b> – Funding for temporary housing roles.	501	85	64	522	70	0	592
<b>Regeneration and Planning</b> – Monies set aside to cover various commitments in the service.	408	473	85	796	0	42	754
<b>Private Sector Housing</b> – To cover developments within Private Sector Housing.	284	0	0	284	0	22	262
<b>Building Stronger Communities</b> –Promotes initiatives consistent with the Council's vision of "Strong communities with a bright future".	126	106	0	232	105	0	337
<b>Regulatory Services</b> - For Regulatory Services issues and to be used for any future issues arising from the shared services collaboration.	282	0	0	282	0	0	282
<b>Other</b> - Various amounts set aside for education, planning, housing and community service issues.	1,616	237	335	1,518	335	292	1,561
<b>Joint Committees</b> - This is the Council's proportion of reserves held by the Joint Committees, the use of which, is agreed by the Joint Committee.	408	39	119	328	439	36	731
<b>Total</b>	<b>67,394</b>	<b>13,213</b>	<b>11,531</b>	<b>69,076</b>	<b>9,195</b>	<b>10,746</b>	<b>67,525</b>

	31 March 2017	Tfr In	Tfr Out	31 March 2018	Tfr In	Tfr Out	31 March 2019
<b>Housing Revenue Account (HRA)</b>							
<b>Housing Revenue Account -</b> The Authority maintains a Housing Revenue Account. This reserve is ringfenced by statute for use by the HRA.	958	0	183	775	1,893	0	2,668
<b>Total HRA</b>	<b>958</b>	<b>0</b>	<b>183</b>	<b>775</b>	<b>1,893</b>	<b>0</b>	<b>2,668</b>

### 13. Other Operating Expenditure

2017/18		2018/19
£'000		£'000
2,514	Town and Community Council Precepts	2,667
12,641	South Wales Police Authority	13,688
5,939	South Wales Fire Authority	6,006
94	Other Levies and Contributions	95
(3,578)	(Gains)/losses on the disposal of non-current assets	(1,088)
<b>17,610</b>	<b>Total Other Operating Expenditure</b>	<b>21,368</b>

### 14. Financing and Investment Income and Expenditure

2017/18		2018/19
£'000		£'000
7,405	Interest payable and similar charges	7,300
5,025	Interest on net defined benefit liability/ (asset)	5,419
(236)	Interest receivable and similar income	(594)
(23)	Other income	(41)
<b>12,171</b>	<b>Total Financing and Investment Income and Expt.</b>	<b>12,084</b>

### 15. Taxation and Non Specific Grant Income

2017/18 Restated			2018/19
£'000		Notes	£'000
(73,373)	Council Tax income	17	(78,020)
(40,976)	Non domestic rates	18	(40,744)
(108,577)	Revenue Support grants		(111,736)
(21,735)	Capital grants and contributions		(29,585)
<b>(244,661)</b>	<b>Total Taxation and Non Specific Grant Income</b>		<b>(260,085)</b>

This note has been restated to reflect the presentation of Council Tax income net of the expenditure associated with the Council Tax Reduction Scheme (£9.3M in 2017/18) in accordance with guidance from WAO.

## 16. Revenue Support Grant

The amount of Revenue Support Grant recorded as income is based on actuals received from Welsh Government in line with the figures provided as part of the final settlement which it received from Welsh Government in December 2017.

## 17. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for The Vale of Glamorgan Council and the Police and Crime Commissioner for South Wales (£13.688M) and Town and Community Councils (£2.667M) for the forthcoming year and dividing this amount by the council tax base. The Council Tax base is the number of properties in each band adjusted by a proportion to convert the number to a band D equivalent, totalled across all bands for 2018/19.

This basic amount for a band D property (£1,186.92 in 2018/19) is multiplied by the proportion specified for the particular band to give the individual amount due.

Council Tax bills were based on the following proportions for Bands A to I:

Council Tax Band	Proportion	No. of Properties
Band A	0.67	1,362
Band B	0.78	6,183
Band C	0.89	13,521
Band D	1.00	11,106
Band E	1.22	10,050
Band F	1.44	7,053
Band G	1.67	5,501
Band H	2.00	2,191
Band I	2.33	1,022
		<b>57,989</b>

Council Tax collectable in 2018/19 can be calculated as:

	2017/18	2018/19
	£'000	£'000
Council Tax Collectable	82,704	87,769
Council Tax Reduction Scheme	(9,342)	(9,631)
Provision for non payment of Council Tax	11	(118)
<b>Amount Due From Taxpayers Before Rebates</b>	<b>73,373</b>	<b>78,020</b>

Allocated to:		
South Wales Police Precept	12,641	13,688
Vale of Glamorgan County Council	67,560	71,296
Council Tax Reduction Scheme	-9,342	-9,631
Town and Community Councils Precepts	2,514	2,667
<b>Total</b>	<b>73,373</b>	<b>78,020</b>

## 18. National Non-Domestic Rates

The National Non Domestic Rate Contributions (NNDR) is accounted for on a cash basis. NNDR is organised on a national basis. The Government specifies an amount (49.9p in 2017/18 and 51.4p in 2018/19); local businesses pay rates calculated by multiplying their rateable value by that amount.

The Council collects rates due from the ratepayers in its area but pays the proceeds into an NNDR pool administered by the Welsh Government. The sums paid into the pool are redistributed back to local authorities' Council Funds on the basis of a fixed amount per head of population. We received £40,744K in 2018/19 (£40,976K in 2017/18).

The NNDR income raised, after reliefs etc. was £33,674,549 for 2018/19 (£30,071,028 in 2017/18) and was based on Year end rateable value for both 2018/19 at 31/03/19 being £83,165,053 and 2017/18 at 31/03/18 being £83,261,831.

## 19. Property, Plant and Equipment

<b>Movement on Balance in 2017/18</b>	<b>Council Dwellings</b>	<b>Land &amp; Buildings</b>	<b>Vehicle Plant &amp; Equipment</b>	<b>Infrastructure</b>	<b>Community Asset</b>	<b>Assets under Construction</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation as at 1 April 2017</b>	<b>167,746</b>	<b>338,427</b>	<b>20,117</b>	<b>110,704</b>	<b>3,860</b>	<b>19,563</b>	<b>4,020</b>	<b>664,437</b>
Additions	14,139	8,162	2,424	10,758	0	2,727	0	38,210
Additions Joint Committee	0	0	5	0	0	1,672	0	1,677
Derecognition of accumulated depreciation & impairment to GCA	0	(529)	(17)	0	0	0	0	(546)
Revaluation (decreases) recognised in Revaluation Reserve	(97)	(1,300)	0	0	0	0	0	(1,397)
Revaluation increase recognised in surplus/deficit on the Provision of Services	(532)	895	0	0	0	0	150	513
Disposals	(320)	(123)	(5,534)	0	0	0	0	(5,977)
Transfers between asset classes	99	19,571	0	246	0	(19,496)	(420)	0
Assets reclassified (to) held for sale	0	0	0	0	0	0	(1,150)	(1,150)
<b>Cost or Valuation as at 31 March 2018</b>	<b>181,035</b>	<b>365,103</b>	<b>16,995</b>	<b>121,708</b>	<b>3,860</b>	<b>4,466</b>	<b>2,600</b>	<b>695,767</b>
<b>Accumulated depreciation and impairment as at 1 April 2017</b>	<b>0</b>	<b>(9,791)</b>	<b>(15,170)</b>	<b>(24,671)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(49,632)</b>
Depreciation charge	(1,351)	(4,729)	(1,488)	(2,672)	0	0	(5)	(10,245)
Derecognition of accumulated depreciation to GCA	0	529	17	0	0	0	0	546
Impairment Losses recognised in the Revaluation Reserve	(9,089)	(477)	0	0	0	0	0	(9,566)
Impairment Losses recognised in the surplus/deficit on the Provision of Services	(4,490)	(1,855)	0	0	0	0	0	(6,345)
Transfers between asset classes	0	(5)	0	0	0	0	5	0
Disposals	3	17	5,502	0	0	0	0	5,522
<b>Accumulated Depreciation and Impairment as at 31 March 2018</b>	<b>(14,927)</b>	<b>(16,311)</b>	<b>(11,139)</b>	<b>(27,343)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(69,720)</b>
<b>Net Book Value 2017/18</b>								
	<b>Council Dwellings</b>	<b>Land &amp; Buildings</b>	<b>Vehicle Plant &amp; Equipment</b>	<b>Infrastructure</b>	<b>Community Asset</b>	<b>Assets under Construction</b>	<b>Surplus Assets</b>	<b>Total</b>
At 31 March 2017	167,746	328,636	4,947	86,033	3,860	19,563	4,020	614,805
At 31 March 2018	166,108	348,792	5,856	94,365	3,860	4,466	2,600	626,047

<b>Movement on Balance in 2018/19</b>	<b>Council Dwellings</b>	<b>Land &amp; Buildings</b>	<b>Vehicle Plant &amp; Equipment</b>	<b>Infrastructure</b>	<b>Community Asset</b>	<b>Assets under Construction</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation as at 1 April 2018</b>	<b>181,035</b>	<b>365,103</b>	<b>16,995</b>	<b>121,708</b>	<b>3,860</b>	<b>4,466</b>	<b>2,600</b>	<b>695,767</b>
Additions	9,987	6,061	1,202	4,965	0	16,696	0	38,911
Joint Committee Additions	0	28	0	0	0	1,314	0	1,342
Derecognition of accumulated depreciation & impairment to GCA	0	(13,105)	0	0	0		0	(13,105)
Revaluation increase recognised in Revaluation Reserve	0	6,591	0	0	0	0	0	6,591
Revaluation increase recognised in surplus/deficit on the Provision of Services	0	885	0	0	0	0	0	885
Disposals	(794)	(275)	(806)	0	0	0	0	(1,875)
Transfers between asset classes	0	104	0	0	0	(104)	0	0
Assets reclassified (to) held for sale	0	3,028	0	0	0	0	0	3,028
<b>Cost or Valuation as at 31 March 2019</b>	<b>190,228</b>	<b>368,420</b>	<b>17,391</b>	<b>126,673</b>	<b>3,860</b>	<b>22,372</b>	<b>2,600</b>	<b>731,544</b>
<b>Accumulated depreciation and impairment as at 1 April 2018</b>	<b>(14,927)</b>	<b>(16,311)</b>	<b>(11,139)</b>	<b>(27,343)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(69,720)</b>
Depreciation charge	(1,326)	(5,950)	(1,414)	(2,947)	0	0	0	(11,637)
Derecognition of accumulated depreciation to GCA	0	13,105	0	0	0	0	0	13,105
Impairment Losses recognised in the Revaluation Reserve	(4,743)	(83)	0	0	0	0	0	(4,826)
Impairment Losses recognised in the surplus/deficit on the Provision of Services	(5,245)	(705)	0	0	0	0	0	(5,950)
Transfers between asset classes	0	33	0	0	0	0	0	33
Disposals	76	82	790	0	0	0	0	948
<b>Accumulated Depreciation and Impairment as at 31 March 2019</b>	<b>(26,165)</b>	<b>(9,829)</b>	<b>(11,763)</b>	<b>(30,290)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(78,047)</b>

<b>Net Book Value 2018/19</b>	<b>Council Dwellings</b>	<b>Land &amp; Buildings</b>	<b>Vehicle Plant &amp; Equipment</b>	<b>Infrastructure</b>	<b>Community Asset</b>	<b>Assets under Construction</b>	<b>Surplus Assets</b>	<b>Total</b>
At 31 March 2018	166,108	348,792	5,856	94,365	3,860	4,466	2,600	626,047
At 31 March 2019	164,063	358,591	5,628	96,383	3,860	22,372	2,600	653,497

### Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Indicative asset lives are as follows:

- Council Dwellings - 100 years
- Other Land and Buildings - 3 years to 125 years
- Vehicles, Plant and Equipment - 3 years to 18 years
- Infrastructure - 40 years

### Capital Commitments

At 31 March 2019, the Authority has entered into a number of contracts for the construction, or enhancement of property, plant and equipment which will continue into 2019/20 and future years. Similar commitments at the 31<sup>st</sup> March 2018 were £15.895M. The major commitments are listed below;

<b>Scheme</b>	<b>£'000</b>
21 <sup>st</sup> Century Schools Band B	10,425
Housing New Builds	4,901
Waste Schemes	3,075
A4226 Five Mile Lane	2,125
Housing Internal and External Works	921
St Joseph's Nursery and EIB	787
Refurbishment of Leisure Centres	606
Wick Primary Nursery	523
Cemetery Approach	308
Other School Schemes	305
North Penarth Open Space	227
Vehicles	204
Energy Improvements	100
Flooding Schemes	100
Disabled Adaption to Public Conveniences	79
<b>Total</b>	<b>24,686</b>

### Costs of Disposal

Costs of disposing of assets will be set against the capital receipt where it does not exceed 4% of the capital receipt value, or projected capital receipt value where the receipt has not yet been realised.

During the 2018/19 financial year costs were set against capital receipts for the following disposal and demolition of assets:

<b>Asset Name</b>	<b>18/19</b>
	<b>£'000</b>
Former St Cyres School Site Marketing and Disposal Costs	27
Demolition Costs	57
	<b>84</b>

### Revaluations

The Council Dwellings and Other Land and Buildings etc. are revalued on a rolling 5 year programme normally by a MRICS external valuer. In accordance with this programme, the Schools and Social Services Assets were revalued during 2018/19 by Avison Young with the remainder of the Other Land and Buildings portfolio to be revalued during 2019/20, as they were revalued by a FRICS valuer working for GVA Grimley Limited during 2014/15. The Council Dwellings were revalued during 2016/17 (next review 2021/22) by Bruton Knowles using the Beacon valuation approach as part of the rolling 5 year programme.

Assets transferred from Assets Under Construction were revalued in year. In addition those assets classified as Surplus assets were revalued in accordance with the requirements of IFRS13 during 2018/19.

A desktop review of the valuation of the Authority's Operational assets was undertaken as at 31 March 2019 by a RICS valuer working for Avison Young and considered that the value of these assets had not materially changed during 2018/19. A desktop review of the Council dwellings was also undertaken as at 31<sup>st</sup> March 2019 by a RICS valuer working for Bruton Knowles, again these assets had not materially changed during the year.

### Impairment

The Council asked key staff to identify any assets that need to be reviewed for impairment, and no assets were identified as part of this process.

When capital expenditure is complete, a review is carried out by a RICS valuer working for Avison Young to determine how much of this expenditure results in either an increase in asset value or an impairment.

### Retentions

As at the 31 March 2019 £1,062k (£1,208k as at 31 March 2018) has been deducted from payments to contractors to protect the Authority from situations such as the contractor going bankrupt during the defects liability period. Normally a proportion of the retention is paid on practical completion; the balance following the defects liability period stipulated in the contract, subject to any defects being made good.

### Heritage Assets

The Authority has reviewed its assets and given consideration to the presentation of those assets that would have a heritage connection. The Council considers that it does not hold any material distinct assets that could be classed as heritage assets.



In addition the Authority holds a number of items that can be grouped under the heading 'civic regalia'; which are used on ceremonial occasions during the Council's year. There is no known value for 'civic regalia' as at 31 March 2019 (although it is unlikely to be significant). It was felt that any external valuation costs of 'civic regalia' would not be cost effective compared to the benefits to the users of the Authority's financial statement. Taking account of this 'civic regalia' has not been recognised as a Heritage Asset in the Balance Sheet.

## 20. Fair Value Hierarchy – Surplus Assets

As at 31 <sup>st</sup> March 2018				
Fair Value Measurements Surplus Assets	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£'000	£'000	£'000	£'000
<b>Total</b>	0	2,600	0	2,600

As at 31 <sup>st</sup> March 2019				
Fair Value Measurements Surplus Assets	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£'000	£'000	£'000	£'000
<b>Total</b>	0	2,600	0	2,600

### Transfers between levels of the Fair Value Hierarchy

There were no movements in the valuation hierarchy during 2018/19.

### Valuation Techniques used to Determine Level 2 and 3 Fair Values

The Valuation of Surplus Assets was carried out by a RICS qualified external valuer, Avison Young. The Valuation techniques considered comparable resale and new build properties in the area. The Valuer considered Leisure/Retail, Commercial and Residential possibilities in addition to planning considerations.

## 21. Assets Held for Sale

	Current	Non Current
--	---------	-------------

	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£'000	£'000	£'000	£'000
<b>Balance outstanding at start of year</b>	<b>7,257</b>	<b>8,310</b>	<b>0</b>	<b>0</b>
Assets newly classified as held for sale	1,150	43	0	0
Revaluation losses	(75)	0	0	0
Reclassified as Operational Assets	0	(3,102)	0	0
Disposal	(22)	(5,083)	0	0
<b>Balance outstanding at year end</b>	<b>8,310</b>	<b>168</b>	<b>0</b>	<b>0</b>

## 22. Capital Expenditure and Capital Financing

	2017/18	2018/19
	£'000	£'000
<b>Opening Capital Financing Requirement</b>	<b>195,111</b>	<b>197,936</b>
<b>Plus: Capital Investment</b>		
Council Dwellings	14,139	9,987
Other Land and Buildings	8,162	6,089
Vehicle, Plant and Equipment	2,424	1,164
Infrastructure	10,758	4,965
Assets Under Construction	2,727	16,696
Disposal and Demolition Costs	634	84
Intangible Assets	350	56
Revenue Expenditure Funded from Capital under Statute	5,167	4,342
<b>Less: Sources of Finance</b>		
Capital Receipts	(3,225)	(3,355)
Government Grants and Other Contributions	(18,569)	(24,196)
<b>Less: Sums set aside from revenue</b>		
Direct Revenue Contributions	(13,453)	(10,429)
Minimum Revenue Provision( inc. Voluntary)	(6,289)	(4,992)
<b>Closing Capital Financing Requirement</b>	<b>197,936</b>	<b>198,347</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrow (unsupported by Government Financial Assistance)	2,825	411
<b>Increase /(Decrease) in Capital Financing Requirement</b>	<b>2,825</b>	<b>411</b>

The Minimum Revenue Provision (MRP) shown above excludes the writing off of the Council's share of Glamorgan Archives Joint Committee £534k.

The Capital Investment figures and Direct Revenue Contributions shown above exclude Vehicles and Equipment of £38k held in the Shared Regulatory Joint Committee.

The Capital Investment figures exclude £1,314k Assets under Construction included in the City Deal Joint Committee accounts and Government Grants and Other Contributions of (£1,110k).

### 23. Intangible Assets

The Authority accounts for its software as intangible assets. Software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are 5 years. The carrying amount of intangible assets is amortised on a straight-line basis. Amortisation of £236k was charged to revenue in 2018/19.

The movement on Intangible Asset balances during the year is as follows

	Purchased Assets	Purchased Assets
	2017/18	2018/19
Balance at start of year	£'000	£'000
Gross carrying amounts	2,513	2,603
Accumulated Amortisation	(1,903)	(1,815)
<b>Net carrying amount at start of year</b>	<b>610</b>	<b>788</b>
Additions	350	56
Amortisation	(172)	(236)
Other Disposals	(260)	0
Amortisation written off on disposal	260	0
<b>Net carrying amount at end of year</b>	<b>788</b>	<b>608</b>

<b>Comprising</b>		
Gross carrying amounts	2,603	2,659
Accumulated Amortisation	(1,815)	(2,051)
<b>Net carrying amount at end of year</b>	<b>788</b>	<b>608</b>

## 24. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet;

	Long Term		Short Term	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£'000	£'000	£'000	£'000
<b>Financial Assets at Amortised Cost</b>				
Investments	2	2	66,313	81,321
Debtors	607	236	34,009	27,581
Cash and Cash Equivalents	0	0	6,159	12,048
<b>Total Financial Assets</b>	<b>609</b>	<b>238</b>	<b>106,481</b>	<b>120,950</b>
<b>Financial Liabilities at Amortised cost</b>				
Borrowings	154,716	153,506	2,243	2,569
Creditors	5,297	6,617	32,950	34,109
<b>Total Financial Liabilities</b>	<b>160,013</b>	<b>160,123</b>	<b>35,193</b>	<b>36,678</b>

- The above short term debtors balance at 31<sup>st</sup> March 2019 excludes £5.472M of non contractual balances that do not meet the definition of financial assets at amortised cost.
- The above short term creditors balance at 31<sup>st</sup> March 2019 excludes £0.996M of non contractual balances that do not meet the definition of financial liabilities at amortised cost.

Financial Liabilities at Amortised Cost (Borrowing) Reconciliation	PWLB	Market Loans	Other	Total
	£'000	£'000	£'000	£'000
Principal Amount	146,445	8,600	100	155,145
Accruals	1,217	17	0	1,234
Other Accounting Adjustments	0	(304)	0	(304)
<b>Total Borrowing measured at Amortised Cost</b>	<b>147,662</b>	<b>8,313</b>	<b>100</b>	<b>156,075</b>
Short Term Borrowing	2,452	17	100	2,569
Long Term Borrowing	145,210	8,296	0	153,506
<b>Financial Liabilities at Amortised Cost</b>	<b>147,662</b>	<b>8,313</b>	<b>100</b>	<b>156,075</b>

Income, Expense, Gains and Losses

2017/18		2018/19			
Total		Financial Liabilities measured at Amortised cost	Financial Assets: Amortised Cost	Financial Assets: Fair Value through Profit and Loss	Total
		£'000	£'000	£'000	£'000
(7,405)	Interest Expense	(7,300)	0	0	(7,300)
<b>(7,405)</b>	<b>Total Expense in Deficit on the Provision of Services</b>	<b>(7,300)</b>	<b>0</b>	<b>0</b>	<b>(7,300)</b>
236	Interest Income	0	594	0	594
<b>236</b>	<b>Total Income in Deficit on the Provision of Services</b>	<b>0</b>	<b>594</b>	<b>0</b>	<b>594</b>
<b>(7,169)</b>	<b>Net gains/losses from financial instruments</b>	<b>(7,300)</b>	<b>594</b>	<b>0</b>	<b>(6,706)</b>

Fair Value of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost.

The fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated interest rates at 31 March 2019 are the PWLB / market set of rates in force on that date;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to be approximate to fair value;
- The fair value of trade and other receivables is taken to be invoiced or billed amount.

Short Term Debtors and Creditors are carried at cost as this is a fair approximation of their value. The fair values calculated are as follows:

	Loan Principal 31 March 2018	Carrying Amount 31 March 2018	Fair Value 31 March 2018	Loan Principal 31 March 2019	Carrying Amount 31 March 2019	Fair Value 31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Liabilities	155,365	156,959	203,628	155,145	156,075	201,740

The fair values as at 31 March 2018 and 2019 do not include Joint Committee Liabilities.

The fair value is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount that the Authority would have to pay if the lender requested or agreed to early repayment of the loans.

#### Fair Value Hierarchy for Financial Instruments that are not measured at Fair Value

As at 31 <sup>st</sup> March 2018				
Recurring Fair Value Measurements using;	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£'000	£'000	£'000	£'000
Financial Liabilities	0	203,628	0	203,628
Loans and Borrowings	0	0	0	0
Long Term Creditors	0	0	0	0
Total	0	203,628	0	203,628

As at 31 <sup>st</sup> March 2019				
Recurring Fair Value Measurements using;	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£'000	£'000	£'000	£'000
Financial Liabilities	0	201,740	0	201,740
Loans and Borrowings	0	0	0	0
Long Term Creditors	0	0	0	0
Total	0	201,740	0	201,740

#### Valuation Techniques used to Determine Level 2 and 3 Fair Values

Level 2 valuations for Market Loans including LOBOs have been calculated by Link Asset Management Limited and incorporate PWLB rates and discussions with possible new market participants for Local Authority borrowing. The Level 2

valuations for PWLB have also been calculated by Link Asset Management Limited utilising data available on the Debt Management Office website.

## 25. Debtors

	31 March 2018	31 March 2019
	£'000	£'000
Central government bodies	18,914	13,800
Other local authorities	6,396	10,900
NHS bodies	3,371	3,994
Public corporations and trading funds	10	6
Other entities and individuals	10,487	9,673
<b>Gross Total</b>	<b>39,178</b>	<b>38,373</b>
Less: Provision for Bad Debts	(5,169)	(5,320)
<b>Total</b>	<b>34,009</b>	<b>33,053</b>

## 26. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2018		31 March 2019
£'000		£'000
33	Cash held by the Authority	26
3,368	Cash at Bank	1,288
1,758	Joint Committee Cash	2,634
1,000	Short-term Investment	8,100
<b>6,159</b>	<b>Total Cash and Cash Equivalents</b>	<b>12,048</b>

## 27. Creditors

	31 March 2018	31 March 2019
	£'000	£'000
Central government bodies	4,086	4,751
Other local authorities	8,990	11,619
NHS bodies	240	178
Public corporations and trading funds	122	126
Other entities and individuals	19,512	18,431
<b>Total</b>	<b>32,950</b>	<b>35,105</b>

## 28. Provisions

	Insurance £'000	MMI £'000	Equal Pay £'000	Other £'000	Total £'000
<b>Balance at 1 April 2017</b>	<b>2,462</b>	<b>175</b>	<b>123</b>	<b>190</b>	<b>2,950</b>
Additional provisions made	0	125	0	410	535
Amounts used / Transfer out	(460)	0	(60)	0	(520)
<b>Balance at 31 March 2018</b>	<b>2,002</b>	<b>300</b>	<b>63</b>	<b>600</b>	<b>2,965</b>
Additional provisions made	0	0	0	35	35
Amounts used / Transfer out	(352)	0	(63)	(222)	(637)
<b>Balance at 1 April 2019</b>	<b>1,650</b>	<b>300</b>	<b>0</b>	<b>413</b>	<b>2,363</b>

The closing provision balance of £2.363M is made up of £444k considered to be long term and £1.919M expected to fall due within 12 months.

1. Insurance - This provision covers all known claims as at 31 March 2019. These include provisions for public and employers liability, motor vehicle, buildings plus a number of risks insured internally, which cannot be covered economically by conventional external insurance. The excesses for 2018/19 are £75,000 for all claim types.
2. MMI - The Scheme administrators may well require the Authority to contribute a further levy. A total of £300k has been set aside to meet this potential liability. Further information is included within note 45 - Contingent Liability.
3. Other - Included within this figure is a sum of £128k for Housing Committed Bonds and £82k in respect of the Vale of Glamorgan Council's share of the City Deal accounts.

## 29. Other Long Term Liabilities

An analysis of Other Liabilities that will not be settled for 12 months is given in the following table:

	31 March 2018 £'000	31 March 2019 £'000
City Deal Joint Committee	1,560	2,546
Welsh Government Home Improvement Loans	1,627	1,627
Welsh Government Town Centre Improvement Loans	1,045	1,045
Long Term Receipts in Advance including commuted sums and S278 contributions	1,065	1,399
<b>Total</b>	<b>5,297</b>	<b>6,617</b>



**30. Usable Reserves**

31 March 2018		31 March 2019
£'000		£'000
9,634	Council Fund	13,636
69,076	Earmarked General Fund Reserves	67,525
775	Housing Revenue Account	2,668
11,299	Capital Receipts Reserve	15,124
1,851	Capital Grants Unapplied Account	6,196
<b>92,635</b>	<b>Total Usable Reserves</b>	<b>105,149</b>

An analysis of the Earmarked General Fund Reserves are shown in note 12.

**31. Unusable Reserves**

31 March 2018		31 March 2019
£'000		£'000
68,001	Revaluation Reserve	67,522
369,094	Capital Adjustment Account	388,582
(335)	Financial Instruments Adjustment Account	(394)
11	Deferred Capital Receipts Reserve	11
(215,523)	Pensions Reserve	(220,472)
(3,118)	Accumulated Absences Account	(2,850)
<b>218,130</b>	<b>Total Unusable Reserves</b>	<b>232,399</b>

**Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Authority arising from its Property, Plant and Equipment and Intangible Assets.

2017/18	Revaluation Reserve	2018/19
£'000		£'000
<b>79,946</b>	<b>Balance at 1 April</b>	<b>68,001</b>
(12,903)	Downward revaluation of assets and Impairment losses not charged to the Provision of Services	(6,339)
1,941	Upward revaluation of assets	8,106
(725)	Difference between fair value depreciation and historical cost depreciation	(390)
156	Amount adjusted for Correction on Joint Committee	0
(414)	Amount written off to the Capital Adjustment Account following disposal	(1,856)
<b>68,001</b>	<b>Balance at 31 March</b>	<b>67,522</b>

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

### 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. 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.

2017/18	Capital Adjustment Account	2018/19
£'000		£'000
<b>347,086</b>	<b>Balance at 1 April</b>	<b>369,094</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the CIES</b>	
(16,588)	Charges for depreciation and impairment of non current assets	(17,586)
(172)	Amortisation of intangible assets	(236)
(5,167)	Revenue expenditure funded from capital under statute	(4,342)
(478)	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(6,094)
1,421	Other (Adjusting amounts written out of the Revaluation Reserve etc.)	3,132
	<b>Capital financing applied in year:</b>	
2,591	Use of the Capital Receipts Reserve to finance new capital expenditure	3,355
2,779	Use of the Major Repairs Reserve to finance new capital expenditure	2,759
17,842	Capital grants and contributions credited to the CIES that have been applied to capital financing	26,825
0	Application of grants to capital financing from the Government Grants Unapplied Account	(4,345)
6,322	Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	5,526
13,458	Capital Expenditure charged against the Council Fund and HRA balances	10,494
<b>369,094</b>	<b>Balance at 31 March</b>	<b>388,582</b>

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account 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 benefiting from gains per statutory provisions.

2017/18	Financial Instruments Account	2018/19
£'000		£'000
<b>(278)</b>	<b>Balance at 1 April</b>	<b>(335)</b>
(57)	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(59)
<b>(335)</b>	<b>Balance at 31 March</b>	<b>(394)</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.

2017/18	The Pensions Reserve	2018/19
£'000		£'000
<b>(208,012)</b>	<b>Balance at 1 April</b>	<b>(215,523)</b>
11	Remeasurements of the net defined benefit liability	8,890
0	Adjustment against the net defined benefit liability for the McCloud Ruling	(5,291)
(20,528)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(21,912)
13,006	Employer's pension contributions and direct payments to pensioners payable in the year	13,364
<b>(215,523)</b>	<b>Balance at 31 March</b>	<b>(220,472)</b>

### Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2017/18	Deferred Capital Receipts Reserve	2018/19
£'000		£'000
<b>21</b>	<b>Balance at 1 April</b>	<b>11</b>
(10)	Transfer to the Capital Receipts Reserve upon receipt of cash	0
<b>11</b>	<b>Balance at 31 March</b>	<b>11</b>

#### Accumulated Absences Account

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

2017/18	Accumulated Absences Account	2018/19
£'000		£'000
<b>(3,207)</b>	<b>Balance at 1 April</b>	<b>(3,118)</b>
(3,118)	Amounts accrued at the end of the current year	(2,850)
3,207	Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements.	3,118
<b>(3,118)</b>	<b>Balance at 31 March</b>	<b>(2,850)</b>

### 32. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2017/18		2018/19
£'000		£'000
207	Interest Received	556
(7,228)	Interest Paid	(7,489)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2017/18		2018/19
£'000		£'000
25,714	Depreciation and Impairment	16,698
172	Amortisation	236
57	Soft Loans (non-subsidiary)	59
(1,787)	Increase / (Decrease) in creditors	(1,701)
(4,422)	(Increase) / Decrease in debtors	(2,313)

(63)	(Increase) / Decrease in inventories	(11)
7,522	Movement in pension liability	13,840
15	Contribution to / from Provisions	(661)
478	Carrying amount of non-current assets and non current assets held for sale, sold or de-recognised	6,094
<b>27,686</b>	<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements.</b>	<b>32,241</b>

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2017/18		2018/19
£'000		£'000
(4,691)	Proceeds from the sale of property, plant and equipment and intangible assets	(7,180)
(21,735)	Any other items which the cash effects are investing or financing cash flows	(29,585)
<b>(26,426)</b>	<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>	<b>(36,765)</b>

### 33. Cash Flow Statement – Investing Activities

2017/18		2018/19
£'000		£'000
(49,884)	Purchase of property, plant and equipment, investment property and intangible assets	(40,393)
4,701	Proceeds from sale of property, plant and equipment, investment property and intangible assets	7,180
28,338	Other receipts from investing activities	25,252
<b>(16,845)</b>	<b>Net cash flows from investing activities</b>	<b>(7,961)</b>

### 34. Cash Flow Statement – Financing Activities

2017/18		2018/19
£'000		£'000
0	Cash Receipts of Short and Long Term Borrowing	0
(1,811)	Repayments of Short and Long Term Borrowing	(695)
507	Other Payments for Financing Activities	2,940
<b>(1,304)</b>	<b>Net cash flows from financing activities</b>	<b>2,245</b>

### 35. Members Allowances

The Authority paid the following amounts to members of the Council during the year.

	2017/18	2018/19
	£'000	£'000
Salaries	629	637
Allowances	199	210
Expenses	5	1
<b>Total</b>	<b>833</b>	<b>848</b>

### 36. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and non-audit services provided by the Authority's external auditors.

	2017/18	2018/19
	£'000	£'000
Fees payable to the Wales Audit Office with regard to external audit services carried out by the appointed auditor.	164	164
Fees payable to the Wales Audit Office in respect of statutory inspections (Restatement)	97	97
Fees payable to Wales Audit Office for the certification of grant claims and returns	53	57
Fees payable in respect of other services provided by Wales Audit Office.	0	0
<b>Total</b>	<b>314</b>	<b>318</b>

### 37. Employees Emoluments

#### Remuneration Ratio

The remuneration ratio is arrived at by taking the median amount of remuneration for 2018/19 for all Vale of Glamorgan employees (excluding those employed by a Voluntary Aided School) as at 31<sup>st</sup> March 2019. This Median remuneration is then compared to the annualised remuneration for the Head of Paid Service in the Council which is the Managing Director. In 2018/19 the remuneration ratio is 1:6 and in 2017/18 the remuneration ratio was 1:6.

#### Officers remunerated in excess of £60,000

The Returning Officer's remuneration is not included in the table below (£4,981 in 2018/19 and £48,713 in 2017/18 including pension contributions) and has been paid in accordance with the WG Guidance on remuneration.

Senior Officers whose remuneration is included in the senior officers emoluments disclosure are also included in the bandings table. Staff employed by a voluntary aided or Roman Catholic aided schools are excluded from the remuneration bandings calculation.

The number of employees whose remuneration excluding employer's pension contributions was £60,000 or more in bands of £5,000 are shown in the following table:

Remuneration Band	2017/18 Total Number of Employees	2018/19 Number of Teaching Employees	2018/19 Number of Non Teaching Employees	2018/19 Total Number of Employees
£60,000-£64,999	17	22	0	22
£65,000-£69,999	16	13	2	15
£70,000-£74,999	12	5	3	8
£75,000-£79,999	0	4	1	5
£80,000-£84,999	7	3	0	3
£85,000-£89,999	2	0	3	3
£90,000-£94,999	3	1	1	2
£95,000-£99,999	3	2	1	3
£100,000-£104,999	0	1	1	2
£105,000-£109,999	1	0	0	0
£110,000-£114,999	1	0	0	0
£115,000-£119,999	0	1	0	1
£120,000-£124,999	0	0	0	0
£125,000-£129,999	2	1	0	1
£130,000-£134,999	0	0	1	1

The number of employees above excludes Teaching positions employed by their Governing Body.

The remuneration bands include expenses chargeable to United Kingdom income tax.

#### 2017/18 Senior Officers Emoluments

Post Holder Information	Salary	Expense Allowances	Pension Contribution	Total Remuneration
	£	£	£	£
Managing Director	129,690	0	29,958	159,648
Director of Social Services (To 31 <sup>st</sup> May 2017)	27,179	0	0	27,179

Director of Social Services (From 1 <sup>st</sup> June 2017)	74,344	0	17,173	91,517
Director of Environment and Housing Services	98,848	0	22,834	121,682
Director of Learning and Skills	89,442	0	20,661	110,103
Head of Finance	84,803	0	19,590	104,393
Head of Legal Services (Monitoring Officer)	84,803	0	19,590	104,393
Head of Human Resources	84,803	0	19,590	104,393
Head of Regeneration and Planning	71,203	0	16,448	87,651

#### 2018/19 Senior Officers Emoluments

Post Holder Information	Salary	Expense Allowances	Pension Contribution	Total Remuneration
	£	£	£	£
Managing Director	132,284	0	30,558	162,842
Director of Social Services	93,265	0	21,544	114,809
Director of Environment and Housing Services	100,825	0	23,291	124,116
Director of Learning and Skills	95,785	0	22,126	117,911
Head of Finance	86,500	0	19,981	106,481
Head of Legal Services (Monitoring Officer)	86,500	0	19,981	106,481
Head of Human Resources (to 2 <sup>nd</sup> September 2018)	36,522	0	8,437	44,959
Head of Regeneration and Planning	74,537	0	17,218	91,755
Head of Policy (from 2 <sup>nd</sup> September 2018)	44,595	0	10,301	54,896

The Head of Policy reported to the Head of Human Resources prior to 2<sup>nd</sup> September 2018 after which the post reported to the Managing Director.

The Pension Contribution shown above includes the deficit recovery element of the contributions made to Cardiff and Vale Pension Fund.

#### Exit Packages

The number of exit packages with total cost per band and total cost of the compulsory and other departures are set out in the tables below.



Teachers are included even where appointed by the Governing body, as the liability for redundancy costs is with the Authority rather than the school.

<b>2017/18</b>			
Exit Package cost band (including special payments)	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band
£			£
0-20,000	30	30	209,457
20,001-40,000	9	9	245,683
40,001-60,000	2	2	102,122
60,001-80,000	2	2	135,891
80,001-110,000	0	0	0
110,000-150,000	0	0	0
			<b>693,153</b>

<b>2018/19</b>			
Exit Package cost band (including special payments)	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band
£			£
0-20,000	51	51	303,758
20,001-40,000	13	13	378,613
40,001-60,000	0	0	0
60,001-80,000	0	0	0
80,001-110,000	0	0	0
110,000-150,000	0	0	0
			<b>682,371</b>

### 38. Grant Income

The Authority credited the following grants, contributions and donations to services.

	<b>2017/18</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
Credited to Services		
Department for Works and Pensions	38,370	38,319
Welsh Government	24,219	20,783
Youth Justice Board	162	143
Police & Crime Commissioner	57	57
Sports Wales/Disability Sports Wales	298	270
Public Health Wales	129	129
Arts Council	54	30
European Rural Development Programme	247	346

Rural Payments Agency	194	190
Social Care Wales	273	0
Education Workforce Council	208	105
Cabinet Office	257	73
Ministry of Defence	0	92
Wildlife Trust Service	0	12
Home Office	0	22
Welsh Local Government Association	0	45
Dept for Business, Energy & Industrial Strategy	0	13
Lottery	8	21
Other	22	27
<b>Total</b>	<b>64,498</b>	<b>60,677</b>

### Capital Grants Received in Advance

	2017/18	2018/19
	£'000	£'000
Section 106 agreements – unapplied	17,471	22,459
WG Capital Grants	698	698
<b>Total Capital Grants Received in Advance</b>	<b>18,169</b>	<b>23,157</b>
The amount has been apportioned as follows:		
To be applied within one year	2,752	9,592
To be applied after one year	15,417	13,565
<b>Total</b>	<b>18,169</b>	<b>23,157</b>

### 39. Joint Committees

The Council is a member of a number of Joint Committees and the unaudited accounts have been consolidated into the Council's Financial Statements on a line by line basis calculated using a reasonable apportionment methodology e.g. population, Education Indicator Based Assessment Share. The Joint Committees consolidated are;

#### 1. Shared Regulatory Service

The Shared Regulatory Service was created on 1<sup>st</sup> May 2015 to provide a range of regulatory services across Cardiff, Bridgend and the Vale of Glamorgan. The Council is the host authority for the service. The below figures have been updated to reflect the estimated increase in pension liability as a result of the McCloud judgement/

Shared Regulatory Service 2017/18	Vale of Glamorgan Council Share 2017/18	Income and Expenditure Statement	Shared Regulatory Service 2018/19	Vale of Glamorgan Council Share 2018/19

£'000	£'000		£'000	£'000
9,641	1,967	Operating Expenditure	10,047	2,099
(9,359)	(1,810)	Operating Income	(890)	(179)
<b>282</b>	<b>157</b>	<b>Net Cost of Services</b>	<b>9,157</b>	<b>1,920</b>
270	50	Finance and Investment Income and Expenditure	(8,117)	1,745
<b>552</b>	<b>207</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>1,040</b>	<b>175</b>
(860)	(160)	Other Comprehensive Income and Expenditure	(380)	(75)
<b>(308)</b>	<b>47</b>	<b>Total Comprehensive Income &amp; Expenditure</b>	<b>660</b>	<b>100</b>

Shared Regulatory Service 2017/18	Vale of Glamorgan Council Share 2017/18	Balance Sheet	Shared Regulatory Service 2018/19	Vale of Glamorgan Council Share 2018/19
£'000	£'000		£'000	£'000
96	9	Property, Plant and Equipment	210	43
76	15	Intangible Assets	53	10
0	0	Long Term Debtors	0	0
<b>172</b>	<b>24</b>	<b>Total Long Term Assets</b>	<b>263</b>	<b>53</b>
288	8	Short Term Debtors	85	20
847	227	Cash Owed from Host Authority	1,388	281
<b>1,135</b>	<b>235</b>	<b>Current Assets</b>	<b>1,473</b>	<b>301</b>
(365)	(63)	Short Term Creditors	(538)	(76)
<b>(365)</b>	<b>(63)</b>	<b>Total Current Liabilities</b>	<b>(538)</b>	<b>(76)</b>
(10,990)	(2,132)	Long Term Pension Liability	(11,934)	(2,320)
(222)	(45)	Revenue Grants Received in Advance	(193)	(39)
<b>(11,212)</b>	<b>(2,177)</b>	<b>Total Long Term Liabilities</b>	<b>(12,127)</b>	<b>(2,359)</b>
<b>(10,270)</b>	<b>(1,981)</b>	<b>Net Assets</b>	<b>(10,929)</b>	<b>(2,081)</b>
739	164	Usable Reserves	890	215
(11,009)	(2,145)	Unusable Reserves	(11,819)	(2,296)
<b>(10,270)</b>	<b>(1,981)</b>	<b>Total Reserves</b>	<b>(10,929)</b>	<b>(2,081)</b>

## 2. Vale, Valleys & Cardiff (VVC) Adoption Collaborative Service

The VVC Adoption Services was created on 1<sup>st</sup> June 2015 to provide an adoption service across Cardiff, Rhondda Cynon Taf, Merthyr Tydfil and the Vale of Glamorgan. The Council is the host authority for the service.

Regional Adoption Service 2017/18	Vale of Glamorgan Council Share 2017/18	Income and Expenditure Statement	Regional Adoption Service 2018/19	Vale of Glamorgan Council Share 2018/19
£'000	£'000		£'000	£'000
	16.4%			16.4%
1,449	238	Operating Expenditure	1,602	263
(1,336)	(219)	Operating Income	(1,542)	(253)

<b>113</b>	<b>19</b>	<b>Net Cost of Services</b>	<b>60</b>	<b>10</b>
30	5	Finance and Investment Income and Expenditure	30	5
<b>143</b>	<b>24</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>90</b>	<b>15</b>
(90)	(15)	Other Comprehensive Income and Expenditure	(70)	(12)
<b>53</b>	<b>9</b>	<b>Total Comprehensive Income &amp; Expenditure</b>	<b>20</b>	<b>3</b>

Regional Adoption Service 2018/19	Vale of Glamorgan Council Share 2018/19	Balance Sheet	Regional Adoption Service 2018/19	Vale of Glamorgan Council Share 2018/19
£'000	£'000		£'000	£'000
	16.4%			16.4%
30	5	Short Term Debtors	157	26
<b>30</b>	<b>5</b>	<b>Current Assets</b>	<b>157</b>	<b>26</b>
(43)	(7)	Short Term Creditors	(169)	(28)
<b>(43)</b>	<b>(7)</b>	<b>Total Current Liabilities</b>	<b>(169)</b>	<b>(28)</b>
<b>(1,040)</b>	<b>(171)</b>	<b>Long Term Pension Liability</b>	<b>(1,060)</b>	<b>(174)</b>
<b>(1,053)</b>	<b>(173)</b>	<b>Net Assets</b>	<b>(1,072)</b>	<b>(176)</b>
0	0	Usable Reserves	13	2
(1,053)	(173)	Unusable Reserves	(1,085)	(178)
<b>(1,053)</b>	<b>(173)</b>	<b>Total Reserves</b>	<b>(1,072)</b>	<b>(176)</b>

### 3. Glamorgan Archives

The Glamorgan Archive Joint Committee provides a Joint Archive facility for Cardiff, Bridgend, Rhondda Cynon Taf, Merthyr Tydfil and the Vale of Glamorgan Councils.

Glamorgan Archives 2017/18	Vale of Glamorgan Council Share 2017/18	Income and Expenditure Statement	Glamorgan Archives 2018/19	Vale of Glamorgan Council Share 2018/19
	12%			12%
£'000	£'000		£'000	£'000
1,020	122	Operating Expenditure	1,089	131
(1,410)	(169)	Operating Income	(928)	(112)
<b>(390)</b>	<b>(47)</b>	<b>Net Cost of Services</b>	<b>161</b>	<b>19</b>
243	29	Finance and Investment Income and Expenditure	0	0
<b>(147)</b>	<b>(18)</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>161</b>	<b>19</b>
0	0	Other Comprehensive Income and Expenditure	0	0

<b>(147)</b>	<b>(18)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>	<b>161</b>	<b>19</b>
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Glamorgan Archives 2017/18	Vale of Glamorgan Council Share 2017/18	Balance Sheet	Glamorgan Archives 2018/19	Vale of Glamorgan Council Share 2018/19
	12%			12%
£'000	£'000		£'000	£'000
9,406	1,128	Land and Buildings	9,307	1,117
5	1	Vehicle, Plant, Furniture and Equipment	2	0
<b>9,411</b>	<b>1,129</b>	<b>Long Term Assets</b>	<b>9,309</b>	<b>1,117</b>
18	2	Inventories	17	2
55	7	Short Term Debtors	46	6
181	21	Cash and Cash Equivalents	132	16
<b>254</b>	<b>30</b>	<b>Current Assets</b>	<b>195</b>	<b>24</b>
(23)	(3)	Short Term Creditors	(22)	(3)
<b>(23)</b>	<b>(3)</b>	<b>Total Current Liabilities</b>	<b>(22)</b>	<b>(3)</b>
(4,454)	(534)	Long Term Borrowing	0	0
<b>5,188</b>	<b>622</b>	<b>Net Assets</b>	<b>9,482</b>	<b>1,138</b>
234	27	Usable Reserves	176	21
4,954	595	Unusable Reserves	9,306	1,117
<b>5,188</b>	<b>622</b>	<b>Total Reserves</b>	<b>9,482</b>	<b>1,138</b>

#### 4. Prosiect Gwyrdd

The Prosiect Gwyrdd is a Joint Working Arrangement between Cardiff, Caerphilly, Monmouthshire, Newport and the Vale of Glamorgan Councils to manage the contract with Viridor which provides a long term sustainable treatment solution to the residual waste that is remaining in each authority after recycling has been maximised.

Prosiect Gwyrdd 2017/18	Vale of Glamorgan Council Share 2017/18	Income and Expenditure Statement	Prosiect Gwyrdd 2018/19	Vale of Glamorgan Council Share 2018/19
	20%			20%
£'000	£'000		£'000	£'000
172	34	Operating Expenditure	175	35
(187)	(37)	Operating Income	(162)	(32)
<b>(15)</b>	<b>(3)</b>	<b>Net Cost of Services</b>	<b>13</b>	<b>3</b>
15	3	Transfer to Joint Committee Reserve	13	3
<b>0</b>	<b>0</b>	<b>Total</b>	<b>0</b>	<b>0</b>



Prosiect Gwyrdd 2017/18	Vale of Glamorgan Council Share 2017/18	Balance Sheet	Prosiect Gwyrdd 2018/19	Vale of Glamorgan Council Share 2018/19
	20%			20%
£'000	£'000		£'000	£'000
32	6	Short Term Debtors	108	22
314	63	Cash and Cash Equivalents	227	45
<b>346</b>	<b>69</b>	<b>Current Assets</b>	<b>335</b>	<b>67</b>
(3)	(1)	Short Term Creditors	(4)	(1)
<b>(3)</b>	<b>(1)</b>	<b>Total Current Liabilities</b>	<b>(4)</b>	<b>(1)</b>
<b>343</b>	<b>68</b>	<b>Net Assets</b>	<b>331</b>	<b>66</b>
344	68	Usable Reserves	331	66
(1)	0	Unusable Reserves	0	0
<b>343</b>	<b>68</b>	<b>Total Reserves</b>	<b>331</b>	<b>66</b>

#### 5. Central South Consortium

The Central South Consortium was created on 1<sup>st</sup> September 2012 to provide a range of School Improvement services within the local authority areas of Bridgend, Cardiff, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan. Rhondda Cynon Taf is the host authority for the service.

Central South Consortium 2017/18	Vale of Glamorgan Council Share 2017/18	Income and Expenditure Statement	Central South Consortium 2018/19	Vale of Glamorgan Council Share 2018/19
	14.67%			15.53%
£'000	£'000		£'000	£'000
84,042	12,363	Operating Expenditure	83,309	12,938
(83,720)	(12,315)	Operating Income	(82,558)	(12,821)
<b>322</b>	<b>48</b>	<b>Net Cost of Services</b>	<b>751</b>	<b>117</b>
(6)	(1)	Finance and Investment Income and Expenditure	(10)	(2)
<b>316</b>	<b>47</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>741</b>	<b>115</b>
(651)	(96)	Other Comprehensive Income and Expenditure	(1,208)	(188)
<b>(335)</b>	<b>(49)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(467)</b>	<b>(73)</b>

Central South Consortium 2017/18	Vale of Glamorgan Council Share 2017/18	Balance Sheet	Central South Consortium 2018/19	Vale of Glamorgan Council Share 2018/19
	14.67%			15.53%
£'000	£'000		£'000	£'000
737	108	Long Term Debtors	129	20
0	0	Long Term Asset - Defined Benefit Pension Asset	301	47
<b>737</b>	<b>108</b>	<b>Long Term Assets</b>	<b>430</b>	<b>67</b>
1	0	Inventories	0	0
23,328	3,432	Short Term Debtors	21,389	3,321
<b>23,329</b>	<b>3,432</b>	<b>Current Assets</b>	<b>21,389</b>	<b>3,321</b>
(23,471)	(3,453)	Short Term Creditors	(21,102)	(3,277)
<b>(23,471)</b>	<b>(3,453)</b>	<b>Total Current Liabilities</b>	<b>(21,102)</b>	<b>(3,277)</b>
<b>(142)</b>	<b>(21)</b>	<b>Net Current Assets</b>	<b>287</b>	<b>44</b>
(346)	(51)	Long Term Liability - Defined Benefit Pension Liability	0	0
<b>249</b>	<b>36</b>	<b>Net Assets/Liabilities</b>	<b>717</b>	<b>111</b>
663	97	Usable Reserves	438	68
(414)	(61)	Unusable Reserves	279	43
<b>249</b>	<b>36</b>	<b>Total Reserves</b>	<b>717</b>	<b>111</b>

## 6. City Deal.

The £1.2 billion Cardiff Capital Region City Deal has been established between the UK Government, the Welsh Government and 10 local authorities in South East Wales, including the Vale of Glamorgan Council. The Deal is expected to deliver up to 25,000 new jobs and bring in an additional £4 billion of private sector investment. The Deal will cover a 20 year period and work is currently ongoing to establish projects to be undertaken and cost implications for each authority. The capital contribution to the Joint Committee during 2018/19 was £1.043m and this was funded by the Council from internal borrowing. The CSC foundry accounts are consolidated into the City Deal accounts and this part of the Joint Committee Audit has not been completed.

City Deal 2017/18 *restated	Vale of Glamorgan Council Share 2017/18 *restated	Income and Expenditure Statement	City Deal 2018/19	Vale of Glamorgan Council Share 2018/19
	8.48%			8.48%
£'000	£'000		£'000	£'000
1,251	106	Operating Expenditure	1,340	114
(2,905)	(247)	Operating Income	(4,251)	(360)
<b>(1,654)</b>	<b>(141)</b>	<b>Net Cost of Services</b>	<b>(2,911)</b>	<b>(246)</b>
(18)	(2)	Finance and Investment Income and Expenditure	(113)	(10)
(24,188)	(2,056)	Taxation and Non Specific Grant Income	(11,757)	(997)
<b>(25,860)</b>	<b>(2,199)</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>(14,781)</b>	<b>(1,253)</b>



0	0	Other Comprehensive Income and Expenditure	0	0
<b>(25,860)</b>	<b>(2,199)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(14,781)</b>	<b>(1,253)</b>

City Deal 2017/18 *restated	Vale of Glamorgan Council Share 2017/18 *restated	Balance Sheet	City Deal 2018/19	Vale of Glamorgan Council Share 2018/19
	8.48%			8.48%
£'000	£'000		£'000	£'000
20,388	1,729	Assets Under Construction	35,224	2,986
1,976	167	Long Term Debtors	0	0
<b>22,364</b>	<b>1,896</b>	<b>Long Term Assets</b>	<b>35,224</b>	<b>2,986</b>
0	0	Financial Assets	3,000	254
1,565	133	Short Term Debtors	5,393	457
25,205	2,137	Cash and Cash Equivalents	30,350	2,572
<b>26,770</b>	<b>2,270</b>	<b>Current Assets</b>	<b>38,743</b>	<b>3,283</b>
(2,740)	(232)	Short Term Creditors	(2,041)	(173)
<b>(2,740)</b>	<b>(232)</b>	<b>Current Liabilities</b>	<b>(2,041)</b>	<b>(173)</b>
(19,954)	(1,692)	Long Term Creditors	(30,044)	(2,546)
(353)	(30)	Provisions for Liabilities	(966)	(82)
<b>(20,307)</b>	<b>(1,722)</b>	<b>Long Term Liabilities</b>	<b>(31,010)</b>	<b>(2,628)</b>
<b>26,087</b>	<b>2,212</b>	<b>Net Assets/Liabilities</b>	<b>40,916</b>	<b>3,468</b>
1,547	131	Usable Reserves	4,066	345
24,540	2,081	Unusable Reserves	36,850	3,123
<b>26,087</b>	<b>2,212</b>	<b>Total Reserves</b>	<b>40,916</b>	<b>3,468</b>

\*restatement not consolidated into Vale of Glamorgan 17/18 accounts, but adjusted as part of 18/19 accounts.

#### 40. Pooled/Joint Budgets Arrangements

The Council has entered into a number of joint and pooled budget arrangements for the following :-

##### Older People Care Accommodation Pooled Budget

Under regulation 19(1) of the Partnership Arrangements (Wales) Regulations 2015, a pooled budget arrangement has been agreed between Cardiff and Vale local authorities and the Cardiff and Vale University Health Board in relation to the provision of care home accommodation for older people. The arrangement came into effect on 1st April 2018. Cardiff Council is currently acting as host authority. The processes for commissioning and payment for services has remained unchanged and is still undertaken by the individual partner's. Each partner continues to be responsible for their own budget and expenditure.

Costs incurred by each partner are charged to the pooled budget held by Cardiff Council and these costs are then offset by contributions made by each partner into the pool. The value of the Vale's transactions into and out of the pool for 2018/19 are £9.3M.

### Joint Equipment Store (JES)

The contributors to the pool are the Vale of Glamorgan Council, Cardiff County Council and the Cardiff and Vale University Health Board. The JES is run by Cardiff County Council and provides community equipment and minor adaptations to residents of Cardiff and the Vale of Glamorgan. £191k was paid into the pool in respect of 2018/19.

### Intermediate Care Fund (ICF)

ICF grant is provided to the Cardiff and Vale University Health Board by Welsh Government. The funding allows various initiatives to be undertaken by the Cardiff and Vale University Health Board, Cardiff County Council and the Vale of Glamorgan Council. This fund is being used to build effective working practices across health, social services and housing, to take forward schemes which demonstrate an effectiveness across community and acute environments and linking out-of-hospital care and social care to strengthen the resilience of the unscheduled care system. The Vale of Glamorgan Council undertook revenue schemes to the value of £1.86M and capital schemes to the value of £1.37M during 2018/19 from this fund.

### Integrated Family Support Service (IFSS)

The service covers the Vale of Glamorgan Council and Cardiff County Council geographical area. The service is run by Cardiff County Council and provides targeted intervention to support children and families affected by parental substance misuse. The Vale of Glamorgan Council contributed £284k to the service in 2018/19.

### Coroner

There is a joint Coroner Service for Rhondda Cynon Taf, Cardiff and the Vale of Glamorgan Councils. The service is hosted by Rhondda Cynon Taf. During 2018/19 the Council made contributions of £246k to the service.

### Shared Internal Audit Service

The Council is the lead authority for a Shared Internal Audit Service covering the Vale of Glamorgan and Bridgend Councils. The total cost of the service for 2018/19 was £531k with a contribution of £291k from the Vale of Glamorgan and £240k from Bridgend. From 1<sup>st</sup> April 2019 the service has been expanded to provide internal audit services for Rhondda Cynon Taf and Merthyr Tydfil County Councils.

## Local Resilience Forum

The Authority is the lead for the Local Resilience Forum, the members of the forum are; the Local Health Board, Natural Resources Wales, Fire Service, South Wales Police and Local Authorities - Cardiff, Newport, Swansea, Bridgend, RCT and The Vale of Glamorgan.

The appropriate share of the forum's assets and liabilities have been included within these accounts. The Accounts for the Local Resilience Forum are outlined below;

Local Resilience Forum 2017/18	Vale of Glamorgan Council Share 2017/18	Income and Expenditure Statement	Local Resilience Forum 2018/19	Vale of Glamorgan Council Share 2018/19
	8%			8%
£'000	£'000		£'000	£'000
11	1	Operating Expenditure	29	2
(60)	(5)	Operating Income	(61)	(5)
<b>(49)</b>	<b>(4)</b>	<b>Net Cost of Services</b>	<b>(32)</b>	<b>(3)</b>
0	0	Finance and Investment Income & Expenditure	0	0
<b>(49)</b>	<b>(4)</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>(32)</b>	<b>(3)</b>
0	0	Other Comprehensive Income and Expenditure	0	0
<b>(49)</b>	<b>(4)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(32)</b>	<b>(3)</b>

Local Resilience Forum 2017/18	Vale of Glamorgan Council Share 2017/18	Balance Sheet	Local Resilience Forum 2018/19	Vale of Glamorgan Council Share 2018/19
£'000	£'000		£'000	£'000
	8.11%			8.11%
<b>137</b>	<b>11</b>	<b>Current Assets</b>	<b>192</b>	<b>15</b>
<b>0</b>	<b>0</b>	<b>Current Liabilities</b>	<b>(23)</b>	<b>(2)</b>
<b>137</b>	<b>11</b>	<b>Net Assets</b>	<b>169</b>	<b>13</b>
137	11	Usable Reserves	169	13
<b>137</b>	<b>11</b>	<b>Total Reserves</b>	<b>169</b>	<b>13</b>

### 41. Other Related Parties

Other than that shown below there are no matters that the Council is required to disclose separately as 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 other than those shown elsewhere in the notes to the accounts.

Welsh Government effect influence on the Authority via legislation and grant funding. As at 31<sup>st</sup> March 2019 there was a debtor balance of £8.33M.

The Authority has material transactions with the Cardiff and Vale University Health Board in respect of Social Service matters whereby the Health Board reimburses the Authority in respect of their share of children’s placements and residential and nursing home costs. The Council also receives Intermediate Care Fund income for capital and revenue expenditure from the Health Board. During 2018/19 these transactions totalled £6.406M and as at 31<sup>st</sup> March 2019 there was a debtor balance of £4.441M.

At the 31 March 2019 there were 29 Vale of Glamorgan Councillors who also were members of Town and Community Councils.

#### 42. Operating Leases (Lessor)

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

Operating leases which expire:	2017/18 Land and Buildings	2017/18 Other Leases	2018/19 Land and Buildings	2018/19 Other Leases
	£'000	£'000	£'000	£'000
Within 1 year	368	0	403	0
Between 1 and 5 years	1,030	0	1,085	0
After 5 years	7,684	0	7,845	0
<b>Total</b>	<b>9,082</b>	<b>0</b>	<b>9,333</b>	<b>0</b>

#### 43. Operating Leases (Lessee)

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

Operating leases which expire:	2017/18 Land and Buildings	2017/18 Other Leases	2018/19 Land and Buildings	2018/19 Other Leases
	£,000	£,000	£'000	£'000
Within 1 year	153	154	153	15
Between 1 and 5 years	430	15	250	0
After 5 years	63	0	0	0
<b>Total</b>	<b>646</b>	<b>169</b>	<b>403</b>	<b>15</b>

#### 44. Pension Assets and Liabilities

##### Local Government Pension Scheme Funded Benefits

The disclosures below relate to the funded liabilities within the Cardiff and Vale of Glamorgan Pension Fund (the Fund) which is part of the Local Government Pension

Scheme (the LGPS). The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. Details of the benefits to be paid for the period covered by this disclosure are set out in the 'Local Government Pension Scheme Regulations 2013' and 'The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014'.

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. Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Fund's Funding Strategy Statement. The last actuarial valuation was at 31 March 2016 and the contributions to be paid until 31 March 2019 resulting from that valuation are set out in the Fund's rates and adjustment certificate.

The Fund Administering Authority, City and County of Cardiff, is responsible for the governance of the Fund.

The accounts have been adjusted for Joint Committee Pension Liabilities. The Council's share of the Joint Committee pension liabilities are not reflected in the disclosure notes below. The table below sets out the reconciliation of the pension liability figure included on the Council's balance sheet.

Pension Liability	31 March 2018	31 March 2019
	£'000	£'000
Vale of Glamorgan Council Pension Liability	(213,170)	(212,860)
Vale of Glamorgan Council Pension Liability McCloud Adjustment	0	(5,165)
Vale, Valleys and Cardiff Regional Adoption Service Joint Committee Pension Liability	(171)	(174)
Shared Regulatory Service Joint Committee Pension Liability McCloud Adjustment	0	(126)
Shared Regulatory Service Joint Committee Pension Liability	(2,132)	(2,194)
Central South Consortium Joint Committee Pension Asset	(51)	47
<b>Total Pension Liability</b>	<b>(215,524)</b>	<b>(220,472)</b>

In December 2018 the Court of Appeal ruled against the Government, holding that changes made to pension schemes discriminated against a group of firefighters and judge on the grounds of age. The judgement is expected to have an impact on other public sector groups who have seen similar changes to their pension schemes including the LGPS. At the time of preparing the accounts the Government intended to appeal and therefore a Contingent Liability was included in the accounts. On 27<sup>th</sup> June 2019 the Supreme Court denied the Government's application for leave to

appeal the decision and following this decision it was determined that it would be prudent to increase liabilities as a result of this decision. The Pension Fund Liability has been increased by £5.291M to reflect the estimated impact of the McCloud judgement based on the assumptions made in a review carried out by the Government Actuaries Department (GAD). This comprises £5.165M relating to the Council's pension liabilities and £0.126M for the Council's share of the Shared Regulatory Service Joint Committee's increased liability.

The Employer's regular contributions to the Fund for the accounting period ending 31 March 2020 are estimated to be £13.25M. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS 19 purposes were:

#### Principal Financial Assumptions (% per annum)

	31 March 2017	31 March 2018	31 March 2019
	%	%	%
Discount Rate	2.5	2.6	2.4
Rate of increase to pensions in payment	2.0	2.1	2.2
Rate of increase to deferred pensions	2.0	2.1	2.2
Rate of general increase in salaries	3.0	3.1	3.2

The discount rate is set with reference to corporate bond yields. If assets underperform, this yield will create a deficit in the accounts. The fund holds a significant proportion of growth assets which whilst expected to outperform corporate bonds in the long term create volatility and risk in the short term in relation to the accounting figures. A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes although this will be marginally offset by the increase in the assets as a result.

The majority of the pension liabilities are linked to either price or pay inflation. Higher inflation expectations will lead to a higher liability value. The assets are either unaffected or loosely correlated with inflation meaning that an increase in inflation will increase the deficit.

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements.

#### Post retirement mortality (retirement in normal health)

Post Retirement Mortality	31 March 2018	31 March 2019

<b>Males</b>		
Future lifetime from age 65 (aged 65 at accounting date)	23.1	22.4
Future lifetime from age 65 (aged 45 at accounting date)	24.2	23.0
<b>Females</b>		
Future lifetime from age 65 (aged 65 at accounting date)	25.8	24.8
Future lifetime from age 65 (aged 45 at accounting date)	27.2	25.9

The majority of the Fund's obligations are to provide benefits for the life of a member following retirement, so increases in life expectancy will result in an increase in liabilities.

The approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below. The assets allocated to the employer in the Fund are notional and the assets are assumed to be invested in line with the investments of the Fund set out below for the purposes of calculating the return to be applied to those notional assets. The Fund is large and largely liquid and as a consequence there will be no significant restriction on realising assets if the situation arises. The assets are invested in a diversified spread of investments and the approximate split for the Fund as a whole is included in the disclosures.

The Administering Authority does not invest in property or assets related to itself. It is possible, however, that assets may be invested in shares relating to some of the private sector employers participating in the Fund if it forms part of their balanced investment strategy.

	Asset split at 31 March 2018 (%)	Asset split at 31 March 2019 (%)
Equities	66.5	63.7
Property	6.3	7.7
Government Bonds	15.4	10.7
Corporate Bonds	10.4	11.0
Cash	1.4	1.5
Other	0.0	5.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

#### Reconciliation of Funded Status to Balance Sheet

	31 March 2018	31 March 2019
	£M's	£M's
Fair Value of Assets	401.29	433.41
Present Value of Funded Defined Benefit Obligation	597.08	630.64
<b>Funded status</b>	<b>(195.79)</b>	<b>(197.23)</b>
Impact of minimum funding requirement / asset ceiling	0.00	0.00

<b>Asset / (Liability) recognised on the Balance Sheet</b>	<b>(195.79)</b>	<b>(197.23)</b>
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The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

Active Members	39%
Deferred Pensioners	16%
Pensioners	45%

Employers who leave the Fund (or their guarantor) may have to make an exit payment to meet any shortfall in assets against their pension liabilities. If the employer (or guarantor) is not able to meet this exit payment the liability may in certain circumstances fall on other employers in the Fund. Further the assets at exit in respect of 'Orphan Liabilities' may in retrospect not be sufficient to meet the liabilities. This risk may fall on other employers. 'Orphan Liabilities' are currently a small proportion of the overall liabilities in the Fund.

#### Maturity Profile of the Defined Benefit Obligation

The duration of liabilities for the scheme members is 17.7 years.



Breakdown of Amounts recognised in Surplus or Deficit on the Provision of Services and Other Comprehensive Income.

	For Year Ending 31 March 2018	For Year Ending 31 March 2019
<b>Operating Cost</b>	£M's	£M's
Current Service Cost*	16.26	17.09
Past Service Cost (including curtailments)	0.01	0.07
Settlement Cost	0.00	0.00
Financing Cost		
Interest on net defined benefit liability/ (asset)	4.53	4.92
<b>Pension expense recognised in Surplus or Deficit</b>	<b>20.80</b>	<b>22.08</b>
<b>Remeasurements in Other Comprehensive Income</b>		
Return on plan assets (in excess of) / below that recognised in net interest	(2.37)	(17.32)
Actuarial (gains)/ losses due to change in financial assumptions	(0.52)	33.05
Actuarial (gains)/ losses due to changes in demographic assumptions	0.00	(24.29)
Actuarial (gains) / losses due to liability experience	2.98	0.92
<b>Total Amount recognised in Other Comprehensive Income</b>	<b>0.09</b>	<b>(7.64)</b>
<b>Total Amount Recognised</b>	<b>20.89</b>	<b>14.44</b>

\*The current service cost included an allowance for the administration expenses £0.22M at 31<sup>st</sup> March 2019 (£0.21M at 31<sup>st</sup> March 2018).

Changes to the Present Value of Defined Benefit Obligation during the Period

	Year Ending 31 March 2018	Year Ending 31 March 2019
	£M's	£M's
<b>Opening Defined Benefit Obligation</b>	<b>580.57</b>	<b>597.08</b>
Current Service Cost	16.26	17.09
Interest Expense on defined benefit obligation	14.31	15.41
Contributions by Participants	3.32	3.44
Actuarial (gains)/ losses on liabilities financial assumptions	(0.52)	33.05
Actuarial (gains)/ losses on liabilities demographic assumptions	0.00	(24.29)
Actuarial (gains)/ losses on liabilities experience	2.98	0.92
Net Benefits Paid Out	(19.85)	(12.13)
Past Service Cost (including curtailments)	0.01	0.07
Net increase in liabilities from disposals/ acquisitions	0.00	0.00
Settlements	0.00	0.00
<b>Closing Defined Benefit Obligation</b>	<b>597.08</b>	<b>630.64</b>

Changes to the Fair Value of Assets during the Accounting Period

	31 March 2018	31 March 2019
	£M's	£M's
<b>Opening Fair Value of Assets</b>	<b>393.01</b>	<b>401.29</b>
Interest Income on Assets	9.78	10.49
Remeasurement gains/ (losses) on Assets	2.37	17.32
Contributions by the Employer	12.66	13.00
Contributions by Participants	3.32	3.44
Net Benefits Paid Out	(19.85)	(12.13)
Net increase in assets from disposals/ acquisitions	0.00	0.00
Settlements	0.00	0.00
<b>Closing Fair Value of Assets</b>	<b>401.29</b>	<b>433.41</b>

Actual Return on Assets

	31 March 2018	31 March 2019
	£M's	£M's
Interest Income on Assets	9.78	10.49
Remeasurement gains/ (losses) on Assets	2.37	17.32
<b>Actual Return on Assets</b>	<b>12.15</b>	<b>27.81</b>

Sensitivity Analysis

Discount rate assumption

Adjustment to discount rate	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£M)	619.58	630.64	641.90
% change in present value of total obligation	-1.8%		1.8%
Projected service cost (£M)	17.51	18.00	18.50
Approx. % change in projected service cost	-2.7%		2.8%

Rate of general increase in salaries

Adjustment to salary increase rate	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£M)	633.41	630.64	627.90
% change in present value of total obligation	0.4%		-0.4%
Projected service cost (£M)	18.00	18.00	18.00
Approx. % change in projected service cost	0.0%		0.0%

Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption

Adjustment to pension increase rate	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£M)	639.11	630.64	622.30
% change in present value of total obligation	1.3%		-1.3%
Projected service cost (£M)	18.50	18.00	17.51
Approx. % change in projected service cost	2.8%		-2.7%

Post retirement mortality assumption\*

Adjustment to mortality age rating assumption	-1 year	Base figure	+1 year
Present value of total obligation (£M)	651.06	630.64	610.42
% change in present value of total obligation	3.2%		-3.2%
Projected service cost (£M)	18.70	18.00	17.31
Approx. % change in projected service cost	3.9%		-3.9%

\*A rating of +1 year means that members are assumed to follow the mortality pattern for the base table for an individual that is 1 year older than them.

Local Government Pension Scheme Unfunded Benefits

The disclosures below relate to the unfunded pension arrangements established by The Vale of Glamorgan Council. These are termination benefits made on a discretionary basis upon early retirement in respect of members of the Local Government Pension Scheme (LGPS) under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations and members of the Teachers' Pension Scheme.

The latest actuarial valuation of unfunded benefits took place as at 31 March 2019. Liabilities have been estimated by the independent qualified actuary basis on an actuarial basis using the projected unit credit method.

The estimated Employer payments directly to beneficiaries for the year ended 31<sup>st</sup> March 2020 are estimated to be £1.26M. The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS 19 purposes were:

Principal Financial Assumptions (% per annum)

	31 March 2017	31 March 2018	31 March 2019
	%	%	%
Discount rate	2.5	2.6	2.4
Rate of increase to pensions in payment	2.0	2.1	2.2

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements.

Post retirement mortality (retirement in normal health)

Post Retirement Mortality (retirement in normal health)	31 March 2018	31 March 2019
Males Future lifetime from age 65 (aged 65 at accounting date)	23.1	22.4
Females Future lifetime from age 65 (aged 65 at accounting date)	25.8	24.8

Reconciliation of Unfunded Defined Benefit Obligation to Balance Sheet

	31 March 2018	31 March 2019
	£M's	£M's
Present Value of Unfunded Defined Benefit Obligation	17.38	15.63
<b>Pension (Liability) recognised on the Balance Sheet</b>	<b>(17.38)</b>	<b>(15.63)</b>

Breakdown of Amounts recognised in Surplus or Deficit on the Provision of Services and Other Comprehensive Income.

	Year Ending 31 March 2018	Year Ending 31 March 2019
Operating Cost	£M's	£M's
Current Service Cost	0.00	0.00
Past Service Cost (including curtailments)	0.00	0.02
Settlement Cost	0.00	0.00
Financing Cost		
Interest on net defined benefit liability/ (asset)	0.44	0.44
<b>Pension expense recognised in Surplus or Deficit</b>	<b>0.44</b>	<b>0.46</b>
Remeasurements in Other Comprehensive Income	0.00	0.00
Actuarial losses due to change in financial assumptions	0.00	0.41
Actuarial (gains) due to changes in demographic assumptions	0.00	(0.76)
Actuarial (gains)/ losses due to liability experience	0.17	(0.63)
<b>Total Amount recognised in Other Comprehensive Income</b>	<b>0.17</b>	<b>(0.98)</b>
<b>Total Amount Recognised</b>	<b>0.61</b>	<b>(0.52)</b>

Changes to the Present Value of Defined Benefit Obligation during the Accounting Period

	For Year Ending 31 March 2018	For Year Ending 31 March 2019
	£M's	£M's
<b>Opening Defined Benefit Obligation</b>	<b>18.05</b>	<b>17.38</b>
Current Service Cost	0.00	0.00
Interest Expense on defined benefit obligation	0.44	0.44
Contributions by Participants	0.00	0.00
Actuarial (gains)/ losses on liabilities financial assumptions	0.00	0.41
Actuarial (gains)/ losses on liabilities demographic assumptions	0.00	(0.76)
Actuarial (gains)/ losses on liabilities experience	0.17	(0.63)
Net Benefits Paid Out	(1.28)	(1.23)
Past Service Cost (including curtailments)	0.00	0.02
Net increase in liabilities from disposals/ acquisitions	0.00	0.00
Settlements	0.00	0.00
<b>Closing Defined Benefit Obligation</b>	<b>17.38</b>	<b>15.63</b>

Changes to the Fair Value of Assets during the Accounting Period

	For Year Ending 31 March 2018	For Year Ending 31 March 2019
	£M's	£M's
Opening Fair Value of Assets	0.00	0.00
Interest Income on Assets	0.00	0.00
Remeasurement gains/ (losses) on Assets	0.00	0.00
Contributions by the Employer	1.28	1.23
Contributions by Participants	0.00	0.00
Net Benefits Paid Out	(1.28)	(1.23)
Net increase in assets from disposals/ acquisitions	0.00	0.00
Settlements	0.00	0.00
<b>Closing Fair Value of Assets</b>	<b>0.00</b>	<b>0.00</b>

#### Teacher's Pension Scheme

The total employer contributions to the Teacher's Pension Scheme in 2018/19 made by the Council were £7.442M. This includes contributions for Teachers appointed by the Governing body.

#### 45. Contingent Liabilities

##### Municipal Mutual Insurance Ltd. (MMI)

Municipal Mutual Insurance (MMI) was the main insurer of the public sector prior to it closing its insurance business in 1992. A scheme is in place for any liabilities still outstanding from historic insurance with MMI and therefore a provision has been included in the accounts. Any increase in claims could lead to a further levy being imposed on the Authority by the administrator of MMI in the future; provision for any sum due will be made once such an event becomes likely and can be reasonably assessed. The scheme administrator regularly reviews the scheme and any significant changes in the financial position may lead to a further clawback.

#### 46. Nature and Extent of Risks Arising From Financial Instruments

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

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

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. The Council has approved the Annual Treasury Management Strategy which includes policies on risk management.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made with banks and financial institutions unless they are rated independently and comply with the credit rating as set out in the Treasury Management and Investment Strategy Statement. The Authority's internally managed investments complied with this strategy statement in 2018/19 and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority has a cautious approach to risk, with its priority to safeguard capital. The majority of the new investments were made with the Debt Management Account Deposit Facility which is guaranteed by the UK Government and UK Local Authorities. The maximum investment sum per Local Authority in 2017/18 was £5M and the maximum investment period was 364 days this was reduced to a 6 month maximum investment period in 2018/19. The investment position at 31<sup>st</sup> March 2019 is set out below;

	31 March 2018	31 March 2019
	£'000	£'000
UK Debt Management Account Deposit Facility	6,900	8,100
UK Local Authorities	60,000	81,000
<b>Total</b>	<b>66,900</b>	<b>89,100</b>

	31 March 2018	31 March 2019
	£'000	£'000
Short Term Investment	65,900	81,000
Overnight Investments shown as Cash and Cash Equivalents	1,000	8,100
<b>Total</b>	<b>66,900</b>	<b>89,100</b>
Short Term Investment Accrued Interest	28	67
Short Term Investment Joint Committees	385	254
	<b>67,313</b>	<b>89,421</b>

### Liquidity Risk

As the Authority has ready access to borrowings from the money markets and the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. When the Authority

borrowers money the maturity date determined for the loan is considered on each occasion.

The Authority has two loans totalling £6 million in respect of LOBOs (Lenders Option Borrowers Option). The Lender can increase the interest rate by giving a set period of notice before the interest payment dates in each year, it would then be for the Authority to decide whether to accept the increase or repay the loan. The £4M loan has a full term maturity date of 24<sup>th</sup> February 2054 and the £2M loan has a full term maturity date 21<sup>st</sup> November 2021. The maturity analysis of financial liabilities is as follows:

	31 March 2018	31 March 2019
	£'000	£'000
Less than one year	2,243	2,569
Between one and two years	1,235	793
Between two and five years	16,401	25,841
More than five years	137,080	126,872
<b>Total</b>	<b>156,959</b>	<b>156,075</b>

## Market Risk

### Interest Rate Risk

The Authority is exposed to significant 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 Authority. 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 fair value of the liabilities borrowings will fall;
- Investments at variables rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise;
- Investments at fixed rates – the fair value of the assets 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 investments will be posted to the Surplus or Deficit on the Provision of Services and affect the Council Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The total Government Grant Support receivable by the Authority for future years is indicative only and therefore no amount has been included for this in the table.

The Treasury Management Strategy Statement includes a section on borrowings and the Head of Finance (Section 151 Officer) will monitor the interest rate market and adopt a pragmatic approach to changing circumstances.

If interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	61
Increase in interest receivable on variable rate investments	(261)
Increase in government grant receivable for financing costs	0
<b>Impact on (Surplus) or Deficit on the Provision of Services</b>	<b>(200)</b>
Share of overall impact credited to the HRA	(77)
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the (Surplus) or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(19,349)

To compile the above analysis the Council reviews the following;

- The interest chargeable on LOBO's and other variable rate loans.
- The interest received on investment income in 2018/19.
- Information provided by the Treasury Management Advisor on the projected decrease in fair value of fixed rate borrowings liabilities

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.



**The Housing Revenue Account****Housing Revenue Account Income and Expenditure Account**

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2017/18		2018/19	2018/19
£'000		£'000	£'000
	<b>Expenditure</b>		
3,164	Repairs and Maintenance	3,274	
5,049	Supervision and Management	4,760	
196	Rents, Rates, Taxes, & Other Charges	194	
532	Revaluation charged to CIES	5	
5,844	Non-Current Assets Depreciation /Impairment	6,578	
23	Debt Management Costs	23	
145	Increase in Provision for Bad and Doubtful Debts	87	
0	Revenue Expenditure Funded from Capital Under Statute	65	
<b>14,953</b>	<b>Total Expenditure</b>		<b>14,986</b>
	<b>Income</b>		
(18,520)	Dwelling Rents	(18,924)	
(160)	Non Dwelling Rents	(167)	
(430)	Charges for Services and Facilities	(539)	
(856)	Contributions towards expenditure	(188)	
0	Grant Income	(98)	
<b>(19,966)</b>	<b>Total Income</b>		<b>(19,916)</b>
<b>(5,013)</b>	<b>Net Expenditure of HRA Services as Included in the Whole Authority CIES</b>		<b>(4,930)</b>
0	HRA share of other amounts included in the whole authority Net Expenditure of Continuing Operations but not allocated to specific services		0
<b>(5,013)</b>	<b>Net Expenditure of HRA Services</b>		<b>(4,930)</b>
	HRA share of the operating income and expenditure included in the CIES		
(2,769)	(Gain)/ loss on sale of HRA assets		(971)
2,930	Interest payable and similar charges		2,918
(3)	Interest and Investment Income		(12)
95	Interest on net defined benefit liability/ (asset)		99
(2,799)	Capital Grants		(3,260)
<b>(7,559)</b>	<b>(Surplus) or deficit for the year on HRA services</b>		<b>(6,156)</b>

The Impairments shown in the above expenditure against the line "Non-Current Assets Depreciation /Impairment" relates to non enhancing capital expenditure incurred during the financial Year.

2017/18		2018/19
£'000		£'000
(958)	<b>Balance on the HRA at the end of the previous year</b>	<b>(775)</b>
(7,559)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(6,156)
7,742	Adjustments between accounting basis and funding basis under statute	4,263
<b>183</b>	<b>Increase/(Decrease) during the financial year</b>	<b>(1,893)</b>
<b>(775)</b>	<b>Balance on the HRA at the end of the current year</b>	<b>(2,668)</b>

### Note to the Statement of Movement on the HRA Balance

#### Adjustments between Accounting Basis and Funding Basis under Statute

	2017/18	2018/19
	£'000	£'000
Revaluation Loss/ Gain on Property, Plant and Equipment	(532)	(5)
Charges for depreciation and Impairment of Non Current Assets	(5,845)	(6,578)
Capital Grants and Contributions	2,799	3,260
Statutory Provision for the Financing of Capital Investment	1,506	1,517
Revenue Expenditure Funded from Capital Under Statute	0	(66)
Capital Expenditure charged against HRA	7,218	5,478
Gains / (losses) on sales of non current assets	2,770	970
Pensions Reserve	(174)	(313)
Accumulated Absences	0	0
<b>Total Adjustments</b>	<b>7,742</b>	<b>4,263</b>

### Summary

Housing Revenue Account revenue balance at 31<sup>st</sup> March 2019 is £2.668M.

#### 1. Gross Dwelling Rent Income

This is the total dwelling rent income due for the year after allowance is made for voids. During the year 0.75% of the total dwelling rent due was uncollectable due to lettable properties being vacant; in 2017/18 the figure was 1.14%. Average dwelling rents were £94.53 a week in 2018/19, an increase of 3.02% over the previous year.

## 2. Rent Rebates

Assistance with rents is available under the Housing Benefit Scheme for those on low incomes. 70.9% of the Council's tenants receive some help with the costs of rent charges.

## 3. Housing Stock

Average Housing Stock over the past twelve years is shown in the following table:

2006/07	3,979
2007/08	3,959
2008/09	3,951
2009/10	3,949
2010/11	3,946
2011/12	3,944
2012/13	3,943
2013/14	3,940
2014/15	3,937
2015/16	3,930
2016/17	3,909
2017/18	3,891
2018/19	3,883

The numbers and types of dwelling at 31<sup>st</sup> March for the past two years are shown below:

Number of Dwellings by Type	At 31 <sup>st</sup> March 2018	At 31 <sup>st</sup> March 2019
1 Bedroom Houses	0	0
2 Bedroom Houses	311	308
3 Bedroom Houses	1,570	1,560
4 or more Bedroom Houses	89	87
1 Bedroom Bungalows	261	261
2 Bedroom Bungalows	71	71
3 Bedroom Bungalows	32	32
1 Bedroom Flats	861	861
2 Bedroom Flats	586	586
3 Bedroom Flats	94	94
Other – Hostel	15	15
<b>Total</b>	<b>3,890</b>	<b>3,875</b>

The change in stock can be summarised as follows:-

<b>Housing Stock 31<sup>st</sup> March 2018</b>	<b>3,890</b>
Less: Sold	(15)
Change of Use	0
New Build	0
<b>Housing Stock 31<sup>st</sup> March 2019</b>	<b>3,875</b>

#### 4. Rent Arrears

During the year 2018/19 rent arrears as a proportion of gross rent income was 4.92% of the amount due, compared to 4.67% in 2017/18. The figures are as follows: -

	2017/18	2018/19
	£'000	£'000
Arrears at 31 <sup>st</sup> March	982	1,057

Amounts written off during the year amounted to £50k. The aggregate provision in respect of uncollectable rent and other housing debts is £830k.

#### 5. Sale of Council Dwellings/ Administration Costs

The costs of administering the sale of Council dwellings (disposal proceeds £1.695M) were £6k in 2018/19, compared to £2k in 2017/18 (disposal proceeds £778k).

#### 6. Water Rates

Total monies collected in respect of water rates were £1,522k (£1,552k in 2017/18). Commission earned on this for 2018/19 was £154k (£174k in 2017/18).

#### 7. Capital Expenditure

Capital Expenditure of £11.444M has been spent in 2018/19 improving Council Dwellings, this Capital Expenditure has been taken into account at arriving at the Council Dwellings valuation.

#### 8. Capital Funding

	2017/18	2018/19
	£'000	£'000
Unsupported Borrowing	1,000	0
Supported Borrowing – Affordable Housing Grant	0	937
Usable Capital Receipts	3,201	1,689
Revenue Contributions	7,217	5,479
Major Repairs Reserve	2,779	2,759
Section 20 contributions	0	500
Other Capital Grants	161	80
<b>Total</b>	<b>14,358</b>	<b>11,444</b>

#### 9. Assets - Depreciation / Impairment

The charge is broken down as follows:-

Council Dwellings	2017/18	2018/19
	£'000	£'000
Depreciation of Dwellings	1,352	1,330
Depreciation of Other Land and Buildings	3	3
Impairment	4,489	5,245
<b>Total</b>	<b>5,844</b>	<b>6,578</b>

Council Dwellings / Other are included in note 19 to the main accounts, Property, Plant and Equipment.

### 10. Pension Reserve

Staff that are employed within the HRA are included in the Vale of Glamorgan Council's share of the Cardiff and Vale of Glamorgan Pension Fund and therefore a proportion of the actuarial adjustments are included in the HRA accounts.

The impact of the principal assumptions used by the independent qualified actuaries in updating the latest valuations of the Fund for IAS 19 are shown below.

	2017/18	2018/19
	£'000	£'000
IAS 19 Adjustment	80	89
Adjustment against the net defined benefit liability for the McCloud Ruling	0	126
Interest on net defined benefit liability/ (asset)	95	98
<b>Contribution from Pension Reserve</b>	<b>175</b>	<b>313</b>

### 11. Major Repairs Allowance

The Major Repairs Allowance is a grant provided by the Welsh Government and is used to fund capital expenditure in the Housing Revenue Account.

	2017/18	2018/19
	£'000	£'000
<b>Opening Balance brought forward</b>	<b>0</b>	<b>0</b>
Grant Received in Year	2,779	2,759
Grant Utilised in Year	(2,779)	(2,759)
<b>Closing Balance Carried Forward</b>	<b>0</b>	<b>0</b>

## Trust Funds

### Welsh Church Acts

The Council is sole trustee of this Fund which was set up on the disestablishment of The Church in Wales. Funds generated from investments and property rents are disbursed in the form of grants to deserving causes on the basis of applications considered by the Welsh Church Act Estate Committee.

	Balance at 31 March 2018	Acquisitions / Disposals	Revaluation	Surplus/ (Deficit)	Balance at 31 March 2019
	£'000	£'000	£'000	£'000	£'000
Accumulated Fund	4,960	0	138	(2)	5,096

The non-current assets of the fund are included at their 31 March 2019 value. The external investments held by the fund are included at their fair value at 31 March 2019.

The Welsh Church Acts fund although not audited as part of the Council audit, will be subject to independent examination by Wales Audit Office.

## Glossary

### Accounting Period

The period of time covered by the accounts, typically a period of twelve months commencing on 1 April. The end of the accounting period is the balance sheet date.

### Accounting Policies

The specific principles, bases, conventions, rules & practices applied by the Council in preparing & presenting its financial statements.

### Accruals

Amounts included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

### Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because the events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or the actuarial assumptions have varied.

### Amortisation

The gradual elimination of a liability, such as a loan, in regular payments over a specified period of time. Such payments must be sufficient to cover both principal & interest.

### Asset

An item having value to the authority in monetary terms. Assets are classed as either current or non current:

- A **current** asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A **non current** asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. a school building, or intangible, e.g. computer software licences.

### Assets Under Construction

The cost of work performed on an incomplete project at the balance sheet date, which should be accounted for.

### Balance Sheet

A statement of the recorded assets, liabilities and reserves at the end of the accounting period.

### Beacon Valuation

This approach is designed to value large groups of properties which are of similar design, age or construction. In essence, this approach comprises three stages:

- a) Dividing the stock into Asset Groups (large groupings of properties such as a housing estate or groups of estates);
- b) Sub-dividing these Asset Groups into Archetype Groups (dwellings within the Asset Groups which have similar characteristics and;
- c) Selecting a Beacon Property – an actual property which is representative of its Archetype group.

### **Capital Financing**

Funds obtained to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

### **Capital Receipt**

The income from the disposal of land or other non current assets.

### **Cash Equivalents**

Short-term, highly liquid investments that are readily convertible to known amounts of cash & which are subject to an insignificant risk of changes in value.

### **Community Assets**

Assets that the Council plans to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

### **Comprehensive Income and Expenditure Account**

The revenue account of the Council that reports the net cost for the year of the functions for which it is responsible, and demonstrates how that cost has been financed from precepts, grants and other income.

### **Contingent Asset**

A contingent asset is a likely asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.

### **Contingent Liability**

A contingent liability is either a potential obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.



### **Creditor**

Amount owed by the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

### **Current Service Cost (Pensions)**

The increase in the present value of a defined benefit pension scheme's liabilities, expected to arise from employee service in the current period.

### **Debtor**

Amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

### **Defined Benefit Pension Scheme**

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

### **Depreciated Replacement Cost (DRC)**

A method of valuation which gives a recognised approximation for the market value of specialised properties. It is an estimate of the market value for the existing use of the land, plus the current gross replacement costs for the building less an allowance for physical deterioration of the asset to its current equivalent physical state.

### **Depreciation**

The measure of the cost of the wearing out, consumption or other reduction in the useful economic life of the Authority's non current assets during the accounting period, whether from use, the passage of time, or obsolescence through technological or other changes.

### **Discretionary Benefits (Pensions)**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as The Local Government Pension Scheme (Benefits, Membership & Contributions) Regulations 2007.

### **Effective Interest Rate**

This is the rate of interest needed to discount the estimated stream of principal and interest cash flows through the expected life of a financial instrument to equal the amount at initial recognition.

### **Employee Benefits**

All forms of consideration given by the Council in exchange for service rendered by its employees.

### **Events After The Balance Sheet Date**

Events after the balance sheet date are those events, favourable or unfavourable, that arise between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

### **Exceptional Items**

Material items which derive from affairs or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

### **Existing Use Value (EUV)**

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion. It assumes that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

### **Expected Return on Pension Assets**

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

### **Extraordinary Items**

Material items, having a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

### **Fair Value**

The fair value of an asset is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

### **Financial Instrument**

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term covers both financial assets and financial liabilities, from straightforward trade receivables (invoices owing) and trade payables (invoices owed) to complex derivatives and embedded derivatives.

### **Going Concern**

The concept that the statement of accounts are prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

### **Housing Revenue Account (HRA)**

A separate account to the Council Fund that includes the expenditure and income arising from the provision of housing accommodation by the Authority.

### **Impairment**

A reduction in the value of a non current asset to below its carrying amount on the balance sheet. Impairment may be caused by a consumption of economic benefit (economic benefit impairment) or a general fall in prices.

### **Infrastructure Assets**

Non current assets belonging to the Authority that cannot be transferred or sold, on which expenditure is only recoverable by continued use of the asset created. Examples are highways, footpaths and bridges.

### **Intangible Assets**

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets most frequently found in local authorities are computer software.

### **Inventories**

Items of raw materials and stores an authority has procured and holds in expectation of future use.

### **Liability**

A liability is where the Council owes payment to an individual or another organisation.

- A **current** liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A **deferred** liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

### **Materiality**

The concept that the Statement of Accounts should contain all amounts which, if omitted, or misstated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

### **Minimum Revenue Provision (MRP)**

The minimum amount, which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

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

The National Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Council on behalf of central government and then redistributed back to support the cost of services.

### **Net Book Value**

The amount at which non current assets are included in the balance sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation and impairment.

### **Operating Lease**

A lease where the ownership of the non current asset remains with the lessor.

### **Past Service Cost (Pensions)**

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

### **Pension Scheme Liabilities**

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

### **Precept**

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf.

### **Prior Year Adjustment**

Material adjustments relating to prior years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

### **Provision**

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur, but the amounts or dates of when they will arise are uncertain.

### **Public Works Loan Board (PWLB)**

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government itself can borrow.

### **Related Parties**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions.

### **Remeasurement of Pension Liability**

Changes to the pension liability made to reflect the return on plan assets and because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions

### **Reserves**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the Revaluation Reserve cannot be used to meet current expenditure.

### **Residual Value**

The net realisable value of an asset at the end of its useful life.

### **Revenue Expenditure Funded From Capital Under Statute (REFCUS)**

Expenditure which can be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset. This is to enable it to be funded from capital resources. Examples of REFCUS are grants of a capital nature to voluntary organisations.

### **Revenue Support Grant –**

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

### **Soft Loan**

A loan made interest free or at a rate less than the market rate, usually for policy reasons. Such loans are often made to individuals or organisations that the Council considers benefits the local population.

### **Trust Funds**

Funds administered by the Authority for such purposes as prizes, charities, specific projects, and on behalf of minors.

### **Useful Economic Life (UEL)**

The period over which the Council will derive benefits from the use of a non current asset.

## The Purpose of the Governance Framework

The Council's Governance Framework comprises all the systems and processes, culture and values, by which the Council directs and controls its activities, and how it leads, engages with and accounts to the community it serves.

A significant part of that framework is the Council's system of internal control. This helps to manage and control the business risks that the Council encounters in delivering its operations. Not all risks can be eliminated but they can be reduced and mitigated by implementing effective systems of control. This can only provide reasonable and not absolute assurance of the effectiveness of the environment. The Council's Governance Framework, including the Council's system of internal control, has been in place for the year ended 31<sup>st</sup> March 2019 and up to the date of the approval of the Statement of Accounts and is a continuous process.

The Council's Code of Corporate Governance was reviewed in 2016/17, with the amendments made being based upon the "Delivering Good Governance in Local Government: Framework" (CIPFA/SOLACE, 2016). The Framework positions the attainment of sustainable economic, social, and environmental outcomes as a key focus of good governance processes and structures. The focus on sustainability and the links between governance and public financial management are crucial – local authorities must recognise the need to focus on the long term.

This Annual Governance Statement explains how the Council has complied with the terms of the CIPFA/SOLACE Framework (2016) for the year ended 31<sup>st</sup> March 2019.

**Scope of  
Responsibility**

The Vale of Glamorgan Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money allocated to it is safeguarded, properly accounted for and used economically, efficiently and effectively. The Vale of Glamorgan Council sees Corporate Governance as doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Strong, transparent and responsive governance enables the Vale of Glamorgan Council to put citizens first by pursuing its aims and priorities effectively, and by underpinning them with appropriate mechanisms for managing performance and risk. In order to maintain “citizens” confidence, these mechanisms must be sound and be seen to be sound.

**The Council has approved and adopted a revised Code of Corporate Governance which is consistent with the principles of the CIPFA and SOLACE Framework - Delivering Good Governance in Local Government 2016. This statement explains how the Council has complied with the Code.**

The Code of Corporate Governance sets out the principles of good governance and describes the arrangements in place to meet each of these principles.

A copy of the Council's Code is available on our website at [www.valeofglamorgan.gov.uk](http://www.valeofglamorgan.gov.uk)

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 practices in transparency, reporting, and audit, to deliver effective accountability.

**GOVERNANCE PRINCIPLES**

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Ensuring openness and comprehensive stakeholder engagement.

Defining outcomes in terms of sustainable economic, social, and environmental benefits.

Determining the interventions necessary to optimise the achievement of the intended outcomes.

Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Managing risks and performance through robust internal control and strong public financial management.

Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

**INTERNAL CONTROLS**

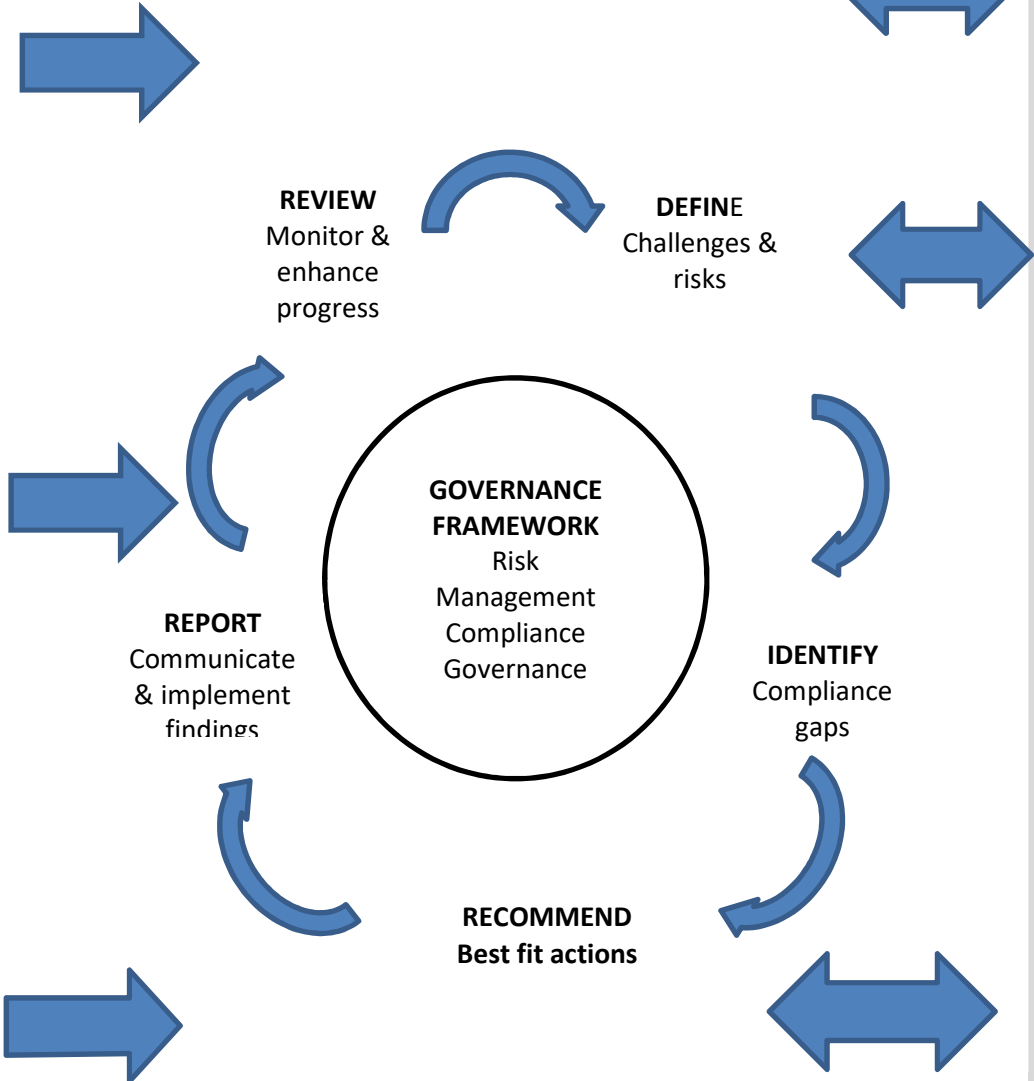
**Leadership, Culture and Planning**  
 Organisational priorities and outcomes,  
 Directorate and Service/Team plans  
 Performance Management  
 Medium term financial Plan

**Policies and Procedures**  
 Constitution, Codes of conduct  
 Ways of Working  
 Anti-fraud, Bribery and Corruption Policy  
 Whistleblowing Policy  
 HR Policies

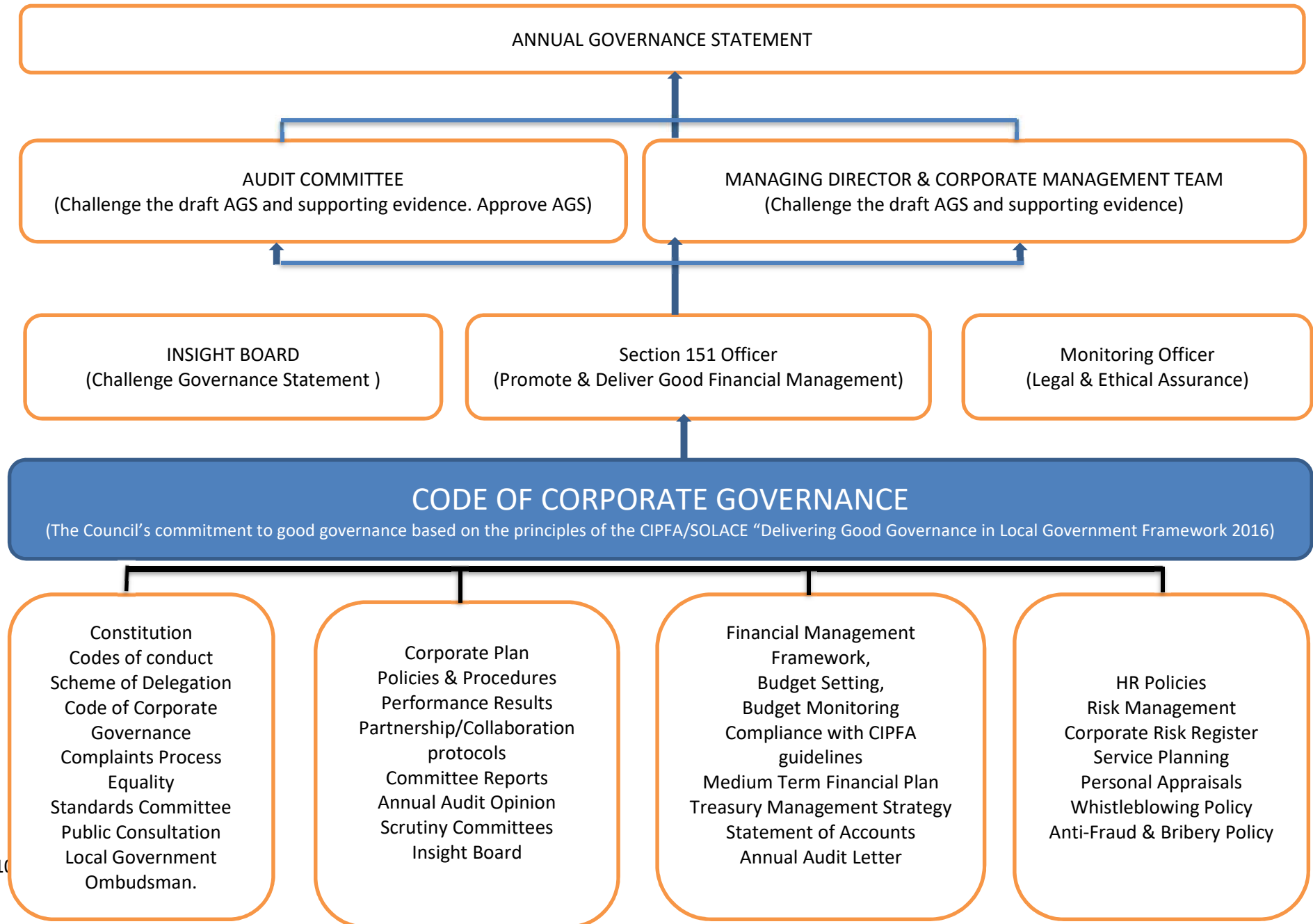
**People, Knowledge, Finance, Assets**  
 Robust HR practices  
 Information governance  
 Performance monitoring and improvement  
 Financial management and reporting  
 Ethical & legal practices

**Scrutiny and Transparency**  
 Freedom of Information requests  
 Complaints procedure  
 Reports considered by Legal and Finance experts  
 Equality impact assessments

**Partnership Working**  
 Community engagement;  
 Collaboration / Partnership toolkit







**Principle A –  
Behaving with  
integrity,  
demonstrating  
strong  
commitment to  
ethical values, and  
respecting the rule  
of law**

The Council supports a culture of behaviour based on shared values, ethical principles and good conduct. This guides both how the long-term vision is put into effect and how members and officers behave in their day to day work. The behaviour of elected members and officers is governed by codes of conduct, which include a requirement for declarations of interest to be completed. The roles and responsibilities of elected members and officers and the processes to govern the conduct of the Council's business are defined in procedural standing orders, scheme of delegations, contract and financial procedure rules. Codes of Conduct are in place for, and define the high ethical values and standards of behaviour expected from elected members and officers to make sure that public business is conducted with fairness and integrity. The Council's Code of Conduct for its Elected Members builds on the seven principles of public life and the Council has arrangements in place to receive and investigate allegations of breaches of proper standards of conduct which is outlined within the Council's Constitution, including the Council's Local Dispute Resolution Procedures and the Protocol of Standards both supporting the Code of Conduct for Elected Members.

The Council's Monitoring Officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.

The Council seeks feedback from the public through its complaints procedure for both Corporate and Social Services areas, responding to the outcomes as appropriate and reporting the results at least annually to the Audit Committee. During 2018/2019 the Council received 424 complaints, 56% of which were dealt with within corporate target timescales. The number of complaints being resolved at Stage 1 was 92.9% and 7.1% at Stage 2. A higher percentage of complaints have been resolved at Stage 1 than in the previous year.

The Council also has a clear Whistleblowing Policy and arrangements in place for staff. During the year the Council undertook a staff survey to assess the awareness and willingness of staff to use this policy. A promotional campaign will be undertaken in 2019/2020 to address the issues arising from the survey. During 2018/2019, 7 concerns were raised, 4 of the concerns were upheld, no further action was required with regards to 1 and the final issues remain under investigation.

**Principle A –  
Behaving with  
integrity,  
demonstrating  
strong  
commitment to  
ethical values, and  
respecting the rule  
of law**

The Constitution is at the heart of the Council’s business. It allocates power and responsibility within the Authority, as well as between it and others. It also regulates the behaviour of individuals and groups through the codes of conduct, protocols and standing orders. Through the Council’s Constitution, the Council has created the conditions necessary to ensure that the statutory Chief Officers, other key post holders, Members and where appropriate statutory committees are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.

Safeguarding continues to be a high priority across the council and remains on the Council’s Corporate Risk Register with a medium/low status. The Corporate Safeguarding Group ensure that arrangements reflect corporate leadership, scrutiny and assurance and that there are effective policies, training and safe recruitment processes in place. This group takes responsibility to ensure that the safeguarding agenda is known, understood and adhered to across the Council and is a collective responsibility. The Social Services and Well Being (Wales) Act 2014 sets out all the statutory functions of local authorities and since its enactment there has been service wide development and awareness raising, to ensure that safeguarding statutory responsibilities for employees in relation to their “duty to report” is known and understood. Arrangements within Adult Safeguarding continues to develop and will be further enhanced by the launch of the Wales Safeguarding Procedures during Autumn 2019.

**Principle B –  
Ensuring  
openness and  
comprehensive  
stakeholder  
engagement**

The Council is committed to understanding and learning from the views of the public. Engagement is the process by which views of stakeholders are able to inform and influence policy and service delivery. The Council's planning and decision-making processes are designed to include consultation with stakeholders and the submission of views by local people.

The Council's Public Engagement Framework details public engagement activities which are undertaken by the Council. During 2018/19 the Council has undertaken a number of consultation and engagement projects. These include the following:

- Public Opinion Survey
- The Future of Council services – Budget Consultation
- Public Toilet Strategy
- Changes to Recycling and Waste services
- Draft Parking Strategy
- Public Spaces Protection Order – Dog Controls
- M4 to J34 Transport Study
- Penarth Heights Sustainable Transport
- 21<sup>st</sup> Century Schools – Expanding Ysgol St Baruc
- 21<sup>st</sup> Century Schools – Western Vale Primary Reconfiguration
- 21<sup>st</sup> Century Schools – Expanding St Davids CIW Primary School
- Telecare User Engagement
- Batts Fields and Maes Dyfan Open Space Improvements
- Future Uses for Belle Vue Pavilion

**Internal projects included:**

- Staff Survey 2018
- The Future of Council Services – Budget Consultation
- Whistleblowing Policy
- Armed Forces Covenant
- Employee Awards 2019 Nominations and Voting

During 2018/2019, there was increased public engagement with a greater number of public questions at Full Council and Scrutiny Committees on particular policy issues including the 21<sup>st</sup> Century School programme and car parking.

**Principle B –  
Ensuring  
openness and  
comprehensive  
stakeholder  
engagement**

Unless confidential, decisions made by the Council and/or Cabinet are documented in the public domain. All decisions are explicit about the criteria, rationale and considerations used. The impact and consequences of all decisions are clearly set out.

A range of methods are used to gather Vale residents' views. These range from traditional methods such as quantitative surveys and focus groups to engagement events involving the use of participative methods of interactive workshops. A new Public Engagement Database has been developed and implemented which further enhances the current arrangements already in place.

Effective stakeholder engagement can be reinforced by the following:

- Public Opinion Survey carried out between January and February 2019. Overall satisfaction with Council services has reduced from 92% to 87%. 98% of residents were either very satisfied or satisfied with the Vale of Glamorgan as a place to live. However, public understanding of the financial context in which the Council is working (e.g. budget) was found to be limited. When prompted with detail about the extent of the budget cuts (£14 million of savings in 2019/20), only 14% were fully aware of the extent of the savings required. This remains an area for improvement for the Council.
- Findings from the Council's budget consultation for 2019/20 demonstrate support from residents for the Council's priorities and Corporate Plan Well-being Outcomes and Objectives. Residents are supportive of increasing Council Tax to the Welsh average, introducing charges for services that are currently free and developing new services that would generate income.

**Principle B –  
Ensuring  
openness and  
comprehensive  
stakeholder  
engagement**

The 2018 Employee Survey was the third engagement exercise to evaluate the effectiveness of the Council's Staff Charter. For this survey, the approach changed to include questions that look at how different aspects of engagement are working locally as well as council-wide. Therefore for the first time service area engagement plans to address any local issues can be put in place as well, as continuing the work across the Council.

The survey was sent to approximately 2,400 employees with a return rate of 57% - the same as the previous year. The results of the survey illustrated an engagement index of 71%. When compared to other public sector organisations this puts the Vale relatively high on the chart. The survey results were considered by Cabinet in February 2019 and communicated to all staff as part of the Big Conversation sessions in March.

**Principle C –  
Defining  
outcomes in  
terms of  
sustainable  
economic, social,  
and  
environmental  
benefits.**

“Strong Communities with a Bright Future” is the vision for the Vale of Glamorgan and the Corporate Plan 2016-20 sets out how the Council will work towards the delivery of this vision and the promotion of well-being. The Plan sets out the activities to be undertaken to ensure the best possible outlook for Vale citizens and communities. In delivering this vision, the Council is mindful of the short, medium and long term challenges and the need to work with partners and the local community. In developing the Council’s Corporate Plan for 2016-20, consideration was given to the achievements from the previous plan, local needs and available resources and has incorporated the views of residents, partners and staff to inform the Council’s key priorities going forward. The Council is keen to embrace the Well-being of Future Generations (Wales) Act 2015 (WFGA) and did so ahead of the statutory timetable. The Corporate Plan has a more outcome focused approach and is based on four Well-being Outcomes with eight associated Well-being Objectives that are aligned to the well-being goals of the WFGA. These Well-being Outcomes are:

- An Inclusive and Safe Vale;
- An Environmentally Responsible and Prosperous Vale;
- An Aspirational and Culturally Vibrant Vale, and
- An Active and Healthy Vale.

An integrated model of working has been introduced to look at all aspects of corporate governance and planning arrangements to ensure that they are inter-related, complementary, consistent and no longer undertaken in isolation. This ensures that the Council’s integrated processes and policies become an enabling force for the delivery of the Corporate Plan’s vision and the Well-being Outcomes.

Having reviewed the Council’s progress made to date in relation to the Corporate Plan Well-being Outcomes and corresponding Objectives, the Council is assured that the priorities set continue to be relevant priorities going forward into 2019/20. Work started in 2018/19 to review the priorities in the Corporate Plan which will be refreshed for the period 2020/2025.

The Corporate Plan is underpinned by a set of enabling strategies (these are the Asset Management Plan, Medium Term Financial Plan, Human Resources Strategy, Workforce Plan, ICT Strategy, Customer Relations Strategy, Performance Management Framework and Risk Management Strategy and Register) which together form the Council’s overall policy framework supporting improvement.

**Principle C –  
Defining  
outcomes in  
terms of  
sustainable  
economic, social,  
and  
environmental  
benefits.**

One of the most significant documents produced by the Council demonstrating effective accountability and transparency is the Annual Self-Assessment. During the latter part of 2018/19, the Council has once again undertaken a Self-Assessment process and this is documented in the Annual Report 2017/18 which was published in October 2018.

The Self-Assessment presents a position statement on the Council's performance over the past year in delivering the Council's priorities. Self-assessment of performance is an important way for the Council to identify the capacity and ability to deliver continuous improvement by identifying areas of strength and those requiring particular focus in coming years. The challenges and achievements from the Annual Report are used to identify the actions required to be undertaken in future years and progressed through the service plans. The "forward-looking" element of this is documented in the 2019/20 Well-being Objectives and Improvement Plan Part 1 which (along with service plans and associated targets) was published in April 2019.

The Insight Board was created to enhance and streamline the corporate governance arrangements relating to integrated planning activities and reports to CMT and Cabinet. This focused approach is contributing to more integrated business planning practices, staff development opportunities, continued promotion of "One Council" working and has significantly reduced the overall amount of officer time spent in meetings. On its establishment, it was agreed that a review would be undertaken of all previous regulatory recommendations/proposals for improvement with any outstanding being incorporated within the Insight Board Action Tracker to ensure ongoing review and monitoring and this has proved successful. With corporate improvement and performance a key aspect of the remit of the Board, monthly reviews and monitoring of corporate improvement priorities are undertaken to ensure actions are completed, reported and closed down in a timely manner. An annual review of regulatory recommendations / proposals for improvement also form part of the Council's Annual Self-assessment process enabling the Council the ability to demonstrate progress on implementation of these in line with the Council's duties under the Local Government (Wales) Measure 2009 and Audit Committee receives a six months progress report.



**Principle C –  
Defining  
outcomes in  
terms of  
sustainable  
economic, social,  
and  
environmental  
benefits.**

The Council has a successful track record of delivering a balanced budget made possible by its robust approach to managing finances which incorporates an effective corporate framework for financial planning, financial management and control. These arrangements enable the Council to regularly review and challenge financial performance and monitor spend against budgets. Going forward, the financial challenges facing the Council remain significant and it is becoming increasingly challenging to deliver a balanced budget given the need to continue to make efficiencies and budget savings at a time when service demand across most Council services is increasing. Annual cuts to the Council's funding are set to continue and the current estimates indicate that further savings of £13.894 million (excluding schools) is required between 2020/20 and 2021/22.

**Principle D –  
Determining the  
interventions  
necessary to  
optimise the  
achievement of  
the intended  
outcomes**

The Council achieves its intended outcomes by providing a mixture of legal, regulatory and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that the Council has to make to ensure intended outcomes are achieved. The Council must have robust decision making mechanisms in place to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. The Council recognises that informed decision making is a fundamental part of good governance. Decision makers receive objective analysis of a variety of options indicating how intended outcomes would be achieved together with the risks associated with those options. In determining how services and other courses of action should be planned and delivered the Council is increasingly engaging with internal and external stakeholders.

The Council fosters effective relationships, collaborative working and contractual arrangements with other public, private and voluntary organisations in delivering services that meet the needs of the local community as stated in the Council's Corporate Plan. One of the Council's key strengths is its ability to explore opportunities to work in partnership with others and the Council has developed a robust approach to collaborative working to enable it to maximise benefits for its customers and residents. The Council has developed and hosts a number of regional services, including the Shared Regulatory Service and the Regional Audit Service.

**Principle D –  
Determining the  
interventions  
necessary to  
optimise the  
achievement of  
the intended  
outcomes**

The Council aims to deliver high quality services that provide value for money and which are aligned to the needs and priorities of the local community. The Council is committed to ensuring that the relevance of the Well-being Objectives in the Corporate Plan continue to reflect the priorities for the Vale of Glamorgan. The Council will also ensure that its Well-being Outcomes and Objectives in the Corporate Plan are aligned to the Public Service Board's Wellbeing Objectives.

The Council undertakes annual Service Planning through which regular self-assessment takes place as a means of achieving continuous improvement across both corporate and service related functions. This informs and is informed by the Corporate Plan, the Council's Improvement Plan as well as a Performance Audit Programme which is produced in conjunction with the Council's external regulators.

The Council's vision and priorities are reflected in Service Plans and inform the development of service objectives and outcomes. Service Plans include detailed actions and performance targets which contribute towards the achievement of Council priorities. Scrutiny Committees review the Service Plans on a quarterly basis, including the achievement of set targets and actions. A key factor in the development of the Service Planning process is the incorporation of changes in the Workforce Plan and Human Resources Strategy, together with a focus on outcomes.

During the year Care Inspectorate Wales undertook a review of the Council's Children's Services. The Council has accepted the findings of the Inspectorate and is committed to addressing the areas for development identified

**Principle E –  
Developing the  
entity’s capacity,  
including the  
capability of its  
leadership and  
the individuals  
within it.**

The Council aims to ensure that members and officers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities and recognises the value of well-trained and competent people in effective service delivery. All new members and staff undertake an induction to familiarise them with protocols, procedures, values and aims of the Council. There is a Member Development Strategy, which provides a framework for supporting elected members in the numerous roles that they are required to undertake both within, and outside, the Council.

The Corporate Management structure consists of the Managing Director, three Corporate Directors, the Council’s Monitoring Officer, the Council’s Section 151 Officer, the Head of Human Resources and the Head of Performance and Development. The roles and responsibility of Corporate Officers are defined in agreed job profiles and set out in the Council’s Constitution. Chief Officer Performance is reviewed on an annual basis in accordance with the Chief Officer Appraisal process.

The Elected Member development programme includes the comprehensive induction programme which is periodically supplemented by additional training. Members appointed to certain committees have also received specific training related to their responsibilities on these committees e.g. licensing, planning, audit.

The Managing Director is responsible and accountable to the Council for all aspects of management including promoting sound governance, providing quality information / support to inform decision-making and scrutiny, supporting other statutory officers, and building relationships with all Councillors. Members are offered training on key issues as the need arises. In December 2018, the first Member Development Expo was held to which all 47 members were invited. The Expo events will be run on a six-monthly basis with members having a choice to attend either one daytime session or one early evening session. At the first event in December the agenda included the following:

- An update on the key issues facing the authority;
- The opportunity to hear more about the services provided by each Directorate from senior managers within the Directorates ; and
- The opportunity to feed into and influence the development of a competency framework for elected members.

**Principle E –  
Developing the  
entity’s capacity,  
including the  
capability of its  
leadership and  
the individuals  
within it.**

Through the established workforce planning and staff engagement processes, the Council continues to maintain a highly skilled and resilient workforce that is responsive to the constantly changing environment. The Council has continued to make good progress in delivering the 15 commitments within the Staff Charter, which details the expectations of staff and managers in a “reshaped” working environment. During 2018/2019 the work in this area had been enhanced. The Big Conversation 2 took place in February / March 2019 which was attended by over 1,500 staff. The sessions enabled staff to engage in the plans the Council has to move forward and to hear about the revised framework for staff engagement.

One of the Council’s key strengths has been the ability to explore opportunities to work in partnership with others and the Council has developed a robust approach to collaborative working. In addition, Cabinet receives a quarterly report providing an update on progress being made with strategic collaborative working initiatives. The Council continues to work proactively with a range of partners to transform how services will be delivered as well as considering new and innovative models of delivery in line with the Council’s Reshaping agenda.

The Council has developed and implemented a protocol for managing information and the interface between Cabinet and Scrutiny.

As part of the review of the Council’s Performance Management Framework, the structure of Scrutiny Committees was refined to enable the Council to better evaluate outcomes being achieved in the context of the new Corporate Plan, and the expectations of the Wellbeing of Future Generations (Wales) Act 2015.

During the year the Council received a report from the Welsh Audit Office which identified areas for development for the Council in relation to the Scrutiny function. Work will now be undertaken to address these issues.

**Principle F –  
Managing risks  
and performance  
through robust  
internal control  
and strong public  
financial  
management.**

The Council, which has overall responsibility for directing and controlling the organisation, has approved an Executive / Scrutiny model of decision making. Full Council sets the policy and budget framework. Within this framework, the majority of key decisions are made by the Cabinet (as Executive). Cabinet meetings are open to the public (except where items are exempt under the Access to Information Act). The decision-making process is scrutinised by five Scrutiny Committees, which not only support the work of the Cabinet as Executive and the Council as a whole but also the Committees have been restructured so their remits reflect the Corporate Plan Well-being Outcomes with one committee (Corporate Performance and Resources) covering Corporate Health and integrated planning. Corporate Health describes the overarching performance of the Council and brings together our Well-being Outcomes and the integrated planning activity which supports its delivery.

Risk management is an important feature of the Council's governance arrangements and it is recognised that successful risk management relies on a corporate approach to ensure that all risks are identified and managed systematically and consistently across the Council. The Risk Management Strategy sets out the approach to the identification of and responses to strategic and operational risks. The Council's Risk Management Strategy also provides essential input to the determination of Council priorities, targets and objectives. The updated Risk Management Strategy was presented to the Council's Audit Committee on 1<sup>st</sup> May 2018.

The Council has an established risk management process in place for corporate and service risks. This has been further enhanced by the Council's focused corporate approach to integrated planning via the Insight Board and revised corporate performance reporting arrangements. The Insight Board provides a strategic focus for the delivery of the Council's Corporate Plan and the Well-being of Future Generations Act, ensuring that the seven well-being goals and our five ways of working are grounded in our robust corporate governance and providing an integrated approach to corporate planning. During the year, the Council has continued to hone the approach to corporate risk management using the new reporting format which reflects the different needs of the various audiences. This provides a holistic overview of all risks to enable the identification of any trends or themes within the risks impacting on the Council, as well as the robust management of individual risks by risk owners, the Insight Board and Audit Committee. The monitoring of service risks has been enhanced this year through our service planning arrangements that enables us to effectively identify and monitor actions to reduce, eliminate and manage our service risks.

**Principle F –  
Managing risks  
and performance  
through robust  
internal control  
and strong public  
financial  
management.**

The Council is making good progress in developing its performance management arrangements, following the adoption of the new four year Corporate Plan in 2016/17. During the year, work commenced to develop a new Corporate Plan to cover the 2020-2025 period. Alongside these changes, the Council has continued to work with Sponsoring Directors and Elected Members via a member led working group to develop the performance reports and these are enabling the Council to better assess the overall contribution of each of the Corporate Well-being Outcomes aligned to the national Well-being Goals. Reports are presented in a more focused and accessible way and highlight areas of exception thus promoting more effective scrutiny. However, the Council also recognises that there is a need to further embed these arrangements in some service areas and are taking a partnering approach in order to ensure success.

The Head of Finance / Section 151 Officer is responsible for the proper administration of all aspects of the Council's financial affairs including ensuring appropriate advice is given to Cabinet and the Council on all financial matters.

The Council's system of internal financial control is based on a framework of financial / contract procedure rules and notes, regular management information, administrative procedures (including segregation of duties), management supervision and a system of delegation of accountability.

The financial management of the Council is conducted in accordance with all relevant legislation and its Constitution. Through the Council's focus on integrated planning it has been able to take a more holistic approach to corporate planning arrangements that include risk management, financial and asset management, workforce planning, performance management and information management. As a consequence, corporate arrangements are now better co-ordinated and complementary to each other which puts the Council in a stronger position to secure continuous improvement. The Council has a successful track record of delivering a balanced budget made possible by its robust approach to managing finances which incorporates an effective corporate framework for financial planning, financial management and control. The Council's Medium Term Financial Plan clearly links to the priorities outlined in the Corporate Plan to ensure they are financially viable and that the MTFP is closely aligned with the business planning cycle.

The Council has a proactive, holistic approach to tackling fraud, bribery, theft, corruption and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively and sustainably. A new policy has been agreed during 2018/2019.

**Principle G –  
Implementing  
good practices in  
transparency,  
reporting, and  
audit, to deliver  
effective  
accountability**

The Council remains committed to implementing good practices in transparency, reporting and audit to deliver effective accountability. This is demonstrated by:

- Mechanisms which are in place for reporting progress against key regulatory recommendations / improvement proposals via the Audit Committee, all Scrutiny committees and Cabinet.
- All Committees have clear Terms of Reference and work programme;
- Procedures are in place for sign-off of Cabinet Reports ensuring legal and financial implications have been appropriately assessed and are consistent with corporate policy.

One of the most significant documents produced by the Council demonstrating effective accountability and transparency is the Annual Self-Assessment. During the latter part of 2018/19, the Council undertook another Self-Assessment process and this is documented in the Annual Report 2017/18 which was published in October 2018. It presents a position statement on the Council's performance over the past year in delivering the Council's priorities in relation to the Corporate Plan. The challenges and achievements from the Annual Report are used to identify the actions required to be undertaken in future years and progressed through the service plans. The "forward-looking" element of this is documented in the 2019/20 Well-being Objectives and Improvement Plan Part 1 which (along with service plans and associated targets) was published in April 2019 and has been used extensively to inform this Annual Governance Statement.

The Council reports at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way.

The Council's Internal Audit Section undertakes an annual review of the governance framework and this feeds into the Annual Governance Statement and the Head of Audit's annual opinion. The Head of Audit provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance. This is carried out by an in-house Internal Audit Section, which, during 2018/2019, is part of a formal shared service with Bridgend County Borough Council under a partnership agreement with the Vale of Glamorgan Council as the Host Authority and in conformance with the Public Sector Internal Audit Standards. Due to resource issues during 2018/19 it has been necessary for the shared service to commission additional support from an external provider in order to contribute in part to the delivery of the Council's annual risk based audit plan.



**Principle G –  
Implementing  
good practices in  
transparency,  
reporting, and  
audit, to deliver  
effective  
accountability**

In accordance with the Public Sector Internal Audit Standards, the Shared Service was externally assessed in January 2017 which is within the required five year period. The assessment was undertaken by an external assessor, rather than by peer review, with the assessor concluding that **“I identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. All auditees and statutory officers were positive in their responses and understanding of the audit process and the value it added.** A number of recommendations were made along with a number of suggestions for improvement. The outcome of the assessment has been reported to both Councils Audit Committees and all the recommendations have been implemented. Update reports have been presented to both Audit Committees during 2018/19.

The Council responds to the findings and recommendations of Internal Audit, External Audit and other inspection bodies. The Audit Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.

**Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of the effectiveness is informed by the work of Internal Audit and Chief Officers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

The review of effectiveness is informed by:

- ✓ The Annual Internal Audit Assurance opinion, as provided by the Bridgend and Vale Internal Audit Shared Service
- ✓ The Audit Committee provides the focus for reviewing the effectiveness of the system of internal control.
- ✓ The Cabinet (as Executive) is responsible for considering overall financial and performance management and receive comprehensive reports on a regular basis. The Cabinet is also responsible for the decisions and for initiating corrective action in relation to risk and internal control issues.
- ✓ The Scrutiny function which holds the Cabinet to account.

The Council's Senior Managers, together with Head Teachers and Chairs of Governors have completed assurance statements for each of their areas of control, acknowledging responsibility for risk management and internal control, and identifying any significant governance issues if appropriate.

The Council's Monitoring Officer has a legal responsibility to look into matter of potential unlawfulness within the Council.

The Standards Committee has monitored standards of conduct

In 2018/2019 the Council received 424 complaints, 56% were dealt with within corporate target timescales. The number of complaints being resolved at Stage 1 was 92.9% and 7.1% at Stage 2.

The Performance Framework has operated effectively during the year. Monitoring of key areas of performance has been regularly provided to Cabinet.

**Review of Effectiveness**

In relation to Corporate Health, the Council continues to perform well in the context of supporting Council services in the delivery of the Corporate Plan Well-being Outcomes. The improved approach to Integrated Planning, via the fully established Insight Board, is enabling services to effectively deliver transformational change in line with the Reshaping Services agenda and the Council's duties under the Well-being of Future Generations Act. Integrated Planning enables the Council to take a more holistic approach to their corporate planning arrangements that include risk management, financial management, workforce planning, performance management and information management. The Council has developed a robust approach to collaborative working, has a successful track record of delivering a balance budget and generally performing well in performance indicators across all service areas.

During the latter part of 2017/18 an Annual Self-Assessment of the Council's performance over the past year in delivering the Council's priorities relating to the Corporate Plan was undertaken as part of the Annual Report 2017/18. Similar to last year, the Self-Assessment process is supported by individual service-based self-assessments/profiles covering all Council services. This Annual Report is a fundamental document and a key source of information supporting this Annual Governance Statement

The Council is dedicated to ensuring that its resources are utilised in the most effective and efficient manner whilst delivering continuous improvement. The Council introduced a five year strategy for transformational change called "Reshaping Services". Through effective management of the Council's Reshaping Services Programme, transformational change is being delivered in line with the Council's corporate Well-being outcomes and duties under the WCFG Act. In the recent budget and public opinion surveys, 87% of a representative sample of Vale residents stated that they were satisfied with Council services. 86% of the savings associated with the programme were achieved during 2017/18. As at quarter 3 of 2018/19, reshaping projects were forecasting to deliver a saving of £5.574m against the year's target of £6.389m (89%). A green performance status was reported to the Reshaping Programme Board in April 2019 for programme management, organisational development and communications and engagement.

**Review of Effectiveness**

**Insight Board**  
considers corporate priorities outlined in the Corporate Plan including:  
Financial Planning;  
Workforce planning,  
Partnership & collaborations;  
Communication;  
Risk and Asset Management, and Governance.

**Working Groups / Projects**  
Staff Engagement Forum;  
Information Governance Group;  
Space Project;  
Income Generation;  
Digital Champions Programme;  
Housing Forums;

**Governance**  
The Code of Corporate Governance has been updated to reflect the Delivering Good Governance in Local Government Framework 2016.

**Key Developments**  
Implementation of the Management Competency Framework;  
Revised staff appraisal #itsaboutme;  
New report formats designed to make it easier to assess overall progress in each Well-being objective.

During the year, core financial and administrative systems were reviewed by Internal Audit either through specific reviews (e.g. Council Tax, Treasury Management etc.) or generally in the reviews undertaken in respect of directorate systems. Due to the resourcing issues within the Internal Audit Shared Service, audit work was also commissioned from the South West Audit Partnership (SWAP) who undertook a number of specific review, primarily within Social Services.

**Review of Effectiveness**

The Council's External Auditors have advised that their work for the 2018/19 Financial Year is well on track and that they have completed the majority of their planning work and interim testing. This includes:

- A high level assurance of the financial systems and the wider control environment – this work is designed to detect any material risk to the accounts;
- Testing of the income and expenditure transactions made by the Council during 2018/19.

Whilst their work is continuing, to-date, there are no significant issues arising from their work.

In addition, the Managing Director, each of the Corporate Directors, the Monitoring Officer and the Council's Section 151 Officer have completed an Annual Assurance Statement for 2018/19, as have Head Teachers and Chairs of Governors. All their responses have been taken into account when forming the Head of Audit's annual opinion. Furthermore, the detailed Council's Annual Self-Assessment dated March 2019 has been a key reference document to support the assurance statement.

In January 2017, as required by the Public Sector Internal Audit Standards, an external assessment was undertaken on the Bridgend and Vale Internal Audit Shared Service. The outcome of which was positive with the results reported to both Councils and their Corporate Management. All recommendations for improvement have been implemented.

**Code of Corporate Governance (COCG)**

The Council's COCG has been reviewed, amended and approved to reflect the 2016 Governance Framework.

**Statement of Accounts 2017/18**

In September 2018, the Council's External Auditor (WAO) provided the Council with an unqualified opinion on the Council's accounts within their Annual Audit and Inspection Letter.

**AGS 2017/18**

In the 2017/18 Annual Governance Statement a significant amount of work was undertaken by Internal Audit during 2017/18 to address the significant governance issue identified in 2015/16. This governance issue has now been addressed.

Based on the assurance, work undertaken by Internal Audit, the Operational Manager – Audit as the Head of Audit has provided an overall reasonable assurance opinion on the adequacy and effectiveness of the Council's control environment.

**Review  
Effectiveness** of

The Head of Audit's annual opinion report was present to the Council's Audit Committee on 30<sup>th</sup> April 2019. The Head of Audit provided an overall opinion of reasonable assurance on the Council's control environment this has been based on the work undertaken during the year by Internal Audit supported by the external provider (South West Audit Partnership), the responses to the Annual Assurance Statements completed by Corporate Management Team for 2018/19, the Annual Assurance Statements completed by Head Teachers and Chairs of Governors and the detail as contained within the Council's Annual Self-Assessment. Whilst it is recognised that the number of days planned for were not all delivered it did not prevent the Head of Audit from providing an overall opinion.

Of the opinions given by Internal Audit during 2018/19, 86% were closed with either a substantial or reasonable assurance level, and 14% were given an opinion of limited assurance due to weaknesses in the internal control environment. The areas where control issues were identified during the year have tended to relate to specific service areas rather than an across the board breakdown in controls. The relevant managers have agreed with and are working toward implementing the recommendations made to address the weaknesses identified and where appropriate have been included in the Council's Corporate Risk Register. Internal Audit will follow up on these issues during 2019-20 to ensure that significant progress is being made.

As well as financial work, the WAO also completed performance audits on various services of the Council. These provide useful and timely feedback to the Council through which an action plan is agreed with the WAO for any matters to be addressed.

**Significant  
Governance  
Issues**

One of the main issues raised and highlighted over the last few years has been the ability of the Council to carry on meeting its service objectives and delivering positive outcomes for its customers and clients in the light of continued reductions in Welsh Government Funding. The Council recognises that it is facing unprecedented challenges with continuing year on year reductions in Council funding and the impact this has on the services delivered. At the same time the Council is dealing with increasing expectations and demands on services. The Council has already identified approaching £55 million in savings since 2010 yet, the challenges continue. With diminishing funding impacting on how the Council delivers its services, embarking on an ambitious programme of transformational change makes planning for the future difficult. The Council addressed this by undertaking regular Budget reviews and putting in place a financial strategy for the Council which presently runs until 2020/21. The purpose of this is to ensure:

- A sustainable budget is achieved within predicted funding levels;
- The budget is aligned to the Council's priorities as set out in the Corporate Plan;
- Best value for money is being obtained, i.e. identifying efficiency savings, opportunities for income generation and better use of external grants; and
- Collaborative initiatives and options for alternative service delivery are considered.

Separate financial strategies have been established for funding education and schools, social services and other services having regard to the relative risks and priorities of each. In total over the next 2 years to 2020-21 savings of **£14m** minimum will need to be achieved. In accordance with the financial strategies agreed, savings targets together with areas for savings have been identified. In addition, the Council continues its Reshaping Services programme in order to fundamentally review the need for and methods of service delivery across all Council services.

The impact of delivering the further programme of savings will be substantial, impacting on all areas of the business and is predicated on a range of reasonable but ambitious assumptions. There has been extensive planning and ongoing consultation on the budget proposals and efficiency targets have been set out in directorate plans and encompassed within the Council's Reshaping Services programme. Whilst the Council is well placed to respond to this challenge, and the Section 151 Officer is of the opinion that the savings whilst extremely challenging are achievable, the scale and pace of required change continues to remain a fundamental risk.

**Significant  
Governance  
Issues**

A significant issue for the Internal Audit Service has been the continuing lack of resources and the impact this has had on delivering the 2018/2019 risk based audit plan. With the support of South West Audit Partnership this shortfall was addressed.

The new Regional Service was established in April 2019 and this will start to address the short comings, although the level of vacancies has been carried into the new service therefore some latitude will be required during 2019/2020 to facilitate this transitional period.

During the year a number of reviews were completed in social service. This was the first time that audit had undertaken work within the service and a number of concerns were raised. In particular these related to the new client management system, the process for recording and dealing with complaints and the process for recording and managing financial commitments relating to community care commitments. The findings of these reports have been shared and discussed with management with social services and plans are in place to address the reported shortcomings these will be the subject of further audit work in 2019/2020.

The Council underwent a period of political change at the end of 2018/2019 which resulted in a change in overall administration. A new Leader and Cabinet was put in place at the AGM on 20<sup>th</sup> May 2019 and the first meeting of the new Cabinet will take place on 17<sup>th</sup> June.

Notwithstanding the above issues, Internal Audit is very mindful of the fact that in a Council of this size and complexity, with its significant savings requirements, there is an inherent risk of breakdown in the systems of control particularly where roles, responsibilities and systems are changing. As the Council continues to experience reduced resources, increased demands on services and new and innovative forms of service delivery there is a need to ensure that the Council's control environment remains robust, proportionate and as efficient and effective as possible.



**Approval of the  
Annual  
Governance  
Statement  
2018-19**

Good governance is about running things properly. It is the means by which the Council shows it is taking decisions for the good of the people of the area, in a fair, equitable and open way. It also requires standards of behaviour that support good decision making – collective and individual integrity, openness and honesty. It is the foundation for the delivery of good quality services that meet all local people’s needs. It is fundamental to showing public money is well spent. Without good governance councils will struggle to improve services.

From the review, assessment and on-going monitoring work undertaken and supported by the ongoing work of Internal Audit, we have reached the opinion that, overall key systems are operating soundly and that there are no fundamental control weaknesses.

We can confirm to the best of our knowledge and belief, and there having been appropriate enquiries made, and this statement provides an accurate and fair view.

D.R. Thomas  
*Managing Director*  
Date:

N. Moore  
*Leader of the Council*  
Date: