



Vale of Glamorgan County Borough Council

Statement of Accounts 2015/16 Year Ended 31st March 2016

Narrative Report	1
Statement of Accounting Policies	10
Statement of Responsibilities for the Statement of Accounts	23
Auditor General for Wales' report to the Members of Vale of Glamorgan Council.....	24
Movement in Reserves Statement 2014-15.....	26
Movement in Reserves Statement 2015-16.....	27
Comprehensive Income and Expenditure Statement	28
Balance Sheet as at 31 st March 2016.....	29
Cash Flow Statement	30
Notes to the Financial Statements.....	31
The Housing Revenue Account.....	80
Trust Funds	85
Annual Governance Statement 2015/16.....	86

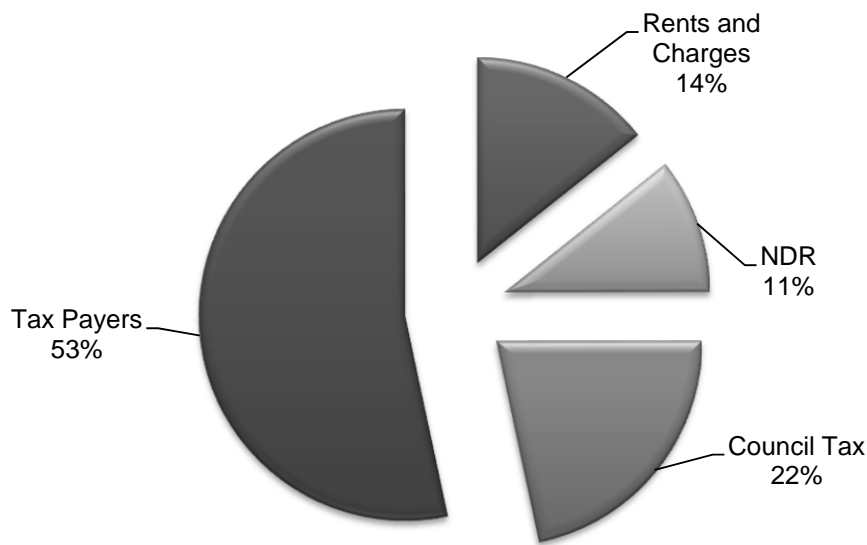
Narrative Report

The Vale of Glamorgan Council is a Welsh Unitary Authority and was created on 1st 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.

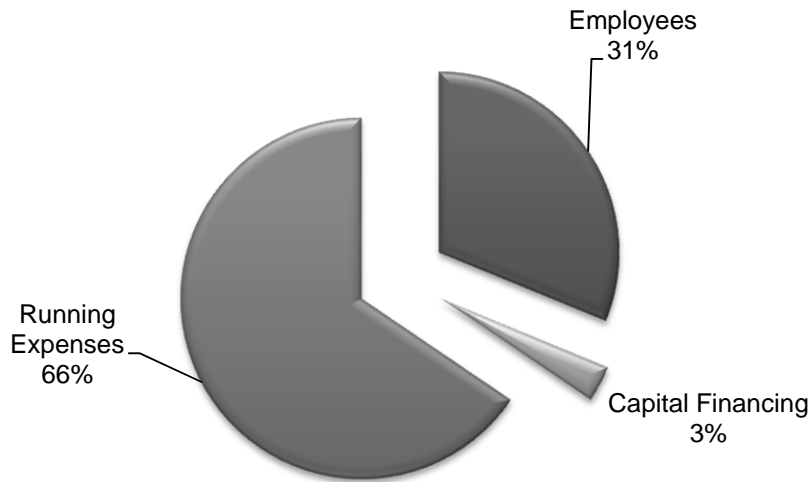
The narrative report provides insight into the Council's funding and expenditure during the year and key financial issues.

Where the money comes from:



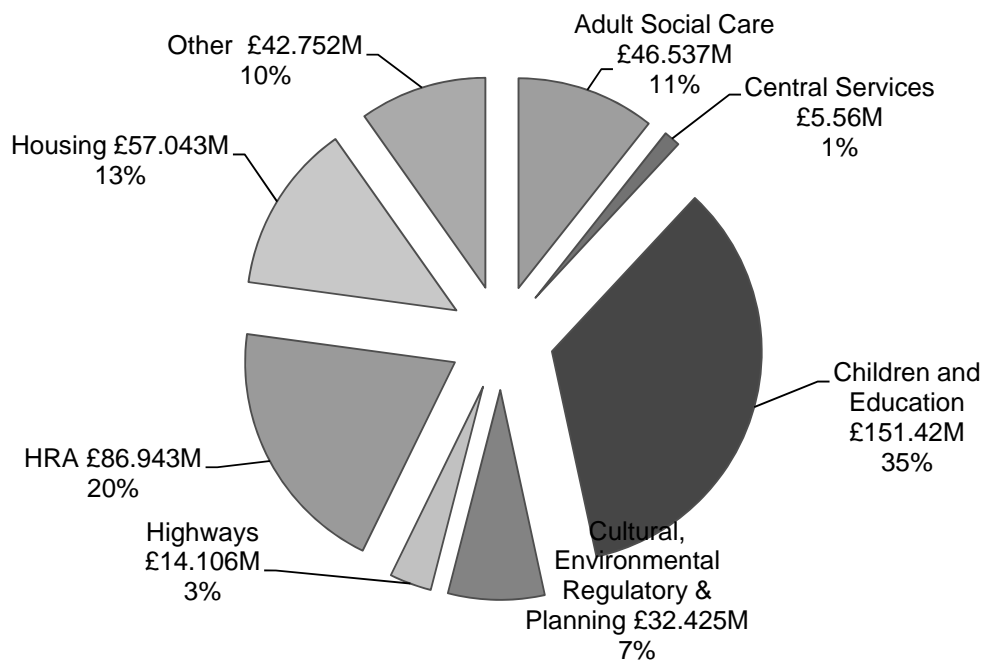
The largest source of income is Government grant (Tax Payer) which provides 53% of the total, 14% comes from the services the Council provides through rents, fees and charges. Council Tax accounts for 22% of the total income.

Vale of Glamorgan County Borough Council
 What the money is spent on:



Running Expenses such as maintaining buildings, operating vehicles and purchase of supplies and services take up over half of the total expenditure. Employees account for 31% of the total. Financing charges are mainly the payments of principal and interest on loans.

Gross Cost of Provision of Services:



Some 35% of the gross cost of services is on Children’s and Education services; a further 33% is spent on Housing (20% HRA and 13% General Fund Housing).

Vale of Glamorgan County Borough Council

Summary of Financial Performance

The financial position for the Council is regularly reported to Cabinet and Scrutiny Committees during the year. The Closure of Accounts report for 2015/16 can be accessed on the Council website [Closure of Accounts 2015/16](#).

The Welsh Government determined the Council's standard spending assessment for 2015/16 as £212.717M upon which revenue support grant is calculated.

The main component of the Budget for 2015/16 and how these compare with the amount to be met from Government Grant and Local Taxpayers are set out below:

	Original Budget £'000	Actual £'000	Variance £'000
Final net Revenue Expenditure after all necessary adjustments	214,855	216,811	(1,956)
The Police and Crime Commissioner for South Wales	11,188	11,188	0
Community Council Precepts	2,368	2,368	0
Revenue Support Grant	(116,184)	(116,184)	0
National Non Domestic Rate	(36,297)	(36,297)	0
Council Tax	(73,430)	(75,417)	1,987
(Increase) / Decrease in Council Fund Balance for the Year	2,500	2,469	31

After transfers to and from reserves the Council was £31k underspent at year end. It was the intention that £2.5M of the Council Fund was to be used in 2015/16 however £2.469M was actually used to fund expenditure in the year and therefore the fund stands at £10.072M as at 31st March 2016.

The Council had to manage a 3.4% reduction in Welsh Government funding during 2015/16. As a consequence, a savings target of £6.8M was set for the year and services were able to find actual savings to the value of £7.15M. This is due to some savings relating to 2016/17 being achieved ahead of target, such as the early implementation of the Prosiect Gwyrdd contract which provided considerable savings for the waste disposal budget.

The 2016/17 budget of £213.288M was approved by Council on 2nd March 2016 and included a further 2.14% reduction in Welsh Government funding, after adjustment for transfers in and out. A briefly summary is shown below;

	£000's
Revenue Support Grant	112,506
National Non Domestic Rate	37,942
Council Tax	62,840
Total	213,288

The full report can be accessed on the Council website; [Final Revenue Budget 2016-17](#).

Housing Revenue Account (HRA)

The Council has retained its housing stock and as at 31st March 2016 had 3,926 dwellings. The 2015/16 HRA had a deficit of £408k, which resulted in the working balance closing at a surplus of £1.468M. The Council's latest Housing Business Plan, which incorporates a detailed financial forecast in the form of a 30 year financial model, was approved by Cabinet on 22nd February 2016. The Council has invested large sums in its housing stock over recent years and is aiming for all its dwellings to reach Welsh Housing Quality Standard during 2017.

Capital Expenditure

In 2015/16 the Council spent £108M on capital.

Capital expenditure was incurred on services as shown below:

Expenditure Incurred on Services	£'000	£'000
Education & Schools	16,594	
Libraries	32	
Catering	97	
Total Learning & Skills		16,723
Children Services	198	
Adult Services	148	
Total Social Services		346
Environment and Visible Services	806	
Transportation	3,695	
Public Sector Housing	79,219	
Leisure Services	1,038	
Total Environment and Housing Services		84,758
Resources	1,158	
Regeneration and Planning	3,071	
Private Sector Housing	2,288	
Total Managing Director and Resources		6,517
Total Capital Expenditure 2015/16		108,344

Major capital expenditure incurred in the year related to the Penarth Learning Community (£3M), the Llantwit Major Learning Community (£5.6M), the Council Housing Improvement Programme (£16M) and the buyout out from the Council House Subsidy system (£63M).

Vale of Glamorgan County Borough Council

The 2015/16 capital programme was financed from a variety of sources as detailed in the following table:

Capital Expenditure Financed By :	
Loans	72,247
Capital Receipts	1,519
Other Receipts:	
General Capital Funding Grant	2,068
Revenue	15,995
WG Grants	13,720
Other Grants/contributions	2,795
Total Capital Expenditure 2015/16	108,344

The Council's assets at the 31 March 2016 have a book value of approximately £605M.

The 2016/17 Capital Programme was approved by Council on 2nd March 2016 and amounted to £69.235M gross of external grants and is briefly summarised below;

	2016/17 Net	2016/17 Gross
	£000's	£000's
Learning and Skills	12,450	17,654
Social Services	839	839
Environment and Housing	30,948	36,082
Managing Director and Resources	7,078	14,660
Total Capital Programme	51,315	69,235

The full report can be accessed on the Council Website; [Final Capital Proposals 2016/17 to 2020/21.](#)

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 2015/16 was £229M. The actual external borrowing as at 31 March 2016 was £160.808M as shown below and in the balance sheet.

The external debt was made up of the following:

	31 March 2015	31 March 2016
Source of Loan	£'000	£'000
Public Works Loan Board	91,528	152,465
Long Term Loans	6,134	6,133
Other	102	2,210
Total	97,764	160,808

Vale of Glamorgan County Borough Council

The Authority before the commencement of the 2015/16 financial year approved the Treasury Management Strategy /Policy Statement which deals with the treasury functions of the Authority. The report was approved by Council on 4th March 2015 and can be accessed on the Council Website; [Treasury Management](#)

Housing Revenue Account Subsidy Buyout

The Welsh Government and the eleven stock retaining local housing authorities agreed a process in which they could exit from the Housing Revenue Account Subsidy (HRAS) system. The principle for Local Authorities buying themselves out of the system was that “every stock retaining authority should be better off than the current position”. This included not only the financial benefits from exiting HRAS but also the benefits of becoming self-financing. On 2nd April 2015 as part of the agreed buyout process, a Public Works Loan Board loan of £63.156 million was drawn down and subsequently paid over to WG on behalf of HM Treasury. Funding is received from Welsh Government to support the finance charges of the loan.

Highways Network Asset Valuation

In 2016/17 the calculation of the Highways Network Asset, which is currently valued based on historic cost as part of the wider Infrastructure non current Asset category, will move to being valued on a Depreciated Replacement Cost (DRC) basis. As a result of this change the value of this asset will increase significantly. At 31st March 2015 it was estimated that the DRC value of this asset was approximately £1,807M, work is currently being undertaken to update these figures as at 31st March 2016 as part of the Whole of Government Accounts process.

Joint Committees and Joint Arrangements

During the 2015/16 financial year the Council became Host Authority for two new Joint Committees the Shared Regulatory Service commencing on 1st May 2015 and the Vale, Valleys & Cardiff Adoption Collaborative Service which commenced on 1st 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 has a number of pooled budgets and shared services.

Impact of the Current Economic Climate

The financial pressures on the Authority including low investment income rates, continued during 2015/16. The outcome of the EU Referendum will also have an impact on the Economic Climate. The Authority considers that it has sufficient balances and reserves; however they will be put under pressure from continued austerity measures.

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 14th December 2015 which can be accessed on the Council Website; [Reshaping Services Programme Update](#)

Vale of Glamorgan County Borough Council

The Pension Liability

The value of the pension liability in 2015/16 is £181,506k. This value is based on a number of actuarial assumptions, and will fluctuate between years.

Looking Forward

The budget for 2016/17 is extremely challenging with savings of £9.3M to be implemented. Legislative changes such as the introduction of the Social Services and Well-Being (Wales) Act 2014 and the National Living Wage have put increased pressure of Social Services and are in addition to the existing pressures from increased demographic growth due to an ageing population. Legislation changes to the Waste agenda as well as Housing Services will also need to be monitored.

It is anticipated that future year's settlements from Welsh Government will continue to decrease and additional savings will need to be identified. This will be assessed as part of the Medium Term Financial Plan which will be updated during the coming year. The Council has published its new Corporate Plan 2016-20 and consideration is given to its corporate priorities, through the 4 well-being outcomes. These outcomes demonstrate the Council's commitment 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.

The budget and achievement of savings targets for the coming year will therefore be closely monitored to ensure a balanced budget is achieved.

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.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into "useable 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

Vale of Glamorgan County Borough Council

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 charge 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 and this may be different from the accounting cost. The taxation position is shown in the 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 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 financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

Vale of Glamorgan County Borough Council
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 Accounting Policies

1. Accounting Policies

The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 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 2015/16 and the Service Reporting Code of Practice 2015/16 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance. The accounts are prepared on a Going Concern basis.

2. 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 2015/16 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.

3. Cash and Cash Equivalents

Cash and cash equivalents is represented by cash in hand, current account balances, deposits that have been invested over night on the last working day in March and any instant access investment accounts.

4. 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.

5. 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 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.

6. 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 31st March 2016 has been updated during the audit period to exclude 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

Vale of Glamorgan County Borough Council

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.

7. 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.

8. 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:

Vale of Glamorgan County Borough Council

- 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. Jointly Controlled Operations

Joint operations are arrangements undertaken by the Council in conjunction with other ventures that the use of 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.

14. 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.

15. Overheads and Support Services

The full cost of overheads and support services are charged in the Comprehensive Income and Expenditure Statement as part of net expenditure.

16. 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:

Vale of Glamorgan County Borough Council

- 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.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is not added to non-current assets in the Balance Sheet but is charged as an expense as it is incurred. This entry is then reversed out to the Capital Adjustment Account to ensure there is no impact on Council Tax levels.

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 bases:

Vale of Glamorgan County Borough Council

- 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.

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.

17. 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;

Vale of Glamorgan County Borough Council

- 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.

18. 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 21 to the Balance Sheet.

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

Vale of Glamorgan County Borough Council

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.

19. 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 8 to the Balance Sheet.

20. 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 £65.789 million (£63.156 million of which is the payment for the Housing Revenue Account Subsidy Buyout). 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.

21. 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 its 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.

22. 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.

23. Critical Judgements in Applying Accounting Policies

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

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

24. 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 2016 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.

Provisions

Provisions are included in the accounts for Equal Pay and 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.

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 31st March 2016 for the Council's financial assets and liabilities have been provided by the Council's Treasury Management advisor Arlingclose Ltd. Disclosure note 17 sets out the fair values for the Authority's financial assets and liabilities as at 31st March 2016.

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 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: Councillor Stuart Egan

Date: 28th September 2016

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 terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, the Statement of Accounts is required to give a true and fair view of the financial position of the organisation at the accounting date and its income and expenditure for the period ended 31st March 2016.

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 Code.

The Head of Finance has also throughout the financial year:

- Maintained proper accounting records that were kept 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 2016 and its income and expenditure for the period then ended.

Signature: Carys Lord

Date: 28th September 2016

Head of Finance/Section 151 Officer

Auditor General for Wales' report to the Members of Vale of Glamorgan Council

I have audited the accounting statements and related notes of Vale of Glamorgan Council for the year ended 31 March 2016 under the Public Audit (Wales) Act 2004.

Vale of Glamorgan Council's accounting 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.

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 2015-16 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 23, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

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

Scope of the audit of the accounting statements

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

In addition, I read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited accounting statements and related notes 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.

Opinion on the accounting statements of Vale of Glamorgan Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Vale of Glamorgan Council as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

Opinion on other matters

In my opinion, the information contained in the Narrative Report is consistent with the accounting statements and related notes.

Matters on which I report by exception

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

- adequate accounting records have not been kept;
- the accounting 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;
- the Governance Statement does not reflect compliance with guidance.

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.

Anthony Barrett

For and on behalf of Huw
Vaughan Thomas
Auditor General for Wales

24 Cathedral Road

Cardiff

CF11 9LJ

September 2016

Movement in Reserves Statement 2014-15

This statement shows the movement in the year on the different reserves held by the Authority, analysed into “useable 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 pages 7-8.

Movement in Reserves Statement Restated	Notes	Council Fund Balance	Earmarked General Fund 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
Balance as at 31st March 2014		13,960	60,317	6,406	14,780	357	95,820	306,177	401,997
Movement in Reserves during 2014/15									
Surplus/(deficit) on the provision of services		7,803	0	7,419	0	0	15,222	0	15,222
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	(29,577)	(29,577)
Total Comprehensive Income and Expenditure		7,803	0	7,419	0	0	15,222	(29,577)	(14,355)
Adjustments between accounting basis and funding basis under regulations	7	(5,769)	0	(11,949)	1,439	(124)	(16,403)	16,403	0
Net Increase/(decrease) before transfers to Earmarked Reserves		2,034	0	(4,530)	1,439	(124)	(1,181)	(13,174)	(14,355)
Transfers to/(from) Earmarked Reserves	8	(3,453)	3,453	0	0	0	0	0	0
Increase/(Decrease) in 2014/15		(1,419)	3,453	(4,530)	1,439	(124)	(1,181)	(13,174)	(14,355)
Balance as at 31st March 2015		12,541	63,770	1,876	16,219	233	94,639	293,003	387,642
Joint Committee Adjustments 14/15		0	115	0	0	0	115	(787)	(672)
Restated Balance at 31st March 2015		12,541	63,885	1,876	16,219	233	94,754	292,216	386,970

Movement in Reserves Statement 2015-16

Movement in Reserves Statement	Notes	Council Fund Balance	Earmarked General Fund 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
Opening Balance 1st April 2015		12,541	63,885	1,876	16,219	233	94,754	292,216	386,970
Movement in Reserves during 2015/16									
Surplus /(deficit) on the provision of services		(260)	0	(49,829)	0	0	(50,089)	0	(50,089)
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	(13,989)	(13,989)
Total Comprehensive Income and Expenditure		(260)	0	(49,829)	0	0	(50,089)	(13,989)	(64,078)
Adjustments between accounting basis and funding basis under regulations	6	2,401	0	49,421	673	(54)	52,441	(52,441)	0
Net increase/(decrease) before transfers to Earmarked Reserves		2,141	0	(408)	673	(54)	2,352	(66,430)	(64,078)
Transfers to/(from) Earmarked Reserves	8	(4,610)	4,610	0	0	0	0	0	0
Increase/(Decrease) in 2015/16		(2,469)	4,610	(408)	673	(54)	2,352	(66,430)	(64,078)
Balance at 31st March 2016		10,072	68,495	1,468	16,892	179	97,106	225,786	322,892

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 pages 7-8.

2014/15	2014/15	2014/15		Note	2015/16	2015/16	2015/16
Gross Expt.	Income	Net Expt.			Gross Expt.	Income	Net Expt.
£,000	£,000	£,000	Expenditure on Services		£,000	£,000	£,000
44,583	7,857	36,726	Adult social care		46,462	8,078	38,384
3,435	1,621	1,814	Central services to the public		5,560	2,386	3,174
147,398	32,546	114,852	Children's and education services		151,254	32,901	118,353
16,626	2,631	13,995	Cultural and related services		11,663	1,690	9,973
17,165	5,456	11,709	Environmental and regulatory services		16,269	5,741	10,528
6,498	4,188	2,310	Planning services		4,234	2,441	1,793
19,527	9,509	10,018	Highways and transport services		14,104	3,988	10,116
13,078	17,358	(4,280)	Local authority housing (HRA)		7,683	18,541	(10,858)
57,106	46,241	10,865	Other housing services		57,043	45,242	11,801
5,824	3,799	2,025	Corporate and democratic core		3,642	3,431	211
28	0	28	Non distributed costs		2,131	0	2,131
			Exceptional Items				
0	0	0	HRA Subsidy Buyout		63,156	0	63,156
331,268	131,206	200,062	Cost of Services		383,201	124,439	258,762
19,888	2,269	17,619	Other operating expenditure	9	23,376	0	23,376
12,183	585	11,598	Financing and investment income and expenditure	10	13,549	658	12,891
0	244,501	(244,501)	Taxation and non-specific grant income	11	0	244,940	(244,940)
363,339	378,561	(15,222)	(Surplus) or Deficit on the Provision of Services		420,126	370,037	50,089
		(7,310)	Deficit on revaluation of Property, Plant and Equipment	12			6,149
		19,747	Impairment losses on non-current assets charged to the Revaluation Reserve	12			16,570
		17,140	Remeasurements of the net defined benefit liability/(asset)	37			(6,910)
		0	Transfer out of the net defined benefit liability/(asset)	37			(1,820)
		29,577	Other Comprehensive Income and Expenditure				13,989
		14,355	Total Comprehensive Income and Expenditure				64,078

Balance Sheet as at 31st March 2016

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 pages 7-8 of this report.

31 March 2015	31 March 2015 Restated		Notes	31 March 2016
£,000	£'000			£,000
598,898	598,898	Property, Plant and Equipment	12	595,853
505	505	Intangible Assets	16	563
3	3	Long Term Investments	17	2
105	178	Long Term Debtors	17	219
599,511	599,584	Long Term Assets		596,637
76,165	76,165	Short Term Investment	17	70,041
6,179	6,179	Assets Held for Sale	14	5,261
327	327	Inventories		321
24,741	24,779	Short Term Debtors	18	27,745
5,072	5,076	Cash and Cash Equivalents	19	6,687
112,484	112,526	Current Assets		110,055
0	0	Cash and Cash Equivalents (Overdraft)		0
3,593	3,593	Short Term Borrowing	17	3,584
32,890	32,900	Short Term Creditors	20	31,105
3,995	3,995	Provisions (Short Term)	21	3,052
1,423	1,423	Grants Receipts in Advance – Capital	31	2,297
41,901	41,911	Current Liabilities		40,038
1,215	1,215	Provisions (Long Term)	21	542
94,171	94,806	Long Term Borrowing	17	157,225
183,970	184,112	Other Long Term Liabilities (Pensions)	37	181,506
3,096	3,096	Grants Receipts in Advance - Capital (Long Term)	31	4,489
282,452	283,229	Long Term Liabilities		343,762
387,642	386,970	Net Assets		322,892
94,639	94,754	Usable Reserves	22	97,106
293,003	292,216	Unusable Reserves	23	225,786
387,642	386,970	Total Reserves		322,892

The Council's share of Joint Committees Income and Expenditure have been included in 2015/16 Accounts. As a number of these Committees have been in operation prior to 2015/16 the 2014/15 Balance Sheet has been restated (above) to include the opening balances.

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 pages 7-8 of this report.

31 March 2015		Notes	31 March 2016
Restated			
£,000			£,000
15,222	Net surplus or (deficit) on the provision of services		(50,089)
24,424	Adjustments to net surplus or deficit on the provision of services for non-cash movements	24	24,445
(22,730)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	(20,831)
16,916	Net cash flows from Operating Activities		(46,475)
(9,885)	Investing Activities	25	(16,288)
2,523	Financing Activities	26	64,374
9,554	Net increase or decrease in cash and cash equivalents		1,611
(4,482)	Cash and cash equivalents at the beginning of the reporting period		5,076
4	Joint Committee Adjustments 2014/15		0
5,076	Cash and cash equivalents at the end of the reporting period	19	6,687

Notes to the Financial Statements

1. Revenue Support Grant

The amount of Revenue Support Grant recorded as income is based on the Council's latest available information. No material adjustment is likely to arise on the final settlement for 2015/16 entitlements.

2. 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 (£11.188M) and Town and Community Councils (£2.368M) 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 2015/16.

This basic amount for a band D property (£1,069.56 in 2015/16) 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	1,369
Band B	0.78	6,040
Band C	0.89	13,197
Band D	1.00	10,780
Band E	1.22	9,544
Band F	1.44	6,744
Band G	1.67	5,234
Band H	2.00	2,146
Band I	2.33	1,000
		56,054

Council Tax collectable in 2015/16 can be calculated as ;

	2014/15	2015/16
	£000	£000
Council Tax Collectable	71,615	75,242
Provision for non payment of Council Tax	0	175
Amount Due From Taxpayers Before Rebates	71,615	75,417
Allocated to:		
South Wales Police Precept	10,482	11,188
Vale of Glamorgan County Council	58,880	61,861
Town and Community Councils Precepts	2,253	2,368
Total	71,615	75,417

3. 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 (48.2p in 2015/16 and 47.3p in 2014/15); 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.

The NNDR income raised, after reliefs etc. was £38,933,565 for 2015/16 (£37,124,206 in 2014/15) and was based on Year end rateable value for both 2014/15 at 31/03/15 being £96,308,881 and 2015/16 at 31/03/16 being £96,830,705.

Other than that shown below the Authority does not provide any other goods and services to other public bodies under the Local Authority Goods and Services Act 1970.

The Authority collects water rates from Council tenants for Dwr Cymru. In 2015/16 we collected £1,831,000 (£1,879,000 in 2014/15) and earned a commission of £262,000 (£237,000 in 2014/15) which benefited our Council Fund.

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

Accounting Standards are subject to continual review by the International Accounting Standards Board and when changes are agreed, included in updates of the Accountancy Code of Practice.

For 2015/16, the accounting policy changes that need to be reported relate to:

- Amendments to IAS 19 *Employee Benefits* (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2011 – 2013 Cycle
- Amendment to IFRS 11 *Joint Arrangements* (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012 – 2014 Cycle (see Appendix B of the ITC on the 2016/17 Code for further details)
- Amendment to IAS 1 *Presentation of Financial Statements* (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis

Implementation of the above will not be required until 1 April 2016. The impact on the Authority's accounts is not known or reasonably estimable at this time.

5. Events after the Balance Sheet Date

The unaudited statement of accounts was authorised for issue by the Head of Finance (Section 151 Officer) on 28th September 2016. 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.

6. Adjustments between Accounting Basis and Funding Basis under Regulations

Adjustments between Accounting Basis and Funding Basis under Regulations 2015/16	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapp	Mvmt in Unusable Reserves
Adjustments to Revenue Resources					
Amounts by which the income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements					
Reversal of items relating to retirement benefits debited or credited to the CIES	20,606	303	0	0	(20,909)
Employers pension contributions and direct payments to pensions payable in the year	(14,595)	(189)	0	0	14,784
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	104	0	0	0	(104)
Holiday pay (transfers to the Accumulated Absences Reserve)	(518)	(1)	0	0	519
Charges written off in relation to Housing Depreciation	0	(1,484)	0	0	1,484
Charges for Depreciation/Impairment of non-current assets	14,450	1,168	0	0	(15,618)
Revaluation (surplus)/deficit on Property Plant and Equipment	2,990	0	0	0	(2,990)
Amortisation of intangible assets	116	0	0	0	(116)
Amounts of non-current assets written off on disposal to CIES	5,312	749	0	0	(6,061)
Revenue Expenditure funded from capital under statute	1,147	63,156	0	0	(64,303)
Total Adjustments to Revenue Resources	29,612	63,702	0	0	(93,314)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(882)	(1,386)	2,268	0	0
Administrative costs of the non-current asset disposals (funded by Capital Receipts Reserve)	41	30	(71)	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(4,871)	(1,387)	0	0	6,258
Capital Expenditure financed from revenue balances (transferred to the Capital Adjustment Acc.)	(9,295)	(6,700)	0	0	15,995
Total Adjustments between Revenue and Capital Resources	(15,007)	(9,443)	2,197	0	22,253
Adjustments to Capital Resources					
Use of Capital Receipts Reserve to finance capital expenditure	0	0	(1,537)	0	1,537
Application of capital grants to finance capital expenditure	(12,204)	(4,838)	0	(54)	17,096
Cash payments in relation to deferred capital receipts	0	0	13	0	(13)
Total Adjustments to Capital Resources	(12,204)	(4,838)	(1,524)	(54)	18,620
Total Adjustments	2,401	49,421	673	(54)	(52,441)

7. Adjustments between Accounting Basis and Funding Basis under Regulations

Adjustments between Accounting Basis and Funding Basis under Regulations 2014/15	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapp	Mvmt in Unusable Reserves
Adjustments to Revenue Resources					
Amounts by which the income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements					
Pension costs transferred to(or from) the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the CIES	18,534	266	0	0	(18,800)
Employers pension contributions and direct payments to pensions payable in the year	(13,303)	(167)	0	0	13,470
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(3)	0	0	0	3
Holiday pay (transfers to the Accumulated Absences Reserve)	62	0	0	0	(62)
Charges for depreciation/impairment of non-current assets	11,596	2,004	0	0	(13,600)
Revaluation (surplus)/deficit on Property Plant and Equipment	6,211	0	0	0	(6,211)
Amortisation of intangible assets	40	0	0	0	(40)
Amounts of non-current assets written off on disposal to CIES	1805	679	0	0	(2,484)
Revenue Expenditure funded from capital under statute	679	0	0	0	(679)
Total Adjustments to Revenue Resources	25,621	2,782	0	0	(28,403)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(3,436)	(1,319)	4,755	0	0
Administrative costs of the non-current asset disposals (funded by Capital Receipts Reserve)	0	0	0	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(4,689)	(42)	0	0	4,731
Capital Expenditure financed from revenue balances (transferred to the Capital Adjustment Acc.)	(10,780)	(10,610)	0	0	21,390
Total Adjustments between Revenue and Capital Resources	(18,905)	(11,971)	4,755	0	26,121
Adjustments to Capital Resources					
Use of Capital Receipts Reserve to finance capital expenditure	0	0	(3,278)	0	3,278
Application of capital grants to finance capital expenditure	(12,485)	(2,760)	0	(124)	15,369
Cash payments in relation to deferred capital receipts	0	0	(38)	0	38
Total Adjustments to Capital Resources	(12,485)	(2,760)	(3,316)	(124)	18,685
Total Adjustments	(5,769)	(11,949)	1,439	(124)	16,403

Vale of Glamorgan County Borough Council

8. 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 2015/16.

		31 March 2014	Tfr In	Tfr Out	31 March 2015	Tfr In	Tfr Out	31 March 2016
	Council Fund	£,000	£,000	£,000	£,000	£,000	£,000	£,000
1.	School Reserves - Under Local Government Management of Schools, schools are able to carry forward Surpluses and Deficits. These are committed to be spent on schools and are not available for general use.	3,241	2,188	2,721	2,708	1,441	1,203	2,946
2.	Computer Renewal - This is a fund set aside to meet computer renewals required by the Authority.	4,477	304	409	4,372	586	129	4,829
3.	Donation Fund - Donations received for the Heritage Coast.	39	8	31	16	10	0	26
4.	Capital Fund - This fund will be used for smaller capital schemes.	288	0	0	288	0	0	288
5.	Early Retirement Fund - This represents an amount set aside to meet future costs of early retirement scheme	1,761	70	725	1,106	0	133	973
6.	Project Fund - This fund is to finance future capital projects.	5,431	554	795	5,190	137	466	4,861
7.	Corporate Governance - This reserve has been set aside in respect of the Modernising Local Government Agenda.	338	0	0	338	0	0	338
8.	Repairs and Renewals - This Authority maintains a repairs and renewal fund primarily for the replacement of plant and vehicles.	2,077	766	865	1,978	782	713	2,047
9.	Visible Services Reserve – To fund Visible Services Improvements	4,924	1,784	135	6,573	3,178	962	8,789
10.	School Investment Strategy - The fund is available in respect of improvements to Schools and will contribute towards the 21 st Century schools capital programme.	5,612	6,100	1,229	10,483	3,198	2,585	11,096
11.	Council Building Fund - The fund is available in respect of repairs and maintenance of Council Buildings.	6,892	243	1,721	5,414	3,228	1,384	7,258
12.	Events - To provide funds to promote the Vale of Glamorgan	594	300	179	715	0	224	491
13.	Schools Invest to Save – Costs of Staffing Restructures in Schools	180	176	24	332	0	180	152

Vale of Glamorgan County Borough Council

		31 March 2014	Tfr In	Tfr Out	31 March 2015	Tfr In	Tfr Out	31 March 2016
	Council Fund	£,000	£,000	£,000	£,000	£,000	£,000	£,000
14.	Housing (General Fund) - To contribute to the cost of the rural housing enabler.	8	0	8	0	0	0	0
15.	Library - To provide funds to implement the Libraries Review.	171	352	73	450	2	75	377
16.	Planning Enquiries – Funding for major planning enquiries	13	0	0	13	0	0	13
17.	Catering - To provide funds to make improvements to the Catering function	180	0	31	149	0	149	0
18.	Regulatory - Monies set aside to assist the implementation of collaboration and other service improvements.	871	30	50	851	0	113	738
19.	Energy Management - Services repay the cost (plus a 4% interest charge) to the Fund from energy savings so that the money can be recycled.	219	121	143	197	406	286	317
20.	Other - Various amounts set aside for education, election and community service issues.	5,181	2,187	1,633	5,735	4,295	1,136	8,894
21.	Joint Committees - This is the Council's proportion of reserves held by the Joint Committees. The use of these reserves are agreed by the Joint Committee in line with governance arrangements.	0	0	0	115	241	12	344
22.	Building Control - Ringfenced funding in relation to the Building Control Trading account. Reflects the current trading position.	87	45	0	132	77	18	191
23.	Single Status - This reserve was set aside to assist in covering costs associated with the implementation of single status and job evaluation.	50	0	50	0	0	0	0
24.	Performance and Development - To fund temporary posts, the purchase of hardware, software and equipment.	748	0	215	533	0	8	525
25.	Human Resources - This fund has been set aside to fund the cost of a number of projects to improve the service.	197	0	197	0	162	0	162
26.	Insurance Fund - This reserve covers an estimate of potential claims (those estimated to have occurred but not reported as at 31 March 2016). These would include claims for public and employers liability, motor vehicle, buildings insurance costs.	669	704	0	1,373	370	0	1,743

Vale of Glamorgan County Borough Council

		31 March 2014	Tfr In	Tfr Out	31 March 2015	Tfr In	Tfr Out	31 March 2016
		£,000	£,000	£,000	£,000	£,000	£,000	£,000
	Council Fund							
27.	Schools Long Term Supply - This reserve will be used to cover long term supply costs in schools as part of a long term sickness and maternity scheme.	696	13	421	288	0	288	0
28.	Schools Rationalisation - This reserve will meet the costs of school restructuring and reorganisation and support schools in the improvement of their teaching and learning facilities. In addition this reserve facilitates schools to engage in the capital loan scheme.	934	309	480	763	150	385	528
29.	Regeneration Fund - To fund regeneration projects within the Authority.	1,457	242	0	1,699	0	743	956
30.	Reshaping Services - To fund one off costs that will be incurred during the implementation of the Council's Reshaping Services Programme	0	730	0	730	0	0	730
31.	Bad Weather - To fund costs due to bad weather conditions.	431	0	0	431	0	0	431
32.	Glamorgan Record Office - To fund expenditure at the Record Office.	65	0	28	37	0	0	37
33.	Welfare Reforms - To fund pressures resulting from Welfare Reforms.	963	0	500	463	283	0	746
34.	Legal Claims - Funds have been set aside to cover potential legal cases.	1,870	0	0	1,870	0	0	1,870
35.	Social Services Plan - These monies support the agreed Social Services plan to achieve a balanced budget over a number of years.	4,193	0	168	4,025	0	2,075	1,950
36.	Social Services Pressures - To cover potential expenditure on high cost children placements	1,668	245	0	1,913	0	0	1,913
37.	Capital Schemes To fund certain committed capital schemes.	2,097	600	2,097	600	0	51	549
38.	Coastal Works - To fund the ongoing liabilities of coastal developments	900	0	0	900	0	110	790
39.	Jenner Park - To provide funds for improvements at Jenner Park Stadium	795	310	0	1,105	0	508	597
	Total	60,317	18,381	14,928	63,885	18,546	13,936	68,495
	Housing Revenue Account (HRA)							
40.	Housing Revenue Account - The Authority maintains a Housing Revenue Account. This reserve is ringfenced by statute for use by the HRA.	6,406	0	4,530	1,876	0	408	1,468
	Total HRA	6,406	0	4,530	1,876	0	408	1,468

9. Other Operating Expenditure

2014/15		2015/16
£,000		£,000
2,252	Town and Community Council Precepts	2,368
10,482	South Wales Police Authority	11,188
5,955	South Wales Fire Authority	5,854
81	Other Levies and Contributions	101
(2,269)	(Gains)/losses on the disposal of non-current assets	3,865
1,118	Revaluations recognised against Other Operating Expenditure	0
17,619	Total Other Operating Expenditure	23,376

10. Financing and Investment Income and Expenditure

2014/15		2015/16
£,000		£,000
5,533	Interest payable and similar charges	7,936
6,650	Interest on net defined benefit liability/ (asset)	5,613
(524)	Interest receivable and similar income	(539)
(61)	Other income	(119)
11,598	Total Financing and Investment Income and Expt.	12,891

11. Taxation and Non Specific Grant Income

2014/15			2015/16
£,000		Notes	£,000
(71,615)	Council Tax income	2	(75,417)
(39,516)	Non domestic rates	3	(36,297)
(118,125)	Revenue Support grants		(116,184)
(15,245)	Capital grants and contributions		(17,042)
(244,501)	Total Taxation and Non Specific Grant Income		(244,940)

12. Property, Plant and Equipment

Movement on Balance in 2015/16	Council Dwelling	Other Land & Buildings	Vehicle Plant & Equipment	Infrastructure	Community Asset	Assets under Construction	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation as at 1 April 2015	166,243	304,975	21,906	95,162	3,860	50,542	0	642,688
Additions	16,103	13,795	1,002	5,367	0	6,114	0	42,381
Accumulated depreciation & impairment written off to GCA	(5)	(4,973)	0	0	0	0	(20)	(4,998)
Revaluation increases/(decreases) recognised in Revaluation Reserve	24	(6,617)	0	0	0	0	444	(6,149)
Revaluation (decreases) recognised in surplus/deficit on the Provision of Services	0	(1,441)	0	0	0	0	(1,550)	(2,991)
Disposals	(501)	(4,832)	(3,640)	0	0	0	0	(8,973)
Impairment Losses recognised in the Provision of Services	0	(4,177)						(4,177)
Impairment Losses recognised in the Revaluation Reserve	(16,103)	(467)	0	0	0	0	0	(16,570)
Reclassification	120	44,844				(49,983)	4,776	(243)
Cost or Valuation as at 31 March 2016	165,881	341,107	19,268	100,529	3,860	6,673	3,650	640,968
Accumulated depreciation & impairment at 1 April 2015	(4,949)	(2,814)	(16,178)	(19,849)	0	0	0	(43,790)
Depreciation charge	(1,164)	(6,532)	(1,705)	(2,480)	0	0	0	(11,881)
Depreciation written out to GCA	0	4,998	0	0	0	0	0	4,998
Depreciation written out to Revaluation Reserve	623	0	0	0	0	0	0	623
Depreciation written out to the Provision of Services	861	0	0	0	0	0	0	861
Disposals	20	438	3,616	0	0	0	0	4,074
Accumulated Depreciation & Impairment as at 31 March 2016	(4,609)	(3,910)	(14,267)	(22,329)	0	0	0	(45,115)
Net Book Value 2015/16								
	Council Dwelling	Other Land & Buildings	Vehicle Plant & Equipment	Infrastructure	Community Asset	Assets under Construct	Surplus	Total
At 31 March 2016	161,272	337,197	5,001	78,200	3,860	6,673	3,650	595,853
At 31 March 2015	161,294	302,161	5,728	75,313	3,860	50,542	0	598,898

Vale of Glamorgan County Borough Council

Movement on Balance in 2014/15	Council Dwelling	Other Land & Buildings	Vehicle Plant & Equipment	Infrastructure	Community Asset	Assets under Construct	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Cost or Valuation as at 1 April 2014	164,965	317,265	20,894	85,145	3,860	33,712	625,841
Additions	19,479	6,085	1,712	8,016	00	18,831	54,123
Accumulated depreciation & impairment WO to GCA	0	(6,706)	0	0	0	0	(6,706)
Revaluation increases recognised in Revaluation Reserve	1,597	5,711	0	0	0	0	7,308
Revaluation (decreases) recognised in surplus/deficit on the Provision of Services	0	(5,093)	0	0	0	0	(5,093)
Disposals	(319)	(1,070)	(700)	0	0	0	(2,089)
Impairment Losses recognised in the Provision of Services	(350)	(3,579)	0	0	0	0	(3,929)
Impairment Losses recognised in the Revaluation Reserve	(19,129)	(618)	0	0	0	0	(19,747)
Transfers between asset classes	0	0	0	2,001	0	(2,001)	0
Assets reclassified (to) held for sale	0	(7,020)	0	0	0	0	(7,020)
Cost or Valuation as at 31 March 2015	166,243	304,975	21,906	95,162	3,860	50,542	642,688
Accumulated depreciation and impairment as at 1 April 2014	(3,309)	(5,285)	(14,962)	(17,910)	0	0	(41,466)
Depreciation charge	(1,650)	(4,275)	(1,806)	(1,939)	0	0	(9,670)
Depreciation written out to Revaluation Reserve	0	6,706	0	0	0	0	6,706
Disposals	10	40	590	0	0	0	640
Accumulated Depreciation and Impairment as at 31 March 2015	(4,949)	(2,814)	(16,178)	(19,849)	0	0	(43,790)
Net Book Value 2014/15							
	£,000	£,000	£,000	£,000	£,000	£,000	£,000
At 31 March 2015	161,294	302,161	5,728	75,313	3,860	50,542	598,898
At 31 March 2014	161,656	311,980	5,932	67,235	3,860	33,712	584,375

Vale of Glamorgan County Borough Council

Adjustments to the Valuation of Assets

In 2015/16 an adjustment was made to remove the financing costs from the Depreciated Replacement Cost of Land and Building Assets;

	£'000
Opening Value of Land and Buildings	304,975
Depreciated Replacement Cost Financing Costs Adjustment	(14,817)
Adjusted Value of Land and Buildings	290,158

In 2015/16 an adjustment was made to Council Dwellings to split the asset between Land and Buildings, as part of this adjustment historic depreciation was written off in the accounts;

	£'000
Opening Accumulated Depreciation Council Dwellings	(4,949)
Accumulated Depreciation written off for the land element of the asset to the Revaluation Reserve	623
Accumulated Depreciation written off for the land element of the asset to the Provision of Services	861
Adjusted Accumulated Depreciation Council Dwellings	(3,465)

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 11 years
- Infrastructure - 40 years

Capital Commitments

At 31 March 2016, the Authority has entered into a number of contracts for the construction, or enhancement of property, plant and equipment in 2016/17 and future years. Similar commitments at the 31st March 2015 were £27.285M. The major commitments are listed below;

Scheme	£,000
Llantwit Learning Community	14,997
Penarth Learning Community	335
Coldbrook Flood Risk Management	2,325
Total	17,657

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.

Vale of Glamorgan County Borough Council

During the 2015/16 financial year costs were set against capital receipts for the following disposal of assets;

Asset Name	Disposal Costs 15/16
	£000's
Ysgol Maes Dyfan	8
Former St Cyres Lower School Site	18
Innovation Quarter Site	1
Nells Point	15
Total	42

The St Cyres, Innovation Quarter and Nells Point sites disposal process is expected to extend beyond 2016/17 financial year.

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 Other Land and Buildings portfolio were revalued by a FRICS valuer working for GVA Grimley Limited during 2014/15 and the Schools and Social Services Assets were revalued as part of this process in 2013/14.

Where, as part revaluations that took place in 2014/15 and 2015/16 other Land and Building assets that were revalued on a depreciated replacement cost (DRC) basis were overstated. This overstatement occurred because the DRC valuations included an element of financing cost which is not compliant with the CIPFA code. As a result the valuations have been revised as at 1st April 2015 to exclude the element of financing cost from the asset values.

The full Council Dwelling value has been treated as eligible for depreciation which is not compliant with the CIPFA code, this means that prior to the 2015/16 accounts the depreciation charge in year and therefore the accumulated depreciation value on Council Dwellings has been overstated. To correct this the asset values have been split between land and buildings using an estimate of 30% land value, as at 1st April 2015 and the overstated accumulated opening depreciation has been written off in the accounts, the value of this adjustment is £1.484M

The Council Dwellings assets were last valued as at 31st March 2012 and will be revalued during 2016/17 as part of the rolling 5 year programme.

No major groups of assets were revalued in 2015/16 financial year; however, 21st Century Schools 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 2015/16.

A desktop review of the valuation of the Authority's Operational assets was undertaken as at 31 March 2016 by a RICS valuer working for GVA Grimley and considered that the value of these assets had not materially increased during 2015/16.

Retentions

As at the 31 March 2016 £718,000 (£980,000 as at 31 March 2015) 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'; they are used on ceremonial occasions during the Council's year. There is no known value for 'civic regalia' as at 31 March 2016 (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.

13. Fair Value Hierarchy – Surplus Assets

As at 31 st March 2016				
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
Asset Name	£000	£000	£000	£000
Cowbridge Cattle Market	0	1,600	0	1,600
Nells Point	0	1,000	0	1,000
St Pauls Church	0	250	0	250
Southern Innovation Quarter	0	800	0	800
Total	0	3,650	0	3,650

Transfers between levels of the Fair Value Hierarchy

There were no movements in the valuation hierarchy during 2015/16.

Valuation Techniques used to Determine Level 2 and 3 Fair Values

The Valuation of Surplus Assets were carried out by a RICS qualified external valuer GVA Grimley. 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.

14. Assets Held for Sale

	Current		Non Current	
	31 March 2015	31 March 2016	31 March 2015	31 March 2016
	£,000	£,000	£,000	£,000
Balance outstanding at start of year	1,313	6,179	0	0
Assets newly classified as held for sale	7,020	243	0	0
Revaluation losses	(1,118)	0	0	0
Disposal	(1,036)	(1,161)	0	0
Balance outstanding at year end	6,179	5,261	0	0

15. Capital Expenditure and Capital Financing

	2014/15	2015/16
	£,000	£,000
Opening Capital Financing Requirement	115,344	125,827
Plus: Capital Investment		
Property, Plant and Equipment Assets	54,123	42,381
Intangible Assets	449	174
Revenue Expenditure Funded from Capital under Statute	3,416	65,789
Less: Sources of Finance		
Capital Receipts	(3,278)	(1,973)
Government Grants and Other Contributions	(18,106)	(18,583)
Less: Sums set aside from revenue		
Direct Revenue Contributions	(21,390)	(15,995)
Minimum Revenue Provision(inc. Voluntary)	(4,731)	(6,224)
Closing Capital Financing Requirement	125,827	191,396
Explanation of movements in year		
Increase in underlying need to borrow (unsupported by Government Financial Assistance)	10,483	65,569
Increase /(Decrease) in Capital Financing Requirement	10,483	65,569

Of the £65.569M increase in underlying need to borrow the majority of this £63.156M related to the Housing Revenue Account Subsidy Buyout which required the Council to pay HM Treasury £63.156M on 2nd April 2015 to buy itself out of the Housing Revenue Account Subsidy arrangement.

The Minimum Revenue Provision (MRP) shown above excludes MRP for the Council's share of Glamorgan Archives Joint Committee (£34k) income and expenditure.

16. 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 £116k was charged to revenue in 2015/16.

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

	Purchased Assets	Purchased Assets
	2014/15	2015/16
Balance at start of year	£,000	£,000
Gross carrying amounts	2,139	2,589
Accumulated Amortisation	(2,044)	(2,084)
Net carrying amount at start of year	95	505
Additions		
Purchases	450	174
Amortisation	(40)	(116)
Other Disposals	0	443
Amortisation written off on disposal		(443)
Net carrying amount at end of year	505	563
Comprising		
Gross carrying amounts	2,589	2,320
Accumulated Amortisation	(2,084)	(1,757)
Net carrying amount at end of year	505	563

17. Financial Instruments

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

	Long Term		Current	
	31 March	31 March	31 March	31 March
	2015	2016	2015	2016
	£,000	£,000	£,000	£,000
Investments				
Loans and receivables	3	2	76,165	70,041
Total Investments	3	2	76,165	70,041
Debtors				
Loans and Receivables	178	219	0	0
Financial Assets carried at contract amounts	0	0	24,779	27,745
Total included in Debtors	178	219	24,779	27,745
Cash and Cash Equivalents	0	0	5,076	6,687
Total Financial Assets	181	221	106,020	104,473
Borrowings				
Financial Liabilities at amortised cost	94,806	157,225	3,593	3,584

Vale of Glamorgan County Borough Council

Total included in Borrowings	94,806	157,225	3,593	3,584
Creditors				
Financial Liabilities at amortised cost	0	0	0	
Financial Liabilities at contract amount	0	0	32,900	31,105
Total Creditors	0	0	32,900	31,105
Total Financial Liabilities	94,806	157,225	36,493	34,689

Income, Expense, Gains and Losses

2015/16	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale assets	Total
	£,000	£,000	£,000	£,000
Interest Expense	(7,936)	0	0	(7,936)
Total Expense in Surplus or Deficit on the Provision of Services	(7,936)	0	0	(7,936)
Interest Income	0	539	0	539
Total Income in Surplus or Deficit on the Provision of Services	0	539	0	539
Net gains/losses from financial instruments	(7,936)	539	0	(7,397)

2014/15	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale assets	Total
	£,000	£,000	£,000	£,000
Interest Expense	(5,533)	0	0	(5,533)
Total Expense in Surplus or Deficit on the Provision of Services	(5,533)	0	0	(5,533)
Interest Income	0	524	0	524
Total Income in Surplus or Deficit on the Provision of Services	0	524	0	524
Net gains/losses from financial instruments	(5,533)	524	0	(5,009)

Vale of Glamorgan County Borough Council

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 2016 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:

	Carrying Amount 31 March 2015	Fair Value 31 March 2015	Carrying Amount 31 March 2016	Fair Value 31 March 2016
	£,000	£,000	£,000	£,000
Financial Liabilities	94,806	134,933	157,225	220,570

The fair values as at 31 March 2015 and 2016 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 st March 2016				
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	220,570	0	0	220,570
Loans and Borrowings	0	0	0	0
Long Term Creditors	0	0	0	0
Total	220,570	0	0	220,570

As at 31 st March 2015				
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	134,933	0	0	134,933
Loans and Borrowings	0	0	0	0
Long Term Creditors	0	0	0	0
Total	134,933	0	0	134,933

18. Debtors

	31 March 2015	31 March 2016
	£,000	£,000
Central government bodies	13,142	10,692
Other local authorities	5,004	9,196
NHS bodies	1,572	941
Public corporations and trading funds	1	1
Other entities and individuals	10,049	12,328
Joint Committee Adjustment 2014/15	38	0
Gross Total	29,806	33,158
Less: Provision for Bad Debts	(5,027)	(5,413)
Total	24,779	27,745

19. Cash and Cash Equivalents

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

31 March 2015		31 March 2016
£,000		£,000
30	Cash held by the Authority	34
1,643	Cash at Bank	1,597
5,000	Short-term Investment	8,600
(1,601)	Bank Overdraft	(3,544)
4	Joint Committee Adjustment 2014/15	0
5,076	Total Cash and Cash Equivalents	6,687

20. Creditors

The broad categories are: -

	31 March 2015	31 March 2016
	£,000	£,000
Central government bodies	5,534	5,826
Other local authorities	3,138	7,369
NHS bodies	194	266
Public corporations and trading funds	502	606
Other entities and individuals	23,522	17,038
Joint Committee Adjustment 2014/15	10	0
Total	32,900	31,105

21. Provisions

	Insurance	MMI	Equal Pay	Social Services Plan	Other	Total
	£,000	£,000	£,000	£,000	£,000	£,000
Balance at 1 April 2014	3,704	152	426	2,031	2,433	8,746
Additional provisions made	80	0	0	0	47	127
Amounts used / Transfer out	(687)	(17)	(180)	(2,031)	(748)	(3,663)
Balance at 1 April 2015	3,097	135	246	0	1,732	5,210
Additional provisions made	0	2	0	0	200	202
Amounts used / Transfer out	(357)	0	(63)	0	(1,398)	(1,818)
Balance at 31 March 2016	2,740	137	183	0	534	3,594

1. Insurance - This provision covers all known claims as at 31 March 2015. These include provisions for public and employers liability (Authority liability up to £75,000 per claim), motor vehicle (Authority liability up to £2,500 per claim 'own damage only'), buildings (Authority liability up to £75,000 for Schools per claim, up to £5,000 for each Council House / Flat claim and up to £10,000 for all other general property claims), plus a number of risks insured internally, which cannot be covered economically by conventional external insurance. The excesses have been increased for 2016/17 to £75,000 for all claim types.
2. MMI - The Scheme administrators may well require the Authority to contribute a further levy. A total of £137,000 has been set aside to meet this potential liability. Of this sum £119k will be drawn down in 2016/17. A sum has been set aside in the Insurance Reserve to offset additional liabilities. Further information is included within note 38 - Contingent Liability.
3. Equal Pay - These monies are in respect of equal pay liabilities at the balance sheet date.
4. Social Services Plan - These monies were all drawn down in 2014/15
5. Other - Included within this figure is a sum of £93,000 in respect of Education Employment costs and £107k for Housing Committed Bonds.

22. Usable Reserves

31 March 2015 Restated		31 March 2016
£,000		£,000
12,541	Council Fund	10,072
63,885	Earmarked General Fund Reserves	68,495
1,876	Housing Revenue Account	1,468
16,219	Capital Receipts Reserve	16,892
233	Capital Grants Unapplied Account	179
94,754	Total Usable Reserves	97,106

An analysis of the Earmarked General Fund Reserves are shown in note 8 to the accounts.

23. Unusable Reserves

31 March 2015 Restated		31 March 2016
£,000		£,000
97,997	Revaluation Reserve	73,915
381,186	Capital Adjustment Account	335,830
(120)	Financial Instruments Adjustment Account	(224)
44	Deferred Capital Receipts Reserve	31
(184,112)	Pensions Reserve	(181,507)
(2,779)	Accumulated Absences Account	(2,259)
292,216	Total Unusable Reserves	225,786

Revaluation Reserve

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

2014/15 £,000	Revaluation Reserve	2015/16 £,000
111,898	Balance at 1 April	97,997
(27,024)	Downward revaluation of assets and Impairment losses not charged to the Provision of Services	(22,719)
14,587	Upward revaluation of assets	0
(1,161)	Difference between fair value depreciation and historical cost depreciation	(1,034)
0	Amount written off for Historic Depreciation correction on Council Dwellings land	624
(303)	Amount written off to the Capital Adjustment Account following disposal	(953)
97,997	Balance at 31 March	73,915

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.

Vale of Glamorgan County Borough Council
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.

2014/15	Capital Adjustment Account	2015/16
Restated		
£,000		£,000
358,603	Balance at 1 April	381,186
	Reversal of items relating to capital expenditure debited or credited to the CIES	
(19,811)	Charges for depreciation and impairment of non current assets	(17,748)
(40)	Amortisation of intangible assets	(116)
(679)	Revenue expenditure funded from capital under statute	(64,303)
(2,484)	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(5,547)
1,464	Other (Adjusting amounts written out of the Revaluation Reserve etc.)	1,034
	Capital financing applied in year:	
3,278	Use of the Capital Receipts Reserve to finance new capital expenditure	1,974
2,760	Use of the Major Repairs Reserve to finance new capital expenditure	2,770
12,252	Capital grants and contributions credited to the CIES that have been applied to capital financing	14,094
357	Application of grants to capital financing from the Government Grants Unapplied Account	233
4,731	Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances	6,258
21,390	Capital Expenditure charged against the Council Fund and HRA balances	15,995
(635)	Joint Committee Adjustment – Glamorgan Archives	0
381,186	Balance at 31 March	335,830

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.

Vale of Glamorgan County Borough Council

2014/15	Financial Instruments Account	2015/16
£,000		£,000
(123)	Balance at 1 April	(120)
3	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(104)
(120)	Balance at 31 March	(224)

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.

2014/15	The Pensions Reserve	2015/16
Restated		
£,000		£,000
(161,500)	Balance at 1 April	(184,112)
(17,140)	Remeasurements of the net defined benefit liability / (asset)	6,910
0	Transfer out of the net defined benefit liability/(asset)	1,820
(18,800)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(20,909)
13,470	Employer's pension contributions and direct payments to pensioners payable in the year	14,784
(142)	Joint Committee Adjustment	0
(184,112)	Balance at 31 March	(181,507)

The Pensions Reserve has been adjusted for the amended actuarial figures to exclude Joint Committee staff.

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.

2014/15	Deferred Capital Receipts Reserve	2015/16
£,000		£,000
6	Balance at 1 April	44
38	Transfer to the Capital Receipts Reserve upon receipt of cash	(13)
44	Balance at 31 March	31

Vale of Glamorgan County Borough Council
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.

2014/15	Accumulated Absences Account	2015/16
£,000		£,000
(2,707)	Balance at 1 April	(2,779)
(2,769)	Amounts accrued at the end of the current year	(2,259)
2,707	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.	2,779
(10)	Joint Committee Adjustment 2014/15	0
(2,779)	Balance at 31 March	(2,259)

24. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2014/15		2015/16
£,000		£,000
497	Interest Received	539
(5,428)	Interest Paid	(7,838)

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

2014/15		2015/16
£,000		£,000
13,600	Depreciation and Impairment	17,125
40	Amortisation	116
0	Reductions in Fair Value of Concessionary Loans	(698)
(3)	Soft Loans (non-subsiary)	104
6,067	Increase / (Decrease) in creditors	(1,803)
(5,838)	(Increase) / Decrease in debtors	(1,497)
70	(Increase) / Decrease in inventories	6
5,330	Movement in pension liability	6,125
(3,536)	Contribution to / from Provisions	(1,094)
8,695	Carrying amount of non-current assets and non current assets held for sale, sold or de-recognised	6,061
24,425	Adjustments to net surplus or deficit on the provision of services for non-cash movements.	24,445

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

2014/15		2015/16
£,000		£,000
(4,755)	Proceeds from the sale of property, plant and equipment and intangible assets	(2,196)
(17,975)	Any other items which the cash effects are investing or financing cash flows	(18,635)
(22,730)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(20,831)

25. Cash Flow Statement – Investing Activities

2014/15		2015/16
£,000		£,000
(54,573)	Purchase of property, plant and equipment, investment property and intangible assets	(42,555)
4,717	Proceeds from sale of property, plant and equipment, investment property and intangible assets	2,210
39,971	Other receipts from investing activities	24,057
(9,885)	Net cash flows from investing activities	(16,288)

26. Cash Flow Statement – Financing Activities

2014/15		2015/16
£,000		£,000
996	Cash Receipts of Short and Long Term Borrowing	63,010
1,527	Other Payments for Financing Activities	1,364
2,523	Net cash flows from financing activities	64,374

27. Amounts Reported For Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements and are based on the Council's current structure.

Employee expenses for Voluntary Aided and Roman Catholic Aided Schools are shown separately in this analysis. However, the pensions adjustments are not split out in this analysis and are reflected against the employee expenses line.

The income and expenditure of the Authority's principal Directorates recorded in the final report for the year is as follows:

Vale of Glamorgan County Borough Council

Directorate Income and Expenditure 2015/16	Learning & Development	Social Services	Visible & Housing	Total
	£,000	£,000	£,000	£,000
Fees, charges & other service income	(9,505)	(7,951)	(5,345)	(22,801)
Government & other grants	(30,521)	(4,735)	(10,109)	(45,365)
Surplus on trading not included in net cost of service	(28)	0	(91)	(119)
Total Income	(40,054)	(12,686)	(15,545)	(68,285)
Employee expenses	87,545	18,459	13,432	119,436
Employee expenses (Aided Schools)	9,524	0	0	9,524
Other service expenses	43,315	47,772	32,576	123,663
Total Expenditure	140,384	66,231	46,008	252,623
Net Expenditure	100,330	53,545	30,463	184,338

Directorate Income and Expenditure 2014/15	Learning & Development	Social Services	Visible & Housing Restated	Total
	£,000	£,000	£,000	£,000
Fees , charges & other service income	(10,775)	(5,961)	(12,459)	(29,195)
Government & other grants	(18,205)	(4,213)	(9,589)	(32,007)
Surplus on trading not included in net cost of service	0	0	4	4
Total Income	(28,980)	(10,174)	(22,044)	(61,198)
Employee expenses	84,186	17,590	13,752	115,528
Employee expenses (Aided Schools)	9,170	0	0	9,170
Other Service Expenses	34,306	44,760	39,267	118,333
Total Expenditure	127,662	62,350	53,019	243,031
Net Expenditure	98,682	52,176	30,975	181,833

Reconciliation of Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement (CIES)

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to the amounts included in the CIES.

	2014/15 Restated £,000	2015/16 £,000
Net Expenditure in the Directorate Analysis	181,833	184,338
Net Expenditure in services & support services not in the Analysis	38,448	30,893
Amounts in the CIES not reported to management in the Analysis	38,271	102,267
Amounts included in the Analysis not included in the CIES	(58,490)	(58,736)
Cost of Services in CIES	200,062	258,762

Vale of Glamorgan County Borough Council

Reconciliation to Subjective Analysis 2015/16	Directorate Analysis	Services not Analysed	Amounts not reported for decision making	Amounts not included in CIES	Cost of Services	Corporate Amounts	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Fees, charges & other service income	(22,801)	(18,418)	0	0	(41,219)	0	(41,219)
Interest and investment income	0	(539)	0	539	0	(539)	(539)
Income from council tax	0	0	0	0	0	(75,417)	(75,417)
Government, other grants and contributions	(45,365)	(38,003)	0	0	(83,368)	(169,523)	(252,891)
Surplus on trading not included in net cost of service	(119)	0	0	119	0	(119)	(119)
Council tax surplus	0	(1,987)	0	1987	0	0	0
Total Income	(68,285)	(58,947)	0	2,645	(124,587)	(245,598)	(370,185)
Employee expenses	119,436	35,937	(519)	(15,014)	139,840	0	139,840
Employee expenses (Aided Schools)	9,524				9,524	0	9,524
Other service expenses	123,663	41,309	78,532	(26,863)	216,641	0	216,641
Depreciation, amortisation & impairment	0	0	15,734	0	15,734	0	15,734
Soft loans	0	0	104	0	104	0	104
Interest payments	0	7,936	0	(7,936)	0	7,936	7,936
Precepts and levies	0	5,955	0	(5,955)	0	19,511	19,511
Gains and loss on disposal of non-current assets	0	0	0	0	0	3,865	3,865
Reval Recog in Prov of Services	0	0	1,506	0	1,506	0	1,506
Interest on net defined benefit liability/ (asset)	0	5,613	0	(5,613)	0	5,613	5,613
Remeasurements of the net defined benefit liability/ (asset)	0	(6,910)	6,910	0	0	0	0
Total Expenditure	252,623	89,840	102,267	(61,381)	383,349	36,925	420,274
(Surplus) or Deficit on the Provision of Services	184,338	30,893	102,267	(58,736)	258,762	(208,673)	50,089

Vale of Glamorgan County Borough Council

Reconciliation to Subjective Analysis 2014/15 – RESTATED	Directorate Analysis	Services not Analysed	Amounts not reported for decision making	Amounts not included in CIES	Cost of Services	Corporate Amounts	Total
	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Fees, charges & other service income	(29,195)	(22,272)	0	0	(51,467)	0	(51,467)
Interest and investment income	0	(524)	0	524	0	(524)	(524)
Income from council tax	0	0	0	0	0	(71,615)	(71,615)
Government, other grants and contributions	(32,007)	(51,115)	0	0	(83,122)	(172,886)	(256,008)
Surplus on trading not included in net cost of service	4	(65)	0	61	0	(61)	(61)
Council tax surplus	0	(2,190)	0	2,190	0	0	0
Total Income	(61,198)	(76,166)	0	2,775	(134,589)	(245,086)	(379,675)
Employee expenses	115,528	35,613	62	(13,470)	137,733	0	137,733
Employee expenses (Aided Schools)	9,170	0	0	0	9,170	0	9,170
Other service expenses	118,333	43,641	36,619	(29,575)	169,018	0	169,018
Depreciation, amortisation & impairment	0	0	13,640	0	13,640	0	13,640
Soft loans	0	0	(3)	0	(3)	0	(3)
Interest payments	0	5,533	0	(5,533)	0	5,533	5,533
Precepts and levies	0	6,037	0	(6,037)	0	18,770	18,770
Gains and loss on disposal of non-current assets	0	0	0	0	0	(1,151)	(1,151)
Interest on net defined benefit liability/ (asset)	0	6,650	0	(6,650)	0	6,650	6,650
Revaluations	0	0	5,093	0	5,093	0	5,093
Remeasurements of the net defined benefit liability/ (asset)	0	17,140	(17,140)	0	0	0	0
Total Expenditure	243,031	114,614	38,271	(61,265)	334,651	29,802	364,453
(Surplus) or Deficit on the Provision of Services	181,833	38,448	38,271	(58,490)	200,062	(215,284)	(15,222)

28. Members Allowances

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

	2014/15*	2015/16
	Restated	
	£,000	£,000
Salaries	617	624
Allowances	228	198
Expenses	2	2
Total	847	824

*2014/15 Members Allowances have been restated to reflect the guidance more accurately.

29. 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.

	2014/15	2015/16
	£,000	£,000
Fees payable to the Wales Audit Office / Grant Thornton 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	100	97
Fees payable to Grant Thornton for the certification of grant claims and returns	43	55
Fees payable in respect of other services provided by Wales Audit Office/Grant Thornton during the year.	0	0
Total	307	316

30. Employees Emoluments

Remuneration Ratio

The remuneration ratio is arrived at by taking the median amount of remuneration for 2015/16 for all Vale of Glamorgan employees (excluding those employed by a Voluntary Aided School) as at 31st March 2016. 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 2015/16 the remuneration ratio is 1:6 in 2014/15 the remuneration was 1:7.

Officers remunerated in excess of £60,000

The Returning Officer's remuneration is not included in the table below for the 2015/16 accounts and the 2014/15 comparatives and has been paid in accordance with the WG Guidance on remuneration.

Vale of Glamorgan County Borough Council

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 school 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 overleaf:

Remuneration Band	2014/15 Number of Employees	2015/16 Number of Employees
£60,000-£64,999	17	19
£65,000-£69,999	13	16
£70,000-£74,999	9	8
£75,000-£79,999	2	7
£80,000-£84,999	5	4
£85,000-£89,999	0	2
£90,000-£94,999	3	3
£95,000-£99,999	0	1
£100,000-£104,999	1	0
£105,000-£109,999	3	2
£125,000-£129,999	0	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.

2014/15 Senior Officers Emoluments

Post Holder Information	Salary	Expense Allowances	Pension Contribution	Total Remuneration
	£	£	£	£
Managing Director / Director of Resources*	109,094	0	24,764	133,858
Director of Social Services	107,855	320	0	108,175
Director of Development	90,250	0	20,487	110,737
Director of Visible Services and Housing	90,250	280	20,487	111,017
Director of Learning and Skills	92,625	122	21,026	113,773
Head of Finance/ Financial Services (Section 151)	81,500	0	17,025	98,525
Head of Financial Services (Section 151)	788	0	180	968
Head of Legal Services	80,711	0	18,321	99,032
Head of Human Resources	72,031	0	16,351	88,382

Vale of Glamorgan County Borough Council

*Post Holder on phased retirement during 2014/15, annualised remuneration for this post is £126,950.

**Costs shown in the note relate to both individuals who held the post during 2014/15.

2015/16 Senior Officers Emoluments

Post Holder Information	Salary	Expense Allowances	Pension Contribution	Total Remuneration
	£	£	£	£
Managing Director (From 1 st May 2015)	116,539	0	26,454	142,993
Director of Social Services	107,855	0	0	107,855
Director of Environment and Housing Services	94,929	0	21,549	116,478
Director of Learning and Skills	97,351	0	22,099	119,450
Head of Finance (Section 151) (From 20 th July 2015)	55,851	0	12,678	68,529
Head of Legal Services (Monitoring Officer)	83,520	0	18,959	102,479
Head of Human Resources	77,805	0	17,662	95,467
Head of Regeneration and Planning (From 1 st September 2015) new post 2015/16	38,572	314	8,756	47,642

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.

2014/15			
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	62	62	313,239
20,001-40,000	14	14	394,033
40,001-60,000	3	3	150,812
60,001-140,000	0	0	0
			858,084

2015/16			
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	71	71	542,332
20,001-40,000	17	17	459,370
40,001-60,000	4	4	195,669
60,001-140,000	1	1	98,469
			1,295,840

31. Grant Income

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

	2014/15	2015/16
	£,000	£,000
Credited to Services		
Department for Works and Pensions	38,766	39,047
Welsh Government	33,647	25,207
Youth Justice Board	194	214
Sports Council For Wales	239	212
Countryside Council for Wales	36	37
Home Office	85	76
Arts Council	4	14
Education Workforce Council formerly General Teaching Council	215	297
DEFRA	6	0
Ministry of Defence	110	0
Food Standards Agency	4	18
Big Lottery	20	38
Total	73,326	65,160

Capital Grants Received in Advance

	2014/15	2015/16
	£,000	£,000
Section 106 agreements – unapplied	4,519	6,088
WG Capital Grants	0	698
Total Capital Grants Received in Advance	4,519	6,786
The amount has been apportioned as follows:		
To be applied within one year	1,423	2,297
To be applied after one year	3,096	4,489
Total	4,519	6,786

32. Joint Committees

The Council is a member of a number of Joint Committees and the accounts have been consolidated into the Council's Financial Statements on a line by line basis calculated using a reasonable apportionment methodology;

The Pensions adjustments in 2015/16 for the Shared Regulatory Service and the Vale, Valleys & Cardiff (VVC) Adoption Collaborative Service have not been consolidated into the Vale of Glamorgan Accounts.

The Joint Committees consolidated are;

1. Shared Regulatory Service

The Shared Regulatory Service was created on 1st 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.

Income and Expenditure Statement 2015/16	Shared Regulatory Service	Vale of Glamorgan Council Share
	£'000	£'000
Operating Expenditure	8,872	1,737
Operating Income	(9,315)	(1,851)
Net Cost of Services	(443)	(114)
Finance and Investment Income and Expenditure	290	56
(Surplus) / Deficit on Provision of Services	(153)	(58)
Other Comprehensive Income and Expenditure*	9,410	1,830
Total Comprehensive Income & Expenditure	9,257	1,772

Balance Sheet 2015/16	Shared Regulatory Service	Vale of Glamorgan Council Share
	£'000	£'000
Short Term Debtors	2,121	8
Current Assets	2,121	8
Short Term Creditors	(447)	(93)
Cash Owed to Host Authority	(921)	259
Total Current Liabilities	(1,368)	166
Long Term Pension Liability*	(10,010)	(1,946)
Net Assets	(9,257)	(1,772)
Usable Reserves	851	194
Unusable Reserves	(10,108)	(1,966)
Total Reserves	(9,257)	(1,772)

*Pension Liability Adjustments not consolidated in the Vale of Glamorgan Accounts

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

Vale of Glamorgan County Borough Council

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

Income and Expenditure Statement 2015/16	Regional Adoption Service	Vale of Glamorgan Council Share
	£'000	£'000
		16.4%
Operating Expenditure	969	159
Operating Income	(1,059)	(174)
Net Cost of Services	(90)	(15)
Finance and Investment Income and Expenditure	20	3
(Surplus) / Deficit on Provision of Services	(70)	(12)
Other Comprehensive Income and Expenditure*	600	100
Total Comprehensive Income & Expenditure	530	88

Balance Sheet 2015/16	Regional Adoption Service	Vale of Glamorgan Council Share
	£'000	£'000
		16.4%
Short Term Debtors	171	28
Current Assets	171	28
Short Term Creditors	(61)	(10)
Total Current Liabilities	(61)	(10)
Long Term Pension Liability*	(640)	(105)
Net Assets	(530)	(88)
Usable Reserves	134	22
Unusable Reserves	(664)	(110)
Total Reserves	(530)	(88)

*Pension Liability Adjustments not consolidated in the Vale of Glamorgan Accounts

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.

Income and Expenditure Statement 2015/16	Glamorgan Archives	Vale of Glamorgan Council Share
		12%
	£'000	£'000
Operating Expenditure	975	117
Operating Income	(1,377)	(165)
Net Cost of Services	(402)	(48)

Finance and Investment Income and Expenditure	272	33
(Surplus) / Deficit on Provision of Services	(130)	(15)
Other Comprehensive Income and Expenditure	0	0
Total Comprehensive Income & Expenditure	(130)	(15)

Balance Sheet 2015/16	Glamorgan Archives	Vale of Glamorgan Council Share
		12%
	£'000	£'000
Land and Buildings	9,604	1,152
Vehicle, Plant, Furniture and Equipment	10	1
Long Term Assets	9,614	1,153
Inventories	19	2
Short Term Debtors	218	26
Cash and Cash Equivalents	85	10
Current Assets	322	38
Short Term Creditors	(14)	(2)
Total Current Liabilities	(14)	(2)
Long Term Borrowing	(5,011)	(601)
Net Assets	4,911	588
Usable Reserves	310	37
Unusable Reserves	4,601	551
Total Reserves	4,911	588

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.

Income and Expenditure Statement 2015/16	Prosiect Gwyrdd	Vale of Glamorgan Council Share
		20%
	£'000	£'000
Operating Expenditure	157	31
Operating Income	(271)	(54)
Net Cost of Services	(113)	(23)
Transfer to Joint Committee Reserve	113	23
Total	0	0

Balance Sheet 2015/16	Prosiect Gwyrdd	Vale of Glamorgan Council Share
		20%
	£'000	£'000
Short Term Debtors	222	44
Cash and Cash Equivalents	86	17
Current Assets	308	61
Short Term Creditors	(5)	(1)
Total Current Liabilities	(5)	(1)
Net Assets	303	60
Usable Reserves	305	60
Unusable Reserves	(2)	0
Total Reserves	303	60

5. Central South Consortium

The Central South Consortium was created on 1st 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.

Income and Expenditure Statement 2015/16	Central South Consortium	Vale of Glamorgan Council Share
		14.71%
	£'000	£'000
Operating Expenditure	87,037	12,803
Operating Income	(86,642)	(12,745)
Net Cost of Services	395	58
Finance and Investment Income and Expenditure	16	2
(Surplus) / Deficit on Provision of Services	411	60
Other Comprehensive Income and Expenditure	(801)	(118)
Total Comprehensive Income & Expenditure	(390)	(58)

Vale of Glamorgan County Borough Council

Balance Sheet 2015/16	Central South Consortium	Vale of Glamorgan Council Share
		14.71%
	£'000	£'000
Long Term Debtors	853	125
Inventories	1	0
Short Term Debtors	25,079	3,689
Current Assets	25,080	3,689
Short Term Creditors	(25,567)	(3,761)
Total Current Liabilities	(25,567)	(3,761)
Net Current Assets	(487)	(72)
Long Term Liability - Defined Benefit Pension Liability	(520)	(77)
Net Assets/Liabilities	(154)	(24)
Usable Reserves	411	60
Unusable Reserves	(565)	(84)
Total Reserves	(154)	(24)

33. Pooled Budgets

The Council has entered into a pooled budget arrangement for the operation of a 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. £236k was paid into the pool in respect of 2015/16.

Local Resilience Forum

The Authority is the lead for the Local Resilience Forum, the members of the forum are; the Local Health Board, Environment Agency, 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 in 2015/16 are outlined below;

Income and Expenditure Statement 2015/16	Local Resilience Forum	Vale of Glamorgan Council Share
		8.11%
	£'000	£'000
Operating Expenditure	33	3
Operating Income	(60)	(5)
Net Cost of Services	(27)	(2)
Finance and Investment Income & Expenditure	0	0
(Surplus) / Deficit on Provision of Services	(27)	(2)
Other Comprehensive Income and Expenditure	0	0
Total Comprehensive Income & Expenditure	(27)	(2)

Balance Sheet 2015/16	Local Resilience Forum	Vale of Glamorgan Council Share
	£'000	£'000
		8.11%
Current Assets	74	6
Current Liabilities	0	0
Net Assets	74	6
Usable Reserves	74	6
Total Reserves	74	6

34. Other Related Parties

Other than that shown below there are no matters that the Council are 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 31st March 2016 there was a debtor balance of £8.2m.

The Authority has material transactions with Cardiff and Vale University Health Board in respect of Social Service matters whereby the Health Board reimburses the Authority £2.1 million in respect of their share of children's placements and residential and nursing home costs. As at 31st March 2016 there was a debtor balance of £320k.

At the 31 March 2016 there were 27 Vale of Glamorgan Councillors who also were members of Town and Community Councils.

35. Operating Leases (Lessor)

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

Operating leases which expire:	2014/15 Land and Buildings	2014/15 Other Leases	2015/16 Land and Buildings	2015/16 Other Leases
	£,000	£,000	£,000	£,000
Within 1 year	516	0	501	0
Between 1 and 5 years	1,099	0	678	0
After 5 years	674	0	594	0
Total	2,289	0	1,773	0

36. Operating Leases (Lessee)

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

Operating leases which expire:	2014/15 Land and Buildings	2014/15 Other Leases	2015/16 Land and Buildings	2015/16 Other Leases
	£,000	£,000	£,000	£,000
Within 1 year	258	339	258	308
Between 1 and 5 years	670	746	550	438
After 5 years	325	0	188	0
Total	1,253	1,085	996	746

37. 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 2013 and the contributions to be paid until 31 March 2017 resulting from that valuation are set out in the Fund's rates and adjustment certificate. An actuarial valuation of the fund will be carried out 31 March 2017.

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

The accounts have been adjusted to exclude staff paid under the Joint Committee, the Vale of Glamorgan's share of the Joint Committee pension funds have not been consolidated into the Vale of Glamorgan's accounts.

The Employer's regular contributions to the Fund for the accounting period ending 31 March 2017 are estimated to be £13.42M. 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:

Vale of Glamorgan County Borough Council
Principal Financial Assumptions (% per annum)

	31 March 2014	31 March 2015	31 March 2016
	%	%	%
Discount Rate	4.3	3.2	3.4
Rate of increase to pensions in payment	2.4	1.8	1.8
Rate of increase to deferred pensions	2.4	1.8	1.8
Rate of general increase in salaries	3.4	2.8	2.8

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 2015	31 March 2016
Males		
Future lifetime from age 65 (aged 65 at accounting date)	23.8	23.8
Future lifetime from age 65 (aged 45 at accounting date)	25.8	25.9
Females		
Future lifetime from age 65 (aged 65 at accounting date)	26.7	26.8
Future lifetime from age 65 (aged 45 at accounting date)	29.0	29.1

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

Vale of Glamorgan County Borough Council

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 2015 (%)	Asset split at 31 March 2016 (%)
Equities	77.4	75.1
Property	5.9	7.3
Government Bonds	6.8	8.1
Corporate Bonds	7.9	7.2
Cash	1.7	2.3
Other	0.3	0
Total	100.0	100.0

Reconciliation of Funded Status to Balance Sheet

	31 March 2014	31 March 2015	31 March 2016
	£M's	£M's	£M's
Fair Value of Assets	298.19	338.55	331.79
Present Value of Funded Defined Benefit Obligation	441.49	504.17	495.38
Funded status	(143.30)	(165.62)	(163.59)
Impact of minimum funding requirement / asset ceiling	0	0	0
Asset / (Liability) recognised on the Balance Sheet	(143.30)	(165.62)	(163.59)

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

Active Members 42%
 Deferred Pensioners 15%
 Pensioners 43%

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

Vale of Glamorgan County Borough Council

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.

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

	For Year Ending 31 March 2015	For Year Ending 31 March 2016
Operating Cost	£M's	£M's
Current Service Cost*	12.15	15.00
Past Service Cost (including curtailments)	0.00	0.23
Settlement Cost	0.00	0.00
Financing Cost		
Interest on net defined benefit liability/ (asset)	5.91	5.04
Pension expense recognised in Surplus or Deficit	18.06	20.27
Remeasurements in Other Comprehensive Income		
Return on plan assets (in excess of) / below that recognised in net interest	(25.74)	15.66
Actuarial (gains)/ losses due to change in financial assumptions	44.64	(18.51)
Actuarial (gains)/ losses due to changes in demographic assumptions	0.00	0.00
Actuarial (gains) / losses due to liability experience	(2.58)	(4.35)
Total Amount recognised in Other Comprehensive Income	16.32	(7.20)
Total Amount Recognised	34.38	13.07

*The current service cost included an allowance for the administration expenses £0.17M at 31st March 2016 (£0.16M at 31st March 2015).

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

	Year Ending 31 March 2015	Year Ending 31 March 2016
	£M's	£M's
Opening Defined Benefit Obligation	441.49	504.17
Current Service Cost	12.15	15.00
Interest Expense on defined benefit obligation	18.77	15.81
Contributions by Participants	3.33	3.61
Actuarial (gains)/ losses on liabilities financial assumptions	44.64	(18.51)
Actuarial (gains)/ losses on liabilities demographic assumptions	0.00	0.00
Actuarial (gains)/ losses on liabilities experience	(2.58)	(4.35)
Net Benefits Paid Out	(13.63)	(16.10)

Vale of Glamorgan County Borough Council

Past Service Cost (including curtailments)	0.00	0.23
Net increase in liabilities from disposals/ acquisitions	0.00	(4.48)
Settlements	0.00	0.00
Closing Defined Benefit Obligation	504.17	495.38

Changes to the Fair Value of Assets during the Accounting Period

	31 March 2015	31 March 2016
	£M's	£M's
Opening Fair Value of Assets	298.19	338.55
Interest Income on Assets	12.86	10.77
Remeasurement gains/ (losses) on Assets	25.74	(15.66)
Contributions by the Employer	12.06	13.28
Contributions by Participants	3.33	3.61
Net Benefits Paid Out	(13.63)	(16.10)
Net increase in assets from disposals/ acquisitions	0.00	(2.66)
Settlements	0.00	0.00
Closing Fair Value of Assets	338.55	331.79

Actual Return on Assets

	31 March 2015	31 March 2016
	£M's	£M's
Interest Income on Assets	12.86	10.77
Remeasurement gains/ (losses) on Assets	25.74	(15.66)
Actual Return on Assets	38.60	(4.89)

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)	486.06	495.38	504.88
% change in present value of total obligation	-1.9%		1.9%
Projected service cost (£M)	14.17	14.61	15.06
Approx. % change in projected service cost	-3.0%		3.1%

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)	497.72	495.38	493.07
% change in present value of total obligation	0.5%		-0.5%
Projected service cost (£M)	14.61	14.61	14.61
Approx. % change in projected service cost	0.0%		0.0%

Vale of Glamorgan County Borough Council

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

Adjustment to salary increase rate	+0.1% p.a.	Base figure	-0.1% p.a.
Present value of total obligation (£M)	502.52	495.38	488.35
% change in present value of total obligation	1.4%		-1.4%
Projected service cost (£M)	15.06	14.61	14.17
Approx. % change in projected service cost	3.1%		-3.0%

Post retirement mortality assumption*

Adjustment to salary increase rate	-1 year	Base figure	+1 year
Present value of total obligation (£M)	507.98	495.38	482.74
% change in present value of total obligation	2.5%		-2.6%
Projected service cost (£M)	15.08	14.61	14.14
Approx. % change in projected service cost	3.2%		-3.2%

*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 2016. Liabilities have been estimated by the independent qualified actuary basis 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 2014	31 March 2015	31 March 2016
	%	%	%
Discount rate	4.2	3.2	3.4
Rate of increase to pensions in payment	2.2	1.8	1.8

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 2015	31 March 2016
Males Future lifetime from age 65 (aged 65 at accounting date)	23.8	23.8
Females Future lifetime from age 65 (aged 65 at accounting date)	26.7	26.8

Reconciliation of Unfunded Defined Benefit Obligation to Balance Sheet

	31 March 2014	31 March 2015	31 March 2016
	£M's	£M's	£M's
Present Value of Unfunded Defined Benefit Obligation	18.20	18.35	17.84
Pension (Liability) recognised on the Balance Sheet	(18.20)	(18.35)	(17.84)

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

	Year Ending 31 March 2015	Year Ending 31 March 2016
	£M's	£M's
Operating Cost		
Current Service Cost	0.00	0.00
Past Service Cost (including curtailments)	0.00	0.00
Settlement Cost	0.00	0.00
Financing Cost		
Interest on net defined benefit liability/ (asset)	0.74	0.57
Pension expense recognised in Surplus or Deficit	0.74	0.57
Remeasurements in Other Comprehensive Income		
Actuarial (gains)/ losses due to change in financial assumptions	0.99	(0.31)
Actuarial (gains)/ losses due to changes in demographic assumptions	0.00	0.00
Actuarial (gains)/ losses due to liability experience	(0.17)	0.60
Total Amount recognised in Other Comprehensive Income	0.82	0.29
Total Amount Recognised	1.56	0.86

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

	For Year Ending 31 March 2015	For Year Ending 31 March 2016
	£M's	£M's
Opening Defined Benefit Obligation	18.20	18.35
Current Service Cost	0.00	0.00
Interest Expense on defined benefit obligation	0.74	0.57
Contributions by Participants	0.00	0.00
Actuarial (gains)/ losses on liabilities financial assumptions	0.99	(0.31)
Actuarial (gains)/ losses on liabilities demographic assumptions	0.00	0.00
Actuarial (gains)/ losses on liabilities experience	(0.17)	0.60

Vale of Glamorgan County Borough Council

Net Benefits Paid Out	(1.41)	(1.37)
Past Service Cost (including curtailments)	0.00	0.00
Net increase in liabilities from disposals/ acquisitions	0.00	0.00
Settlements	0.00	0.00
Closing Defined Benefit Obligation	18.35	17.84

Changes to the Fair Value of Assets during the Accounting Period

	For Year Ending 31 March 2015	For Year Ending 31 March 2016
	£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	1.41	1.37
Contributions by Participants	0.00	0.00
Net Benefits Paid Out	(1.41)	(1.37)
Net increase in assets from disposals/ acquisitions	0.00	0.00
Settlements	0.00	0.00
Closing Fair Value of Assets	0.00	0.00

Teacher's Pension Scheme

The total employer contributions to the Teacher's Pension Scheme in 2015/16 made by the Council were £7.475M. This includes contributions for Teachers appointed by the Governing body.

38. Contingent Liabilities

Municipal Mutual Insurance Ltd. (MMI)

A provision for Mutual Municipal Insurance Limited (MMI) has been included in the accounts. It should be noted that a further levy may be imposed on the Authority by the administrator of Municipal Mutual Insurance Limited (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.

39. 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.

Vale of Glamorgan County Borough Council

- 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 and 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.

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

The Authority has a loan of £4 million in respect of a LOBO (Lenders Option Borrowers Option). The Lender can increase the interest rate by giving three business days notice before the interest payment dates in each year i.e. the 24th August and the 24th February, it would then be for the Authority to decide whether to accept the increase or repay the loan. The loan has a full term maturity date of 24th February 2054. The maturity analysis of financial liabilities is as follows:

	31 March 2015	31 March 2016
	£000	£000
Less than one year	3,593	3,584
Between one and two years	2,212	1,834
Between two and five years	3,789	2,748
More than five years	88,170	152,642
Total	97,764	160,808

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	(151)
Increase in government grant receivable for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	(90)
Share of overall impact credited to the HRA	(34)
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)	(20,851)

Vale of Glamorgan County Borough Council

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

Foreign Exchange Risk

The Authority held £300 in foreign currency at 31st March 2016 and therefore it's exposure to loss arising from movements in exchange rates is very small.

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.

2014/15		2015/16	2015/16
£,000	Expenditure	£,000	£,000
2,488	Repairs and Maintenance	3,502	
3,410	Supervision and Management	4,100	
203	Rents, Rates, Taxes, & Other Charges	267	
4,970	Negative housing revenue account subsidy payable	0	
2,004	Non-Current Assets Depreciation /Impairment	1,167	
0	Non-Current Assets Depreciation written off for Land asset	(1,484)	
3	Debt Management Costs	56	
0	Increase in Provision for Bad and Doubtful Debts	76	
13,078	Total Expenditure		7,684
	Income		
16,295	Dwelling Rents	17,142	
288	Non Dwelling Rents	309	
522	Charges for Services and Facilities	1,074	
10	Contributions towards expenditure	0	
0	Housing Revenue Account Subsidy Receivable	3	
243	Reduction in Provision for Bad and Doubtful Debts	14	
(17,358)	Total Income		(18,542)
	Exceptional Items		
0	HRA Subsidy Buyout (Revenue Expenditure Funded from Capital Under Statute)		63,156
(4,280)	Net Expenditure of HRA Services as Included in the Whole Authority CIES		52,298
0	HRA share of other amounts included in the whole authority Net Expenditure of Continuing Operations but not allocated to specific services		0
(4,280)	Net Expenditure of HRA Services		52,298
	HRA share of the operating income and expenditure included in the CIES		
(641)	(Gain)/ loss on sale of HRA assets	(608)	
191	Interest payable and similar charges	2,911	
(19)	Interest and Investment Income	(9)	
90	Interest on net defined benefit liability/ (asset)	75	
(2,760)	Capital Grants	(4,838)	
(7,419)	(Surplus) or deficit for the year on HRA services		49,829

Movement on the HRA Statement

2014/15		2015/16
£,000		£,000
(6,406)	Balance on the HRA at the end of the previous year	(1,876)
(7,419)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	49,829
0	Revaluation Surplus on Property, Plant and Equipment	0
11,949	Adjustments between accounting basis and funding basis under statute	(49,421)
4,530	Net (increase) or decrease before transfers to or from reserves	408
0	Transfers to or (from) reserves	0
4,530	Net (Increase) or decrease on the HRA	408
(1,876)	Balance on the HRA at the end of the current year	(1,468)

Note to the Statement of Movement on the HRA Balance

Adjustments between Accounting Basis and Funding Basis under Statute

	2014/15	2015/16
	£,000	£,000
Revaluation Loss on Property, Plant and Equipment	0	1,484
Charges for depreciation and Impairment of Non Current Assets	(2,004)	(1,167)
Capital Grants and Contributions	2,760	4,838
Statutory Provision for the Financing of Capital Investment	42	1,387
Revenue Expenditure Funded from Capital Under Statute	0	(63,156)
Capital Expenditure charged against HRA	10,610	6,700
Gains / losses on sales of non current assets	640	608
Pensions Reserve	(99)	(114)
Accumulated Absences	0	(1)
Total Adjustments	11,949	(49,421)

Summary

Housing Revenue Account revenue balance at 31st March 2016 is £1.468M.

1. Gross Rent Income

This is the total rent income due for the year after allowance is made for voids. During the year 2.53% of the total rent due was uncollectable due to lettable properties being vacant; in 2014/15 the figure was 3.16%. Average rents were £84.41 a week in 2015/16, an increase of 3.14% over the previous year.

2. Rent Rebates

Assistance with rents is available under the Housing Benefit Scheme for those on low incomes. 72.21% 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 overleaf:

2004/05	4,077
2005/06	4,012
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

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

Number of Dwellings by Type	At 31st March 2015	At 31 st March 2016
1 Bedroom Houses	0	0
2 Bedroom Houses	312	313
3 Bedroom Houses	1,582	1,577
4 or more Bedroom Houses	89	89
1 Bedroom Bungalows	261	261
2 Bedroom Bungalows	69	69
3 Bedroom Bungalows	32	31
1 Bedroom Flats	887	885
2 Bedroom Flats	591	591
3 Bedroom Flats	95	95
Other – Hostel	15	15
Total	3,933	3,926

The change in stock can be summarised as follows:-

Housing Stock 31st March 2015	3,933
Less: Sold	(8)
Change of Use	1
Housing Stock 31st March 2016	3,926

4. Rent Arrears

During the year 2015/16 rent arrears as a proportion of gross rent income was 3.73% of the amount due, compared to 3.16% in 2014/15. The figures are as follows: -

	2014/15	2015/16
	£,000	£,000
Arrears at 31 st March	624	752

Amounts written off during the year amounted to £27,771. The aggregate provision in respect of uncollectable rent and other housing debts is £528k.

5. Housing Revenue Account Subsidy

The Housing Revenue Account Subsidy includes a credit adjustment of £2,543, in respect of prior year adjustments.

6. Sale of Council Dwellings/ Administration Costs

The costs of administering the sale of Council dwellings (disposal proceeds £632k) were £29k in 2015/16, compared to £25k in 2014/15 (disposal proceeds £574k).

7. Water Rates

Total monies collected in respect of water rates were £1,831k (£1,879k in 2014/15). Commission earned on this for 2015/16 was £262k (£237k in 2014/15).

8. Housing Revenue Account Subsidy Buyout

On 2nd April 2015 as part of the agreed Housing Subsidy (HRAS) Buyout process a Public Works Loan Board loan of £63.156 million was drawn down and subsequently paid over to WG on behalf of HM Treasury.

9. Capital Expenditure

Capital Expenditure of £16.063M has been spent in 2015/16 improving Council Dwellings, whilst this Capital Expenditure has enhanced service potential of the properties it is not considered to have enhanced the valuation and therefore the value of this expenditure has been put through as an impairment against the Council Dwelling asset.

10. Capital Funding

	2014/15	2015/16
	£,000	£,000
Supported Borrowing	0	0
Unsupported Borrowing	4,554	3,618
Useable Capital Receipts	897	906
Revenue Contributions	10,610	6,700
Major Repairs Reserve	2,760	2,770
Other Capital Grants	658	2,069
Total	19,479	16,063

11. Assets - Depreciation / Impairment

The charge is broken down as follows:-

Vale of Glamorgan County Borough Council

Council Dwellings	2014/15	2015/16
	£,000	£,000
Depreciation of Dwellings	1,650	1,163
Write off historical accumulated depreciation	0	(1,484)
Depreciation of Other Land and Buildings	4	4
Impairment	350	0
Total	2,004	(317)

Council Dwellings / Other are included in note 12 to the main accounts, Property, Plant and Equipment.

12. 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.

	2014/15	2015/16
	£	£
IAS 19 Adjustment	(9,925)	26,849
Interest on net defined benefit liability/ (asset)	(88,725)	(74,961)
Contribution from Pension Reserve	(98,650)	(48,112)

13. 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.

	2014/15	2015/16
	£,000	£,000
Opening Balance brought forward	0	0
Grant Received in Year	2,760	2,770
Grant Utilised in Year	(2,760)	(2,770)
Closing Balance Carried Forward	0	0

Trust Funds

1. 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 2015	Acquisitions / Disposals	Revaluation	Surplus/ (Deficit)	Balance at 31 March 2016
	£'000	£'000	£'000	£'000	£'000
Accumulated Fund	4,579	316	(69)	(18)	4,803

The non-current assets of the fund are included at their 31 March 2014 value. The external investments held by the fund are included at their fair value at 31 March 2016. The Fund had disposed of the former Southerndown home for the blind during 2015/16 for £766k and the proceeds of the sale after adjusting for costs of sale have been invested.

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

2. Cowbridge Sixth Form Site (1912 Scheme)

In 2014/15 the Council identified an asset which is held in trust. The relevant scheme dates from 1912 and provides that the site is to be used for the purposes of a Secondary School. The net fund balance at the 31 March 2016 was £450k.

Annual Governance Statement 2015/16

Final Version

INDEX

Section	Content	Page (s)
1	Scope of Responsibility	87
2	The Purpose of the Governance Framework	88
3	The Governance Framework	90
4	Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area. (Putting the Citizens First, Achieving Value for Money)	91
5	Members and Officers working together to achieve a common purpose with clearly defined functions and roles. (Knowing who does what and why).	98
6	Promoting Values for the council and Demonstrating the Values of Good Governance through upholding High Standards of Conduct and Behaviour. (Living Public Service Values).	101
7	Taking Informed and Transparent Decisions which are subject to effective scrutiny and managing risk. (Fostering Innovation Delivery).	103
8	Developing the Capacity and Capability of Members and Officers to be effective. (Being a Learning Organisation).	107
9	Engaging with Local People and other Stakeholders to ensure robust public accountability. (Engaging with others).	108

10	Review of Effectiveness.	110
11	Significant Governance Issues.	112
12	Assurance Summary.	117

1. Scope of Responsibility

- 1.1 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 is safeguarded and properly accounted for and used economically, efficiently and effectively.
- 1.2 The Council also has a duty under the Local Government (Wales) Measure 2011 (as amended from time to time) to secure continuous improvement in the exercise of its functions in terms of strategic effectiveness, service quality, service availability, fairness, sustainability, efficiency and innovation. This builds upon the principles set out by the Welsh Government (WG) under the Wales Programme for Improvement (WPI) which reflected the Assembly's shared vision of public service improvement and local and national accountability and the Wales Programme for Government.
- 1.3 In discharging its overall responsibilities, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.
- 1.4 The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework and incorporates the governance principles and values as set out by the Welsh Government.

2. The Purpose of the Governance Framework

2.1 The governance framework comprises the systems and processes, and cultural values, by which the Authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. This can be represented by the following table which sets out the Council's Assurance Cycle.

TARGET	PLAN	ACTION	REVIEW
What are we seeking to receive assurance on?	What sources of assurance do we require?	How will we organise ourselves to receive adequate assurances?	How will we know we are effective:
<p>Delivery against the Corporate Plan in line with the governance framework,</p> <p>Delivery of services within budget and in accordance with approved targets and objectives,</p> <p>Management of the Council's key risks,</p>	<p>Community Strategy,</p> <p>Corporate Plan,</p> <p>Workforce Plan,</p> <p>Human Resources Strategy,</p> <p>Medium Term Financial Plan,</p> <p>Annual Budget,</p> <p>Service Plans,</p> <p>Team Plans,</p> <p>Chief Officer</p>	<p>Cabinet (as the Executive Committee),</p> <p>Scrutiny Committees including Task and Finish Groups,</p> <p>Audit Committee,</p> <p>Standards Committee,</p> <p>Joint Committees,</p> <p>Other Quasi-Judicial Committees e.g. planning and licensing,</p>	<p>The eight Corporate priority objectives as set out in the Corporate Plan are achieved.</p> <p>Annual improvement objectives and associated actions are achieved.</p> <p>Positive Internal and External Audit Annual Opinion Reports and Letters.</p> <p>Adherence to Financial</p>

<p>Design and effectiveness of internal control systems,</p> <p>Compliance with laws, regulations, internal policies and procedures,</p> <p>The adequacy of key governance tools e.g. performance management and risk management frameworks,</p> <p>Value for Money including the prevention and detection of Fraud,</p> <p>Direction of travel in relation to previous governance issues.</p>	<p>Appraisals, Personal Development Review System,</p> <p>Internal Audit Annual Plan,</p> <p>External Audit Annual Plan,</p> <p>Other external agencies,</p> <p>Executive and Scrutiny work programme,</p> <p>Audit Committee Work Programme,</p> <p>Corporate Risk Management Group work programme,</p> <p>Information Strategy and Governance Board,</p>	<p>Corporate Management Team,</p> <p>Statutory Officers,</p> <p>Partnerships,</p> <p>Officer working groups,</p> <p>Local Service Board,</p> <p>Other collaborative arrangements.</p>	<p>Strategy and Budget.</p> <p>Controls established and countermeasures identified to mitigate risks to an acceptable level.</p> <p>Monitoring and performance management reports validate action taken in support of priority outcomes.</p> <p>Output from Cabinet and Scrutiny Committees support the principles of good governance.</p> <p>Audit Committee are able to discharge their governance role.</p> <p>Annual Governance Statement.</p>
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2.2 The system of internal control is a significant part of the governance framework and is designed to manage the risk of failure to achieve policies, aims and objectives to a reasonable level rather than to eliminate all risk. The system of internal control is an

ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 The following paragraphs summarise the governance framework and the system of internal control, which has been in place within the Council for the year ended 31st March 2016 and up to date until the approval of the Annual Statement of Accounts which are presented to the Council's Audit Committee in September 2016. The framework is described to reflect the arrangements in place to meet the core principles of effective governance.

3. The Governance Framework

3.1 CIPFA has identified six principles of corporate governance that underpin the effective governance of all local authority bodies. In addition, WG have set out seven principles and values within their draft "Making the Connections" governance principles and values document. The Council on the 6th May 2009 approved its Code of Corporate Governance which adopted the six principles as defined by CIPFA and SOLACE, incorporating the WG governance principles (shown in italics) as follows:

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

3.2 The Vale of Glamorgan Council has used these principles when gathering evidence to gain assurance that governance within the Authority is robust.

- - 3.3 The Council recognises that a key governance challenge that lies ahead is in relation to the capacity and capability to meet new legislative requirements and the challenges this poses for delivering services on reducing budgets. To address this challenge, the Council will ensure that it has appropriate governance mechanisms in place to ensure it is best placed to respond to the requirements of new legislation in a co-ordinated and accountable way.
 -
 - 3.4 Therefore, the Council is currently reviewing the governance framework to ensure that it reflects the requirements of the Well-being of Future Generations (Wales) Act 2015 and any changes recommended by CIPFA and SOLACE to the Code of Corporate Governance.
- 4. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area (*Putting the Citizen First, Achieving Value for Money*).**
- 4.1 The Council aims to deliver high quality services that provide value for money and which are aligned to the needs and priorities of the local community. In accordance with the requirements of the Local Government (Wales) Measure 2011 (as amended from time to time), the Council has prepared a Community Strategy to promote the economic, social and environmental well-being of its area. Rather than just a Council-owned document, this Strategy has been developed with the Council's partners in the Local Service Board and represents a joint approach for setting objectives to improve the quality of life in the Vale over ten years to 2021.
- 4.2 With the Community Strategy providing the over-arching framework, the Vale of Glamorgan Council, as a key partner, has a pivotal role to play. The agenda is a complicated one as differing and often conflicting priorities have to be dealt with and decisions reached. In setting its objectives, therefore, the Council must take into account a number of factors including service demands, legislative requirements, community wishes, the agendas of partner organisations, together with the expectations of the Welsh Government and external regulators. This is all encapsulated in the Corporate Plan, a four year document that describes how the Council will contribute to the Community Strategy and provides focus and direction for Elected Members, employees, partner organisations, service users and other stakeholders.

Vale of Glamorgan County Borough Council

4.3 The Corporate Plan covering the period 2013 – 2017, identifies eight priority outcomes as listed below, each of these outcomes is supported by key actions with delivery dates varying over the life of the plan.

- Citizens of the Vale of Glamorgan can easily access efficiently managed services that are focused around their needs, have confidence in how decisions are made and are proud to live in the Vale.
- Children and young people are engaged and supported and take full advantage of life opportunities available in their local community and beyond.
- Citizens of the Vale of Glamorgan have the skills, knowledge and abilities required to maximise their opportunities.
- The Vale of Glamorgan has a thriving economy supporting cohesive sustainable communities.
- Current and future generations of Vale residents and visitors enjoy the build and natural environments of the Vale of Glamorgan and actively protect and maintain them.
- Vale of Glamorgan residents have access to affordable, good quality suitable housing and housing advice and support.
- Citizens of the Vale of Glamorgan are healthy and have equality of outcomes and, through appropriate support and safeguards, the most vulnerable members of our community maximise their life opportunities.
- Residents and citizens of the Vale of Glamorgan feel safe and are safe within their community.

4.4 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 for supporting improvement.

4.5 In view of significant new resource and legislative challenges that need to be addressed, the Council is reviewing its Corporate Plan priorities for the medium term to reflect its Reshaping Services Strategy, the Well-being of Future Generations (Wales) Act, the Social Services and Wellbeing Act and Welsh Government's overall proposals for local government.

4.6 During the latter half of 2015/16, the Council undertook a Self-Assessment, the outcome of which was reported to Cabinet on the 8th February 2016. This will be repeated on an annual basis. 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 improvement areas identified throughout the assessment have been used to inform the development of a Corporate Improvement Action Plan.

- 4.7 In addition to the above, the Council was subject to a Corporate Assessment during the latter quarter of 2015-16. The purpose of the Corporate Assessment is to enable the Wales Audit Office (WAO) to provide a position statement on the Council's capacity and capability to deliver continuous improvement. It does, by its nature, examine the Council's track record of performance and outcomes as well as examining the key arrangements that are necessary to underpin improvements in services and functions. The Corporate Assessment seeks to answer the following question: "Is the Authority capable of delivering its priorities and improved outcomes for citizens?" The Council is still awaiting the final report, but early indications are that the results are extremely positive.
- 4.8 Since March and October 2014 with the formulation of the Youth Cabinet and the appointment of the Youth Mayor respectively, young people throughout the Vale of Glamorgan have had a real voice on issues under consideration by the Council's Cabinet, Scrutiny Committees and at meetings of Full Council. Youth Cabinet Members work directly with Cabinet Members and the Leader of the Council and contribute to consultations relating to all Council Services. The views of young people informed high profile work such as the 5x60 Sports programme, the Council's response to local government reform, the Council's destination action plan, the national curriculum review, the Barry schools transformation project and a review of school transport in the Vale of Glamorgan.
- 4.9 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 has been the incorporation of significant

changes resulting from the adoption of a Workforce Plan and Human Resources Strategy, together with a focus on outcomes and a rationalisation of the number of plans.

4.10 The Council recognises that there are still improvements to be made including ensuring clear links between the Corporate Plan and the suite of enabling strategies / frameworks. Work has already commenced in reviewing these strategies / frameworks and the Performance Management Framework in tandem with the review of the Corporate Plan.

4.11 The Council has an effective corporate framework for financial planning, financial management and control in place. These arrangements enable the Council to regularly review and challenge financial performance and monitor spend against budgets. Work has been undertaken to ensure that the Council's Medium Term Financial Plan (MTFP) clearly links to the priorities outlined in the Corporate Plan to ensure they are financially viable. The Council has also ensured that the MTFP closely aligns with the business planning cycle. The Capital Programme and Strategy has been set to the year 2019/20 with resources allocated in accordance with Corporate Priority and risk. The annual revenue budget together with the capital programme reflects how the Council's financial resources are aligned to Council priorities. A budget priorities survey was carried out with Vale residents to ascertain how they prioritised the services they used. The services that were rated with the highest level of importance were Primary and Secondary Schools, Refuse Collection and Recycling and Child Health and Disability Support. A number of residents also supported the possibility of alternative forms of service delivery as a way of reducing costs, specifically working more closely with strategic partners and the third sector. , As part of the programme of work, the Wales Audit Office has completed a Financial Resilience Assessment of the Vale of Glamorgan Council on behalf of the Auditor General for Wales. The assessment's aim was to answer the following question:

Is the Vale of Glamorgan Council managing budget reductions effectively to ensure financial resilience?

Taking into consideration whether:

Financial planning arrangements effectively support financial resilience,

Financial control effectively supports financial resilience, and

Financial governance effectively supports financial resilience.

The main focus of the work was on delivery of 2014-15 savings plans, and the 2015-16 financial planning period. Overall the report concludes that "the Council's financial arrangements are effective but savings plans need to be developed in more detail for future years". This conclusion was based on the findings in relation to financial planning, financial control and financial governance arrangements.

4.12 Monthly monitoring reports for the revenue budget and the capital programme are submitted to Scrutiny Committees, with Scrutiny Committee (Corporate Resources) nominated as the lead Scrutiny Committee. Cabinet receive references from Scrutiny Committees including revised estimates and proposed changes to the Capital programme. Chief Officers are responsible for ensuring that expenditure is maintained within approved budgets and undertake ongoing monitoring to achieve this. For the 2015/16 financial year, all Directorates achieved outturn within their overall budget allocation. The Council's Medium Term Financial Plan outlines how the Corporate Plan is to be funded; this has taken place against a backdrop of a significant reduction in public finances.

4.13 Priorities for service improvement have been identified, and there are a range of projects in progress with a view to achieving significant business efficiencies over the coming years. The Council has a number of corporate processes, programmes and projects designed to improve efficiency including the establishment of areas for savings over the next four years. In order to achieve this, the Council will need to investigate alternative forms of service delivery including collaboration with other local authorities, the wider public sector and the third/voluntary sector. The Council has a corporate approach to strategic collaboration and partnership working and fully recognises the potential benefits and the risks that new service delivery models present. The Council already works well with a wide range of partners locally and regionally in order to deliver the identified priorities. This is contributing to reducing duplication in services, achieving cost savings, enhancing the skills of the workforce development, improved services and ultimately, improving outcomes for Vale residents.

4.14 At present the Council is involved in a number of collaborations / partnership arrangements, these include (this list is not exhaustive):-

- The Local Service Board which oversees the delivery of the Community Strategy and has in place agreed partnership and delivery structures which are fit for purpose and accountable, this is now the Public Service Board (PSB),
- Prosiect Gwyrdd for Waste Disposal,
- Central South Education Consortium for school improvement,
- Internal Audit Shared Service,
- Civil Parking Enforcement

Vale of Glamorgan County Borough Council

- Regulatory Services,
- Leisure Services Management contract with Parkwood Community Leisure (Legacy Leisure) and
- The Regional Adoption Collaboration which involves Cardiff, Merthyr and Rhondda Cynon Taf councils.

4.15 The Council operates a complaints procedure and uses this to identify areas where service quality is not satisfactory, and to take action to improve. As a result, corporate complaints are captured on the Oracle CRM system and this gives an audit trail about how we handle such complaints. The CRM system also provides the Council with management information, such as the number of complaints, the Stage of the complaint (i.e. Stage 1, or 2) and whether the complaint was upheld, partially upheld or not upheld. The Council has introduced formal reporting to demonstrate what services have learnt from complaints and Directorates have produced Action Plans to implement change. The Council has also refined data collection and management reporting procedures thus ensuring that information is accurate and timely. In addition, formal reporting takes place to Corporate Management Team on a six-monthly basis ensuring that services can demonstrate that they are learning from complaints.

4.16 In May 2009 the Council adopted a Code of Corporate Governance based on best practice as recommended by CIPFA (The Chartered Institute of Public Finance and Accountancy) and SOLACE (The Society of Local Authority Chief Executives). A self-assessment of corporate governance was undertaken by Internal Audit in 2015/16. The outcome of the internal audit was that the Council has embedded corporate governance into all aspects of its key functions. During 2016-17 the Code of Corporate Governance will be reviewed to ensure it continues to be fit for purpose. However, it is expected that the format of the Code will change to align with the Well-being of Future Generations (Wales) Act 2015 and any changes recommended by CIPFA and SOLACE.

4.17 The Council constantly strives to ensure that its functions are exercised with a view to continuous improvement and regard to the principles of economy, efficiency and effectiveness. In particular, the requirements of the Local Government Measure under the Wales Programme for Improvement place a duty on local authorities to pursue service excellence, improvement and efficiency. In order to achieve this, a process of continuous internal review takes place, much of which is governed by the Council's own comprehensive performance management framework and is supplemented by the work of external

agencies and regulators. However, the Council recognise that more work is needed to improve how the Council evaluates and reports the outcomes being achieved in response to priorities. This work has already commenced in tandem with the review of the Council's Corporate Plan and proposals have been made to elected members on an approach based on "one scrutiny committee per Corporate Plan outcome".

4.18A key performance challenge is having the capacity and capability to support services to deliver transformational change in the medium term. To address this, the Council will be focusing on ensuring that there is strong and effective programme management of the Reshaping Services programme and those objectives and targets remain realistic and achievable. This will include, continuing to ensure robust monitoring/planning of budgets takes place, making greater use of integrated approaches to ways of working and digital technology to deliver services in a more efficient and cost effective way.

4.19 The review of the Council's Code of Corporate Governance identified that the Council was able to demonstrate a number of positive indicators under Principle 1 - "**Putting the Citizen First**", these included:

- A wide range of methods to engage residents and service users in providing feedback on Council services and influencing decision making. These included both focused community consultation and wider ranging customer feedback projects,
- A number of corporate engagement tools such as Vale Viewpoint – the shared LSB Citizens' Panel, the biennial Vale of Glamorgan Council Public Opinion survey and a range of service user groups all designed to capture feedback from residents and service users to inform future service delivery,
- Ongoing work to engage hard to reach groups in partnership with voluntary organisations such as the Vale Older People's Forum and Vale Youth Cabinet and a number of equalities groups operating in the Vale.
- The Public Engagement Framework and good practice guide,
- Endorsement and promotion of the National Principles for Public Engagement Wales,
- Use of Vale of Glamorgan Council website and OneVale contact centre to provide information relating to consultation and engagement in the Vale and as a fully accessible point for customer and citizen engagement,
- Work to develop a comprehensive programme of public engagement to underpin the implementation of the Council's Reshaping Services project.
- Evidence of member engagement with citizens: and links with Community Councils and,
- Two young people have been appointed by the Council to the Lifelong Learning Scrutiny Committee to represent young people on matters affecting young people across the Vale of Glamorgan.

4.20 The review of the Council's Code of Corporate Governance also identified that the Council was able to demonstrate a number of positive indicators for "**Achieving Value for Money**", these included

- A Corporate focus on delivering efficiencies with targets aligned to the Medium Term Financial Plan and the Budget
- A number of corporate processes programmes and projects designed to improve efficiency for example the space project.
- The Council is involved in a number of collaborations and partnership working and continues to explore further opportunities.

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

5.1 The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. It does this by operating a Leader and Cabinet system of governance as part of a wider policy to strengthen its ability to deliver effective community leadership, democratic renewal and continuous improvement in services. Under this system:

- The Full Council meeting sets the overall budget and policy framework and is a focus for debate about the performance of the Cabinet (Executive),
- Scrutiny Committees advise on policy formulation and hold the Cabinet to account in relation to specific matters. They may also review areas of Council activity which are not the responsibility of the Cabinet or matters of wider local concern. The Cabinet makes decisions within this framework. Decisions may be delegated to individuals in the Cabinet, committees of the Cabinet, officers, area committees, joint arrangements, other authorities, or contracted out,
- Most regulatory decisions continue to be made by committees of the Council (e.g. Planning and Licensing Committee and Shared Regulatory Services) and,
- There is a Standards Committee to promote high standards of conduct and assist Members to observe the Code of Conduct.

- 5.2 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 codes of conduct, protocols and standing orders. The Council's Constitution is reviewed regularly and provides a clear framework for all officers and elected members decision making, and gives clarity around delegated responsibilities. The revised Constitution was developed via a working group of political group leaders and was approved by Full Council in September 2015 and the final version published in December.
- 5.3 The Constitution represents a coherent single document that is used as a comprehensive point of reference by individuals and organisations both inside and outside the Council. It comprises Procedures (including financial procedures) and associated material. The overall framework is not subject to frequent change and identifies what is to be done and by whom. Procedures may be subject to more frequent change. Whilst the Constitution is not a statutory document, the Council is satisfied that it is consistent with statute, regulations and guidance. To ensure continued compliance, the Head of Legal Services (who is also the Monitoring Officer appointed under Section 5 of the Local Government and Housing Act 1989) keeps the constitution under constant review. The revised version of the Constitution was presented to and approved by Full Council in September 2015, with the final version published in December 2015.
- 5.4 More recently the Constitution was amended in April 2016 to incorporate changes to the Member Code of Conduct to give effect to the Local Authorities (Model Code of Conduct) (Wales) (Amendment) order 2016.
- 5.5 The Council has adopted a Code of Conduct for its elected Members and has arrangements to receive and investigate allegations of breaches of proper standards of conduct which is outlined within the Constitution. The Council also has a Local Dispute Resolution Procedure as well as a Protocol of Standards to support the Members Code of Conduct that are both contained within the Constitution.
- 5.6 Low level allegations of breaches of the Members Code of Conduct are dealt with in accordance with the Council's Local Dispute Resolution Procedure. During 2015/16 there

Vale of Glamorgan County Borough Council

have been two matters which proceeded to a Stage 3 hearing determination. No censures were issued.

- 5.7 The Council is committed to improving the way in which it engages with residents and key stakeholders in decision-making. To ensure that the approach to engagement and consultation is undertaken to a high standard and is consistent, the Council has developed a Public Engagement Framework. In addition, the Council continues to allow members of the public to ask questions at planning committee and the ability to watch meetings of the Councils Planning Committee online via webcasting continues. In addition public speaking at Scrutiny Committees was introduced in January 2016.
- 5.8 All Committees have clear terms of reference and work programmes to set out their roles and responsibilities. The Audit Committee provides assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.
- 5.9 The Council's Managing Director (as Head of Paid Service) led the Council's officers and chaired the Corporate Management Team during 2015/16.
- 5.10 In accordance with the Local Government (Wales) Measure, the Council has appointed a designated Head of Democratic Services (the role being undertaken by the Operational Manager - Democratic Services) and has established a Democratic Services Committee, which meets on a quarterly basis.
- 5.11 All staff, including senior management, have clear conditions of employment and job descriptions which set out their roles and responsibilities. Terms and conditions of employment are overseen by the Human Resources Division.
- 5.12 The Head of Finance, as the Section 151 Officer appointed under the 1972 Local Government Act, carried overall responsibility for the financial administration of the Council. A corporate finance function provides support to departments and determines the budget preparation and financial monitoring process.

5.13 The Monitoring Officer carries overall responsibility for legal compliance and her staff work closely with departments to advise on requirements in this respect.

5.14 The review of the Council's Code of Corporate Governance identified that the Council was able to demonstrate a number of positive indicators for "**Knowing who does what and why**", these included:

- A Member Development Strategy which provides a framework for supporting elected Members in their numerous roles to enable them to undertake improved scrutiny and challenge of all Council activities.
- A Member Development Programme continues to be provided and is informed by the undertaking of Personal Development Review interviews for members and an annual Training Needs Analysis.
- Constructive working relationships between members and officers,
- CMT is an effective forum for considering corporate and cross-cutting issues and,
- A new procedure for the "sign off" of Cabinet reports has been introduced, with the inclusion of the Head of Legal Services and the Head of Finance as officers who contribute to the signing off of reports to ensure legal and financial implications have been appropriately assessed and are consistent with corporate policy

5.15 The development of collaborative arrangement has and will continue to necessitate the formation and review of appropriate governance arrangements to ensure that functions and roles are clearly defined and that the purpose and objective of the collaboration are met. During July 2015, Cabinet agreed that the Council would contribute towards the development of a business case to support the proposal for developing a Cardiff City Region City Deal and as a result would take an active role in investigating the feasibility of a City Deal for the Cardiff City Region. The Council recognises the opportunities that a Cardiff City Deal could bring in terms of potential increase in economic growth, investment and job creation within the region but it also recognises that there are significant risk in terms of cash-flow and the failure to gain the "buy in" or commitment from all partners to ensure that the City Deal is successful. Robust and sound Governance, Internal Control and Risk Management arrangements will be key factors for success.

6. Promoting Values for the Council and Demonstrating the Values of Good Governance through upholding High Standards of Conduct and Behaviour (*Living Public Service Values*).

- 6.1 The Council supports a culture of behaviour based on its statement of values. This guides both how the long-term vision is put into effect and how members and officers behave in their day-to-day work.
- 6.2 The behaviour of elected members and officers is governed by codes of conduct, which include a requirement for declarations of interest to be completed.
- 6.3 The Council takes fraud, corruption and maladministration very seriously and has the following policies, which aim to prevent or deal with such occurrences,
- Anti-Fraud and Bribery Policy
 - Whistleblowing Policy
 - HR policies regarding the disciplining of staff involved in such incidents.
- 6.4 The Public Services Ombudsman investigates allegations of misconduct by members, with the Standards Committee determining any investigations presented by the Ombudsman, promoting and maintaining high standards of conduct and monitoring the operation of the Member's code of conduct.
- 6.5 A complaints procedure is in place for the Council to receive and investigate any complaint made against it, including its members and officers and this is overseen by the Council's Complaints Officer. Complaints regarding members are directed to the Public Services Ombudsman and the Monitoring Officer.
- 6.6 The Council has a clear Whistleblowing Policy and arrangements in place for staff. Whistleblowing arrangements are sound as concluded by the Wales Audit Office in the Council's Annual Improvement Report for 2014-15. The Council has continued to raise awareness of the policy by delivering a programme of training for officers via an e-learning module.

- 6.7 The Council has developed a Corporate Safeguarding Policy in line with CSSIW and WAO recommendations, however it is recognised that further work is required to ensure this policy is embedded consistently across the organisation.
- 6.8 The Audit Committee helps raise the profile of internal control, governance, risk management and financial reporting issues within the Council. It enhances public trust and confidence in the financial governance of the Council. The Terms of Reference in place for the Committee are consistent with the core functions as recommended by CIPFA. In accordance with the Local Government (Wales) Measure 2011, the Council has appointed a Lay Member to the Audit Committee who presently holds the position as Vice Chairperson.
- 6.9 The review of the Council's Code of Corporate Governance identified that the Council was able to demonstrate a number of positive indicators for "**Living public sector values**", these included:
- The Council having a regularly reviewed Code of Governance and an Annual Governance Statement.
 - No issues reported about staff behaviour,
 - Audit Committee being well-regarded and,
 - A strong public sector ethos among members who are willing to co-operate for the common good of the citizens of the Vale.

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

- 7.1 The Council's Constitution sets out how the Council operates and the process for policy and decision-making. Full Council sets the policy and budget framework. Within this framework, the majority of key decisions are made by the Cabinet. Cabinet meetings are open to the public (except where items are exempt under the Access to Information Act).
- 7.2 All key decisions made by Cabinet are taken on the basis of written reports, including assessments of resource implications (Financial and Employment), Sustainability and Climate Change implications, legal implications (including Human Rights), Crime and Disorder implications, Equal Opportunity implications (including Welsh Language issues),

Vale of Glamorgan County Borough Council

Corporate and Service objectives and consultation (including ward member consultation) are an integral part of the process.

- 7.3 The decision-making process is scrutinised by five Scrutiny Committees, which support the work of the Cabinet as Executive and the Council as a whole. They allow citizens to have a greater say in Council matters by holding inquiries into matters of local concern. Scrutiny Committees also monitor the decisions of the Cabinet. They can “call in” a decision that has been made by the Cabinet but not yet implemented. This enables them to consider whether the decision is appropriate. They may recommend that the Cabinet reconsider the decision. They may also be consulted by the Cabinet or the Council on forthcoming decisions and on the development of policy. Any Member also has the right to request the inclusion of items on a relevant Scrutiny Committee agenda. It should be noted that proposals have been made to elected members on an approach based on “one scrutiny committee per Corporate Plan outcome”. The Council are confident that this approach will reduce duplication in reporting and ensure that the Council is effectively evaluating the results of cross-service activity in order to provide a clearer picture of the outcomes being achieved.
- 7.4 Other decisions are made by officers under delegated powers. The authority to make day-to-day operational decisions is detailed within the Scheme of Delegations contained in the Constitution.
- 7.5 Policies and procedures governing the Council’s operations include Financial Regulations, Procurement Policy and Strategy and Risk Management Strategy. Ensuring compliance with these policies is the responsibility of managers across the Council.
- 7.6 The Council has a well-developed performance management framework linking the Community Strategy to its own Corporate Plan and then through Service and Team Plans down to individual performance as part of a Personal Development and Review System. The financial consequences are considered via the Medium Term Financial Plan, which informs the Corporate Plan and the Annual Budget. This, in turn, informs Service and Team Plans. Further work has been undertaken to integrate workforce planning into this process.

- 7.7 Whilst Performance Management is fully embedded within the culture of the Council and has driven continuous improvement over the last 10 years, the Council does recognise that there are significant challenges ahead particularly in relation to capacity and capability in supporting services to deliver transformation change in the medium term. To address these challenges the Council will be focusing on ensuring that there is strong and effective programme management of the Reshaping Services programme and those objectives and targets remain realistic and achievable. In addition, the Council has undertaken a Self-Assessment during the latter half of 2015/16 which provides a position Statement on the Council's performance over the past year in delivering the Council's priorities. The Council has reconfigured its Corporate Plan for 2016 – 2020 which sets out how the Council will deliver its vision over the next four years, in the face of increasing challenges. The Plan represents a significantly different way of working for the Council. The focus is on the delivery of Well-being objectives demonstrating the contribution to the Well-being goals introduced the Well-being of Future Generations (Wales) Act. Not only is the Plan a departure from previous versions structured around Directorates, it also makes provision for new ways of working promoted by the Act. In addition to the range of internal changes to support the delivery of the Corporate Plan and the Act, the Council is planning to reconfigure Scrutiny Committees to the Well-being Outcomes as set out in the Corporate Plan 2016-2020. These will comprise of one Scrutiny Committee per Corporate Plan outcome and it's intended to help reduce duplication in reporting and ensure effective evaluation of cross-service activity.
- 7.8 The Council has adopted a robust approach to the management of risk through the integration of a risk management strategy into the Authority's performance management framework. Service risks are identified as part of the Service Planning process and are linked, where appropriate, to a Corporate Risk definition assisted by the use of mandatory cross-cutting objectives. 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 has been adopted by the Council which sets out the approach to the identification of and responses to strategic and operation risks. The Strategy has recently been refreshed, with roles and responsibilities of both elected members and officers in this respect identified with Cabinet acting as risk "champions" for the Council.
- 7.9 Risks are viewed from both a Service and Council-wide perspective which allows the key risks to be distilled by the Corporate Risk Management Group into a tangible Corporate Risk Register that has regard to underlying corporate risk themes and reflects the views of

senior management across all Services. The Corporate Risk Management Group regularly reviews the controls and implementation of necessary counter-measures to mitigate the risks.

7.10 The Council's Risk Management Strategy also provides essential input to the determination of Council priorities, targets and objectives. All of this serves to inform the development of the Improvement Plan. The Constitution determines whether Cabinet or Council acts as the approving body for these key documents and quarterly monitoring reports are taken to Cabinet and Scrutiny Committees in order to measure performance against Service Plans.

7.11 The financial management of the Council is conducted in accordance with all relevant legislation and its Constitution. In particular, financial procedure rules relating to Contract Standing Orders, Financial Regulations and Officer Delegations provide the framework for financial control. The Head of Finance has responsibility for establishing a clear framework for the financial management of the Council's affairs and for ensuring that arrangements for their proper administration are made under Section 151 of the Local Government Act 1972. As part of its performance management framework, the Council produces, on an annual basis, a rolling Medium Term Financial Plan which links the strategic planning process with the budget process and ensures consistency between them. As such, it forms an integral part of the Authority's corporate management framework for performance management and facilitates the allocation of resources to corporate priorities. Chief Officers are responsible for the financial management of their respective services and are supported by training, support and regular financial management information. Monthly financial monitoring reports are produced for both Cabinet and Scrutiny Committees, culminating in the production of the statutory Annual Statement of Accounts.

7.12 The review of the Council's Code of Corporate Governance identified that the Council was able to demonstrate a number of positive indicators for "**Fostering innovative delivery**", these included:

- Members and officers believe the Council strives to identify more effective and innovative ways of working,
- There is a culture of willingness to challenge existing practices particularly given the current financial situation,
- A good level of risk awareness amongst officers and members,

- A comprehensive Risk Register which is reviewed quarterly by the Corporate Risk Management Group and monitored by CMT, Cabinet and Audit Committee.
- A mechanism for reporting progress against key regulatory recommendations / improvement proposals and.
- A comprehensive Collaborative Working guidance for managers which emphasises good corporate and project governance.

8. Developing the Capacity and Capability of Members and Officers to be Effective (*Being a Learning Organisation*).

- 8.1 The Council aims to ensure that members and officers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities 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.
- 8.2 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 Strategy assists members to develop and strengthen their capacity as confident and effective political and community leaders, who are appropriately self-aware, self-managed, proactive, aware of their impact on others and capable of forming healthy and productive relationships, networks and partnerships. As indicated above, an ongoing Member Development Programme exists and the Strategy itself has been reviewed and submitted to the Democratic Services Committee.
- 8.3 The Council has also developed a Workforce Plan the purpose of which is to set out the anticipated workforce priorities over the next four years and the actions needed to achieve the change agenda. The Plan is supported by more detailed plans from each of the Council's main service areas and aims to focus on the common and cross-cutting themes. The themes and objectives within the Plan are congruent with those set out in the Council's Corporate Plan 2013 -17 and the Medium Term Financial Plan. Service Plans are being developed to incorporate the necessary workforce planning requirements.

8.4 One of the important developments in 2015 has been the development and implementation of the Council's Employee Engagement Strategy. This has been a key part of the Reshaping Services programme and has provided a framework to consult and engage with staff to ensure their involvement in identifying new approaches to service delivery and their contribution in the development of a new "Vale Employment Relationship" and a Staff Charter.

8.5 The Council's Performance Development and Review System (PDRS) process enables the individual to understand how they contribute to achieving the aims of the Council as expressed in the Team and Service Plans. The PDRS process is recognition that plans are delivered by individuals working in teams to achieve objectives – people are the Council's most important asset and resource. PDRS is the foundation stone and integral part of the Council's Performance Management Framework. During 2015 and as a result of a staff survey, the results showed that further work is required to develop the appraisal process to more effectively assess the training needs of staff.

8.6 The review of the Council's Code of Corporate Governance identified that the Council was able to demonstrate a number of positive indicators for "**Being a learning organisation**", these included:

- The Employee Engagement Strategy
- An embedded PDRS system identifying staff training needs, however, further development is required.
- Training provided for Members,
- Performance management regime effective in bringing together top down and bottom up issues and.
- Transparent lines of communication.

9. Engaging with local people and other stakeholders to ensure robust public accountability (*Engaging with Others*),

9.1 The Council is committed to understanding and learning from the views of the public. 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

Vale of Glamorgan County Borough Council

people. The Council's Public Engagement Framework details public engagement activities, which are undertaken by the Council.

9.2 Arrangements for consultation and for gauging local views include the Vale Viewpoint – the joint LSB Citizen's Panel, Community Cabinet events and focused community engagement projects. 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 and interactive workshops. A public opinion survey is carried out every two years by an independent market research company to provide the Council with feedback on a number of services. All elected members offer surgeries, or equivalent means of providing assistance, for their constituents. The Council's Cabinet now undertakes quarterly Community Cabinet meetings across the Vale to provide residents with the opportunity to speak face-to-face with decision makers. All strategic documents such as the Vale of Glamorgan Community Strategy are planned and written in consultation with a range of relevant stakeholders.

9.3 During 2015/16 the Council has undertaken a number of consultation and engagement projects that have informed service delivery. These include the following (this list is not exhaustive):

- Consultation with pupils, parents, teachers, governors and other stakeholders on the proposal to transform secondary education in Barry. The proposals included a new mixed-sex Comprehensive Community School,
- The expansion of Ysgol Gyfun Bro Morgannwg and Ysgol Gymraeg Nant Talwg.
- Budget Consultations for 2015/16 which also informed the final revenue budget for 2015/16 and the Reshaping Services Change Programme.
- Extensive staff surveys to seek views on four key areas of the new "Vale Employment Relationship" and.
- Council allowing members of the public to ask questions at Planning Committee and public speaking at Scrutiny Committees since January 2016.

9.4 The review of the Council's Code of Corporate Governance identified that the Council was able to demonstrate a number of positive indicators for "**Engaging with others**", these included:

- Internal and external communication strategy,
- Examples of successful collaborations with other organisations – Prosiect Gwyrd, Welsh Purchasing Consortium, Social Services joint commissioning, Internal Audit shared service with Bridgend County Borough Council, Shared Regulatory Services, Adoption Collaboration
- Local Service Board becoming a useful mechanism. The five key partnership groups bring together public, private and voluntary agencies, along with representative individuals and groups to make decisions on policy and use of resources.
- A joint Local Service Board incorporating Cardiff Council which can build upon the principles of collaboration.
- Recognition that partnership working is likely to be an important element in managing the increasingly difficult financial position.
- Members of the public are invited to participate in forums and are involved in regular opinion-taking exercises.

10. Review of Effectiveness

10.1 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.

10.2 The review mechanism includes:

- The Cabinet (as Executive) who are responsible for considering overall financial and performance management and receive comprehensive reports on a regular basis. The Cabinet is also responsible for key decisions and for initiating corrective action in relation to risk and internal control issues.
- A Scrutiny function which holds the Cabinet to account. Scrutiny Committee (Corporate Resources) is responsible for maintaining an overview of financial performance including value for money.
- The Audit Committee which provides the focus for reviewing the effectiveness of the system of internal control. This is primarily based upon reviewing the work of Internal

Audit and receiving reports from the Council's external auditors. The Committee met regularly throughout the year to provide independent assurance to the Council in relation to the effectiveness of the risk management framework, internal control environment and governance matters. In accordance with the Local Government Measure a lay person has been appointed to the Committee since 2012/13.

- 10.3 Internal Audit, an independent and objective assurance service to the management of the Vale of Glamorgan Council, completes a programme of reviews throughout the year to provide an opinion on the internal control, risk management and governance arrangements. In addition, the Section undertakes fraud investigation and proactive fraud detection work, which includes reviewing the control environment in areas where fraud or irregularity has occurred. Significant weaknesses in the control environment identified by Internal Audit are reported to senior management, the Audit Committee and the Cabinet as appropriate.
- 10.4 As part of the normal audit reporting process, recommendations are made and agreed with the relevant chief officers to address any issues that could impact upon the system of internal control. Furthermore, the Operational Manager - Audit as Head of Audit provides regular updates and an annual report to the Audit Committee summarising any significant internal control issues and the Annual Governance Statement itself has been subject to Audit Committee review.
- 10.5 The Wales Audit Office's Annual Improvement Report is considered by the Corporate Management Team, Cabinet, Corporate Resources Scrutiny Committee and the Audit Committee. Audit Committee also receives the Appointed Auditor's Annual Report, which supports the external audit of the Council's Annual Statement of Accounts. Other external regulatory agencies provide support to specific service areas (e.g. Estyn for Education, CSSIW for Social Care). In addition, the Audit Committee receives regular updates on the implementation of recommendations made by External Audit and other Regulatory Bodies.
- 10.6 As stated in 4.7 above the Council was subject to a Corporate Assessment which examines whether the Council is capable of delivering its priorities and improved outcomes for citizens. The Assessment was concluded by the WAO at the end of 2015-16 and the Council is awaiting the final report.

- 10.7 The Corporate Risk Management Group continually review corporate risks and ensure that actions are being taken to effectively manage the Council's highest risks. The results of this process are reported regularly to Audit Committee.
- 10.8 The Cabinet and Scrutiny Committee functions also provide a further mechanism for review and challenge of any issues that may impact upon the system of internal control. Scrutiny Committees regularly undertake "Task and Finish" groups (such as that set up by the Scrutiny Committee Social Care and Health to examine the potential contribution Assistive Technology could provide in the development of a dementia-supported community in the Vale of Glamorgan to enable people to live independently.
- 10.9 Internal Audit undertakes a continuous audit of Council services, which are assessed and prioritised according to relative risk. This risk assessment draws upon the corporate and service risks identified as part of the Service planning process and work of the Corporate Risk Management Group. In carrying out its duties, Internal Audit complies with the Public Sector Internal Audit Standards.

11. Significant Governance Issues

- 11.1 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.
- 11.2 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 £35 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.

11.3 The Council addressed this by undertaking regular Budget reviews and putting in place a financial strategy for the Council which presently runs until 2018. 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.

11.4 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 3 years to 2018-19 savings of £17.072M 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. It is anticipated that 60% of the required savings will be found through the programme and a number of specific services have been identified in two tranches for delivery from 2016 onwards. Further work will be required to ensure that all necessary action has been taken to mitigate any potential impact upon service delivery and clients e.g. consultation and scoping/completion of equality impact assessments.

11.5 Notwithstanding the above, there are certain major projects which form part of the Council's Corporate Risk Register the mitigation of which will be crucial for the Council to continue to manage in the ensuing financial year: Specifically, these are the:

- Reshaping Services,
- Local Government Reorganisation,
- Schools Reorganisation and Investment
- Housing Business Plan
- Waste
- Workforce Needs
- Information Security
- Climate Change
- Welfare Reform
- Local Development Plan

Vale of Glamorgan County Borough Council

- School Improvement (Joint Education Service)
- Safeguarding
- Integrating Health and Social Care

- 11.6 The Head of Audit's Annual Opinion report was presented to the Audit Committee at their meeting held on 25th April 2016. The overall opinion has provided reasonable assurance on the adequacy and effectiveness of the Council's systems of governance, risk management and internal control with a moderate risk level. In addition to above, a number of significant control issues were identified during the year but action plans have been agreed with the relevant managers to address the weaknesses identified, the implementation of which is being monitored by the Corporate Management Team. Where weaknesses have been identified they have tended to relate to specific service areas rather than an across the board breakdown in controls.
- 11.7 However, significant issues have been identified and reported to Audit Committee which relates to the Internal Audit reviews undertaken within Waste Management. The overall findings of the reviews demonstrate that the Council has been exposed to unacceptable levels of risk as regards to the operation of the Waste contracts. Waste contracts were being allowed to be operationally effective without there being a signed, legally binding contract in place. In addition, the timeliness of awarding contracts needs to be effectively project managed to enable mobilisation of contracts to meet contract commencement timetables. As a result of the Internal Audit findings and conclusions, a number of recommendations have been made and a Management Action Plan produced to address the significant control weaknesses identified. The Council's Corporate Management Team is actively overseeing the implementation of a number of these recommendations to improve the overall control environment and the Council's Audit Committee will be kept apprised of future developments. In addition, the Council's Contract Management Guidance and Toolkit is being reviewed and updated and Corporate Management Team has agreed that this will form part of the mandatory training being rolled out on Project Management.
- 11.8 Early in 2015/16 saw the retirement of the Council's Head of Paid Service – Managing Director / Director of Resources and the Head of Finance/Section 151 Officer which came at a difficult time for the Council in terms of increasing budget challenges, the need for leadership momentum in relation to a range of challenging work programmes and the uncertainty of local government reorganisation. This was identified as a significant

governance issue in last year's Annual Governance Statement. The Council appointed both Statutory Officers from within and it was clear from the outset that both newly appointed Corporate Officers were fully aware of the expectations of their roles and have demonstrated that they have the relevant experience and expertise to help manage the Council during a very crucial period of financial uncertainty.

- 11.9 In addition to these areas the challenge from an audit perspective, as recognised by corporate and senior management, continues to be the financial context in which the Council is required to operate. The impact of delivering the further programme of savings will be substantial, will impact 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.
- 11.10 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 is as efficient and effective as possible.

Matters arising since the submission of the AGS in July 2016

- 11.11 Since the production of the draft 2015/16 Annual Governance Statement, the Council has received its Corporate Assessment report. The corporate assessment is designed to answer on key question; whether as a local authority the Council is capable of delivering the priorities we have set ourselves and improved outcomes for Vale citizens. In this respect the report is glowing.

The WAO concluded that: *“The Council has a clear vision of what it wishes to achieve and is making positive changes which should ensure it is well place to continue securing improvements”*.

The report is further evidence that, despite increasing pressures on budgets and demands on services, the Council is performing better than ever.

The WAO also found that:

- The Council’s vision reflects local needs and national priorities and that senior political and officer leadership is engaging effectively with staff to support change and planning for the future;
- The change agenda is supported by effective leadership, and there are clear lines of responsibility which are securing improvement.
- Effective governance arrangements have secured improvements and that scrutiny arrangements have been refined to evaluate outcomes, with information about the Council’s performance being readily available; and
- The human resources service and extensive staff engagement is supporting Council priorities and the change agenda.

11.12 In addition, the Data Unit Wales has released its annual review of the performance of all Councils in Wales. The results show that for the second year running the Vale of Glamorgan Council has been ranked as the highest performing local authority in Wales.

The full report provides a great of detail about the various performance indicators and shows the Vale of Glamorgan Council to be consistently outperforming the majority of Councils in Wales.

What is perhaps most pleasing about the results is that after being ranked top in Wales last year, the Vale of Glamorgan Council did not, as an organisation, become complacent. Instead the Council continued to work hard on improving the services that are of such importance to Vale of Glamorgan residents and improved on performance in more than half of the areas under review.

12 Assurance Summary

- 12.1 Good governance is about running things properly. It is a means by which the Council shows it is taking decisions for the good of the people of the area, in a fair, open and equitable way. It also requires standards of behaviour which support good decision making both collective and individual in an open and honest manner. It is the foundation for the delivery of good quality services that meet all local people's needs and is fundamental to demonstrating that public money is well spent. Without good governance councils will struggle to improve services.
- 12.2 From the review, assessment and ongoing monitoring work undertaken, as supported by the work of Internal Audit, we have reached the opinion that, overall, key systems are operating soundly and that with the exception of the contract management arrangements within Waste, (although it is recognised that rigorous scrutiny by the Managing Director, Corporate Management Team and Internal Audit is ongoing), there are no fundamental control weaknesses. We can confirm, to the best of our knowledge and belief, having made appropriate enquiries that this statement provides an accurate and fair view and that any significant issues identified in Section 11 above will be addressed.

Signed:

Signed:

D. R. Thomas

N. Moore

Managing Director

Leader of the Council

Date: 28th September 2016

Date: 28th September 2016