

# MERTHYR TYDFIL COUNTY BOROUGH COUNCIL



Cyngor Bwrdeistref Sirol  
**MERTHYR TUDFUL**  
**MERTHYR TYDFIL**  
County Borough Council

**MYNEGIAD CYFRIFON AM Y FLWYDDYN**  
**2023/24**

**STATEMENT OF ACCOUNTS**  
**2023/24**

**C Flynn CPFA**  
**Chief Finance Officer**  
**Prif Swyddog Cyllid**

# Merthyr Tydfil County Borough Council

## Statement of Accounts 2023/24

<b>Contents</b>	<b>Page</b>
<i>Narrative Report</i>	1
<i>Statement of Responsibilities for the Statement of Accounts</i>	13
 <i>The Core Financial Statements</i>	
Expenditure and Funding Analysis	14
Comprehensive Income and Expenditure Statement	15
Movement in Reserves Statement	16
Balance Sheet	18
Cash Flow Statement	19
 <i>Notes to the Statement of Accounts</i>	 20
<i>Glossary of Terms</i>	89
<i>Annual Governance Statement</i>	93
<i>Independent Auditor's Report</i>	136

## **Narrative Report**

### **Introduction**

Located in the Heads of the Valleys, within the Cardiff Capital Region, Merthyr Tydfil County Borough is the smallest Welsh local authority, with a population of circa 61,000 and an area of approximately 11,000 hectares of which 2,300 hectares lies within the Brecon Beacons National Park.

Neighbouring Local Authorities are Rhondda Cynon Taf County Borough Council (west and south-west), Caerphilly County Borough Council (east and south-east) and Powys County Council (north). The A470 (north-south) and A465 (east-west) meet to the north-west of Merthyr Tydfil and are the County Borough's major roads.

The County Borough has rich geology and a mixture of quality habitats influenced by its industrial past. Having been the most productive centre of iron making in the world the County Borough has profound historic and cultural significance.

The main town of Merthyr Tydfil lies approximately 20 miles north of Cardiff and is the main retail and service centre in the Heads of the Valleys fulfilling a key strategic role.

### **Organisational Structure**

The Council consists of 30 Elected Members representing 11 electoral divisions. Full Council has responsibility for approving the Authority's budget, plans and strategies that make up the policy framework and approve changes to the Constitution. The Cabinet is responsible for taking most of the major decisions in line with the Council's overall policies and budget. As at 31<sup>st</sup> March 2024, the Cabinet consisted of 6 Cabinet Members led by the Leader of the Council as Chair who also had responsibility for the Portfolio for Housing and Regeneration. During 2023/24, Cabinet Portfolios were as follows:

- Education
- Social Services
- Neighbourhood Services
- Housing and Regeneration
- Public Protection, Crime and Disorder
- Governance and Resources

Scrutiny Committees and the Governance and Audit Committee provide a further degree of challenge and scrutiny.

Elected Members are supported by the Council's Corporate Management Team led by the Chief Executive and comprising of the following Directors:

- Deputy Chief Executive – supporting the Cabinet Member for Housing and Regeneration, and responsible for community regeneration, commercialisation, employability and housing and the Cabinet Member for Public Protection, Crime and Disorder and responsible for public protection and crime and disorder
- Director of Education – supporting the Cabinet Member for Education and responsible for schools and education
- Director of Social Services – supporting the Cabinet Member for Social Services and responsible for children's services, adult services, safeguarding and youth services
- Director of Neighbourhood Services – supporting the Cabinet Member for Neighbourhood Services and responsible for refuse and waste, highways and engineering, planning and

countryside, bereavement services, grounds maintenance, street cleansing and fleet management

The Chief Executive is also supported by:

- Head of Strategic Human Resources
- Head of Communication, Consultation and Cabinet Office
- Head of Legal and Monitoring Officer
- Chief Finance Officer

### **Corporate Wellbeing Objectives**

The Council's Medium Term Financial Plan 2024/25 to 2026/27 approved by Council on 17<sup>th</sup> April 2024 was determined having regard to the Well-being of Future Generations (Wales) Act 2015. The Act embraces seven wellbeing goals:

1. A prosperous Wales
2. A resilient Wales
3. A healthier Wales
4. A more equal Wales
5. A Wales of cohesive communities
6. A Wales of vibrant culture and thriving Welsh Language
7. A globally responsible Wales

In setting its Wellbeing Objectives the Council must demonstrate how it has applied the sustainable development principles in aligning with the 5 ways of working of involvement, collaboration, integration, prevention and long-term.

Under the Wellbeing of Future Generations (Wales) Act 2015 the Council is required to fulfil its statutory duty and publish a 'Statement of Wellbeing' and 'Focus on the Future Plan'.

Work undertaken by the Council to ensure the well-being objectives remain fit for purpose have led to a refocus for the period 2023-2028, with the following revised objectives:

1. **An Aspirational Merthyr Tydfil focused on learning** we will strengthen how we enable people to grow and reach their potential.
2. **A Healthier Merthyr Tydfil** we will empower people to live independent and dignified lives.
3. **A Safe and Prosperous Merthyr Tydfil** we will support how our economy recovers and grow.
4. **A Clean and Green Merthyr Tydfil** we will support the creation of a safe, clean and green environment now and in the future.

These objectives were approved by Full Council on 19<sup>th</sup> April 2023 within the Statement of Wellbeing 2023-28 and the Corporate Plan 2023-28 (Acting Today for a Better Tomorrow).

### **Performance Against Wellbeing Objectives**

The Council's Corporate Self-Assessment report for 2022/23 was approved by Council on 6<sup>th</sup> December 2023. The following judgements against wellbeing objectives were reported:

- Best Start to Life – adequate

- Working Life – good
- Environmental Wellbeing – adequate
- Living Well – good

In addition, a judgement of adequate was determined for Governance and Resources.

Based on the judgements identified in the four wellbeing themes the overall judgement was adequate where strengths outweigh weaknesses, but important aspects require improvement. The ambition is to be able to provide the data and evidence to move to a judgement of good for the 2023/24 Self-Assessment report.

Under the Local Government Elections Act 2021, the Self-Assessment report replaces the former Annual Performance Report and was presented to the Governance and Audit Committee on 29<sup>th</sup> November 2023 before being approved at Council on 6<sup>th</sup> December 2023. The Self-Assessment report reflects progress from three perspectives:

- External
- Internal
- Regulatory and partner

In compliance with the Local Government Elections Act 2021, following Council approval the approved Self-Assessment report was taken back to the Governance and Audit Committee on 15<sup>th</sup> January 2024 for noting.

### **Core Financial Statements**

This document presents the Statement of Accounts for Merthyr Tydfil County Borough Council for the financial year ended 31<sup>st</sup> March 2024. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

The financial statements – accompanied by a Statement of Responsibilities, Independent Auditor's Report, and explanatory notes – are set out on pages 14 to 139, and comprise:

#### **Expenditure and Funding Analysis**

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and Business rates) in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

#### **Comprehensive Income and Expenditure Statement**

This statement is fundamental to the understanding of a local authority's activities, in that it reports the net cost for the year of all the functions for which the authority is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers. It brings together expenditure and income relating to all the local authority's functions. It shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

### Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

### Balance Sheet

This statement is fundamental to the understanding of the Authority's financial position at the Balance Sheet date as it shows the value 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 Reserves – reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use, for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt.
- Unusable Reserves – reserves that the Authority is not able to use to provide services. This 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 reserves that hold timing differences shown in the Movement in Reserves Statement.

### Cash Flow Statement

This statement summarises the inflows and the outflows of cash arising from transactions with third parties for revenue and capital purposes. It shows the changes 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 as operating, investing and financing activities.

### **Financial Performance 2023/24**

The Authority is structured in six Directorates:

- Social Services
- Education
- Economy and Public Protection
- Neighbourhood Services
- Governance and Resources
- Corporate

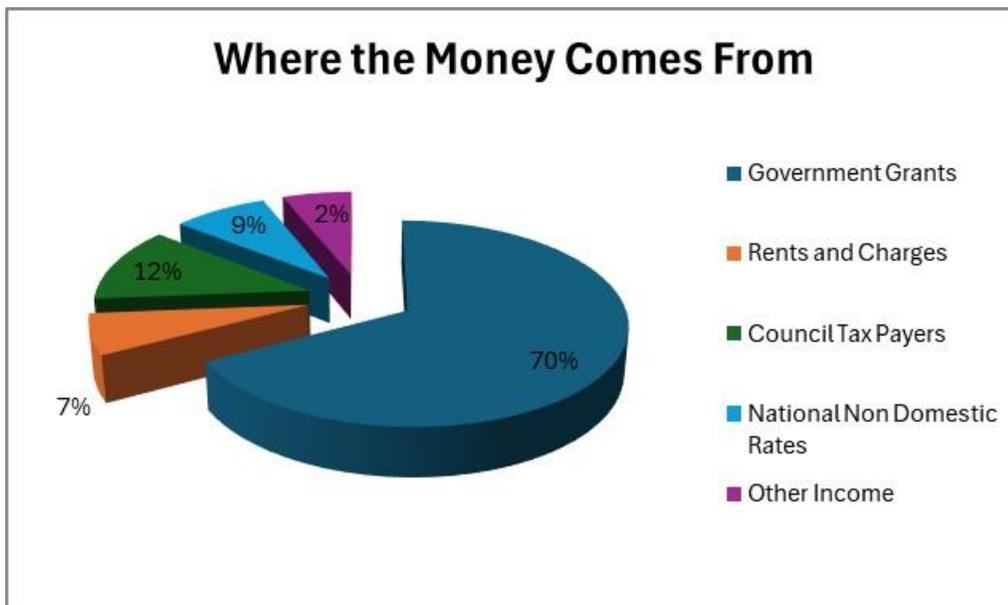
Services areas included within these Directorates can be seen in the Revenue Outturn to Budget Section of this Narrative Report.

The following illustrations show, in broad terms, the Authority's revenue activities for the financial year ended 31<sup>st</sup> March 2024, that is, where the money comes from and what it is spent on.

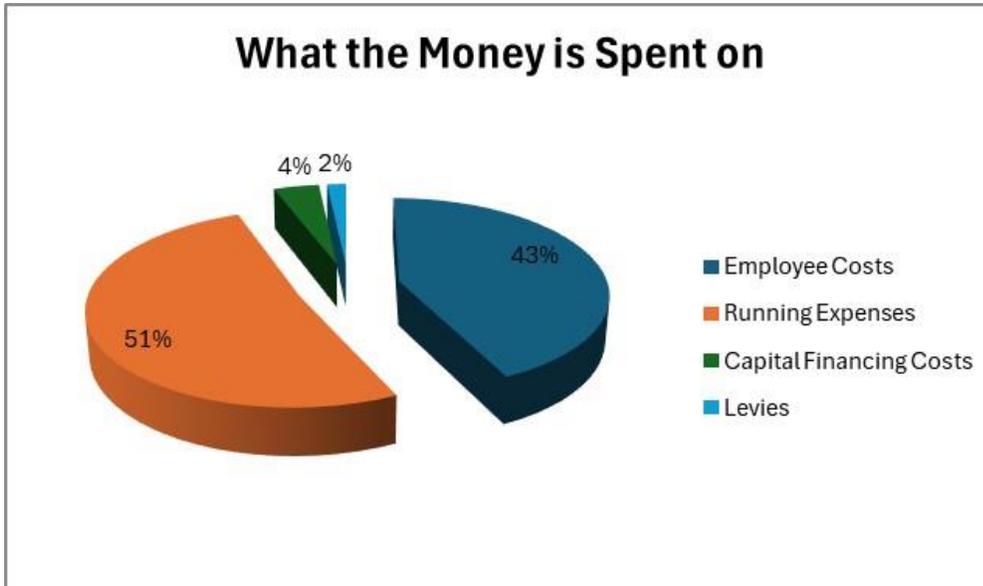
Where the Money Comes From

Description	£'000	%
Government Grants	155,549	70
Rents and Charges	15,178	7
Council Tax Payers	28,037	12
National Non Domestic Rates	19,024	9
Other Income	5,280	2
<b>Total</b>	<b>223,068</b>	<b>100</b>

The largest single item is Government Grants which provides 67% of the total, whereas 7% comes from the services provided through rents, fees and charges. Council Tax income accounts for only 12% of the total income.

What the Money is Spent On

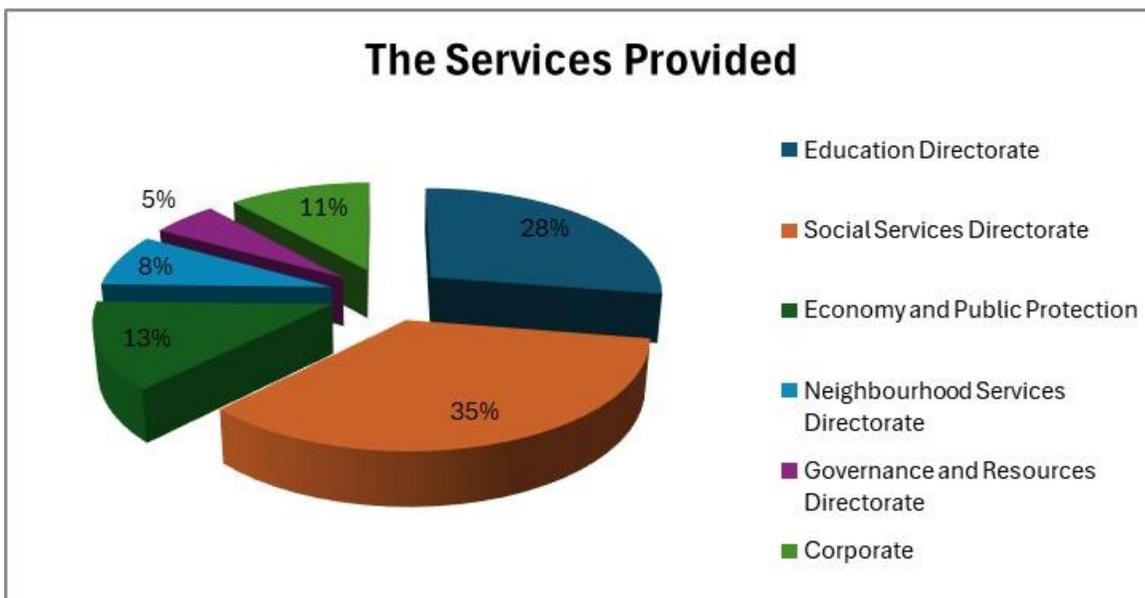
Description	£'000	%
Employee Costs	97,485	43
Running Expenses	113,243	51
Capital Financing Costs	9,002	4
Levies	3,749	2
<b>Total</b>	<b>223,479</b>	<b>100</b>



Running expenses such as maintaining buildings, operating vehicles and purchases of supplies and services comprises 51% of the total expenditure, whilst expenditure attributable to employees totals 43%.

The Services Provided

Description	£'000	%
Social Services Directorate	61,600	28
Education Directorate	77,778	35
Economy and Public Protection	29,165	13
Neighbourhood Services Directorate	17,625	8
Governance and Resources Directorate	11,751	5
Corporate	25,560	11
<b>Total</b>	<b>223,479</b>	<b>100</b>



### **Results Reported in the Statement of Accounts**

The totals for income and expenditure in the preceding section were derived from the Comprehensive Income and Expenditure Statement on page 15, but they exclude:

- the precept collected in Council Tax for South Wales Police (Note 11),
- the authority's share of joint committees (Note 39),
- capital grants and transactions (page 8), and
- other non-cash entries required by accounting standards (particularly for pension liabilities, page 9).

### **Revenue Outturn to Budget**

The General Fund Revenue outturn to budget for 2023/24 is as follows:

Description	Revised Budget 2023/24 £'000	Outturn £'000	Variance	
			£'000	%
Education	60,728	61,418	690	1.14
Social Services	44,978	43,304	(1,674)	(4)
Neighbourhood Services	12,469	11,904	(565)	(5)
Economy and Public Protection	10,089	9,831	(258)	(3)
Governance and Resources	8,727	8,644	(83)	(1)
Corporate Costs	21,988	20,721	(1,267)	(6)
Contributions and Recharges	(6,325)	(6,260)	65	(1)
<b>Net Expenditure</b>	<b>152,654</b>	<b>149,562</b>	<b>(3,092)</b>	<b>(2)</b>
Transfer to Budget Reserves	0	3,092	3,092	0
<b>Net Expenditure</b>	<b>152,654</b>	<b>152,654</b>	<b>0</b>	<b>0</b>

Further details of the variance analysis have been reported to cabinet on Wednesday 6<sup>th</sup> November 2024.

### **Capital Outturn to Budget**

The Capital Outturn to Budget for 2023/24 is as follows:

Description	Revised Budget	Outturn	Variance	
	£'000	£'000	£'000	%age
<b>Expenditure:</b>				
<b>Education:</b>				
Sustainable Communities for Learning	21,590	21,571	(19)	0%
Other Education	4,656	3,325	(1,331)	-29%
<b>Social Services</b>	36	36	0	0%
<b>Physical Regeneration Programmes</b>	14,002	10,896	(3,106)	-22%
<b>Engineering &amp; Transport</b>	12,315	8,936	(3,379)	-27%
<b>Land, Buildings and Corporate</b>	12,981	11,576	(1,405)	-11%
<b>Total</b>	<b>65,580</b>	<b>56,340</b>	<b>(9,240)</b>	<b>-14.09%</b>
<b>Financed By:</b>				
<b>Borrowing</b>	18,187	19,708	1,521	8%
<b>Grants and Contributions</b>	43,620	36,381	(7,239)	-17%
<b>Own Resources</b>	3,773	251	(3,522)	-93%
<b>Total</b>	<b>65,580</b>	<b>56,340</b>	<b>(9,240)</b>	<b>-14.09%</b>

In 2023/24, the Authority spent £56.340m on capital projects compared to the planned Capital Programme of £65.58m.

Significant Capital Expenditure was incurred on the schemes listed below:

- Pen Y Dre High School
- Blessed Carlo Acutis Catholic School

### **Financial Health**

At 31<sup>st</sup> March 2024 the Authority's general balances and reserves not earmarked for any specific purpose totals £5.723m (31<sup>st</sup> March 2023 - £5.723m), equating to 3.56% of the Council's Budgeted Net Revenue Expenditure for 2024/25. As per the Terms of Reference of the Council's Budget Board the overarching aim is:

*"To maintain an adequate, healthy General Reserves balance of between 3.5% and 4% of the Council's annual budgeted Net Revenue Expenditure in ensuring the Council continues to remain financially viable."*

This requirement was formally adopted by Council on 22<sup>nd</sup> March 2017 in approving the Council's Corporate Reserves Policy, allowing the flexibility:

- To adequately respond to the risk of potential budget overspends in volatile service areas.
- To address financial implications of increasing demographic pressures.
- To respond to the critical requirement for 'one-off' expenditure in meeting corporate priorities.
- To respond to governmental and regulatory demands.

In addition, the Council holds further usable reserves at 31<sup>st</sup> March 2024 in respect of the Insurance Fund (£1.976m), Schools Balances (£2.054m) and Earmarked Reserves (£21.58m), with corresponding balances at 31<sup>st</sup> March 2023 of £2.375m, £3.949m and £24.942m respectively.

For the 2024/25 financial year, the Authority budgeted for an increase in net revenue expenditure of 5.40% from the 2023/24 budget (adjusted for Welsh Government net transfers into the Local Government Settlement) resulting from increased Welsh Government Funding of 3.9% and Council Tax increase of 8.0%.

The Authority's Medium Term Financial Plan 2024/25 to 2026/27 clearly outlines the financial challenges faced by the Authority over the medium term.

### **Borrowing Facilities**

The Authority, when appropriate, will borrow from the Public Work Loans Board (PWLB), or from the Market if interest rates are considered favourable, to part finance expenditure on capital projects. This borrowing is typically on a long-term basis and is governed by the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities whereby authorised limits for borrowing by Local Authorities are set and approved by a full Council meeting. For the 2023/24 Statement of Accounts, borrowing to support capital expenditure fell within authorised borrowing limits approved by a full Council meeting of elected members on 6<sup>th</sup> March 2023.

Additionally, the Authority in its day-to-day management of cash transactions may also be required to borrow on a short-term basis when faced with a deficit cash balance for any particular day. Conversely, the Authority may also lend on a short-term basis when surplus cash balances are experienced. Approved organisations for short-term transactions include major British banks and building societies and other local authorities.

### **Pension Liabilities**

The Statement of Accounts for 2023/24 are compiled under the International Financial Reporting Standards (IFRS) with accounting for 'Retirement Benefits' based on the provisions of International Accounting Standard 19 (IAS 19) 'Employee Benefits'. The provisions of IAS 19 relating to Post-Employment Benefits require the Authority to recognise a net asset/liability and a pensions reserve in the balance sheet and entries in the Comprehensive Income and Expenditure Statement for movements in the asset/liability relating to defined benefit schemes (with reconciling entries back to contributions payable for council tax purposes through the Movement in Reserves Statement). Under IAS 19 the Authority is required to disclose its pension liability representing the deficit position on the pension fund. The liability at the end of the year amounted to £32.162m (£64.91m at 31<sup>st</sup> March 2023). The Authority is being charged stepped employer contributions in order to redress the deficit of the pension fund.

Further details are included in Notes 23, 35 and 36 to the Statement of Accounts.

### **Financial Climate**

This MTFP has been prepared against a backdrop of increasing concerns about the financial sustainability of Welsh local authorities, with unprecedented increases in Council Tax and significant use of Earmarked Reserves across Wales required to set balanced budgets for 2024/25.

Meanwhile, the Welsh Government has described its budgetary position as "the most difficult financial situation since the dawn of devolution". Spending pressures have outstripped the growth in local government revenues in the last two years despite significant nominal terms increases in funding from Welsh Government. A key driver has been substantial pay increases for local government staff and teachers, despite many workers still seeing real terms pay cuts.

Based on current, indicative UK government spending plans, the Welsh Government's resource budget is set to increase by just 0.8% per year on average between 2024-25 and 2027-28 (in real terms).

Beyond increasing health, schools, and childcare spending, we estimate the Welsh Government will need to find cuts of over £300 million in cash terms by 2027-28 in all other spending areas.

While the economic and fiscal context could radically change, projections of spending pressures and funding suggest there could be significant reductions in local services over coming years. With the current UK government and opposition Labour party refusing to commit to additional spending on public services, the Welsh Government and local authorities must now weigh up the difficult choices that may lie ahead.

Based on the projections determining the MTFP, the Council is faced with significant challenges in addressing the projected budget deficits over the term of the MTFP. Transformation initiatives are critical in ensuring the financial sustainability of the Council and providing assurance to all stakeholders (including Welsh Government and Audit Wales) that the Council can confidently respond to both current and future financial challenges.

The Transformation Programme will build upon the principles of the Council's Recovery, Transformation and Improvement (RTI) Plan in identifying sustainable efficiency savings whilst recognising the priorities within the RTI Plan. In addition, it is recognised that up-front investment may also be required to drive change providing both quantitative and qualitative opportunities as follows:

- o Quantitative – efficiency savings and cost avoidance opportunities through investment in preventative initiatives
- o Qualitative – increased performance, service improvement and risk mitigation

The Council's Medium Term Financial Plan (MTFP) 2024/25 to 2026/27 currently states that the Council is faced with identifying and delivering budget efficiencies of £8.8m for 2024/25 and £10.1m for 2025/26. The key assumptions underpinning the MTFP are as follows:

- o A Revenue Settlement of +2.4%
- o A Pay Award of +2.3
- o A Council Tax increase of 5% per annum
- o No utilisation of Reserves from 2025/26 onwards

The Capital Programme for 2024/25 to 2026/27 indicates a core funded Capital Programme of £17.358m for 2024/25 and £63.096m for the 4-year period, with the 2024/25 capital expenditure financed from Capital Grants (£1.600m), Borrowing (£15.258m) and from the Council's own resources (£0.5m).

### **Cardiff Capital Region City Deal (CCRCD)**

The Joint Working Agreement, in relation to the delivery of the Cardiff Capital Region City Deal encompassing 10 constituent Local Authorities in South East Wales, was signed and Regional Cabinet established on 1<sup>st</sup> March 2017.

The City Deal provides funding to support schemes which will stimulate the economic growth of the region. The agreement with the UK Government and Welsh Government provides £1.2b of which £734m is allocated to the Metro, with the balance of £495m being made available as the Wider Investment Fund.

The Wider Investment Fund is made up of:

- o £375m grant from the UK Government paid over 20 years
- o £120m Local Authority Partnership capital contribution to be drawn down as required

Further to the 20<sup>th</sup> September 2021 Cardiff Capital Region Cabinet agreeing to transition CCR's existing operational and delivery model into a single corporate body, the South East Wales Corporate Joint Committee (SEWCJC), transition plan updates were reported to the Joint Committee in advance of a 1<sup>st</sup> April 2024 implementation date.

During 2023/24 the SEWCJC developed and approved its Constitution including arrangements for scrutiny, statutory sub committees and statutory policies and considered progress against the 2023/24 Annual Business Plan alongside in-year budget monitoring updates.

For 2023/24 the Joint Committee accounts of CCRCD have been consolidated into the Authority's accounts on the basis set out in the Joint Working Agreement.

### **Annual Governance Statement**

The Council is required to produce an Annual Governance Statement, a formal statement that covers all significant corporate systems, processes and controls. It is scrutinised by the Audit Committee before approval by Council.

### **Council Tax Collection**

The collection of Council Tax continued to be challenging during 2023/24 due to the continued impact of reduced household income in the cost-of-living crisis, as well as the introduction of a Council Tax premium on long term empty properties. The combination of these factors saw a reduction in the in-year collection rate by 0.4% from 94.70% in 2022/2023 to 94.30% in 2023/2024. In monetary terms this equates to £139,503 less collected tax collected during 2023/2024 to 2022/2023.

### **The Way Ahead**

The Council is currently in the process of identifying budget efficiencies for 2025/26 and for the 3-year period of the Medium-Term Financial Plan approved March 2024. The Transformation Programme will build upon the principles of the Council's Recovery, Transformation and Improvement (RTI) Plan in identifying sustainable efficiency savings whilst recognising the priorities within the RTI Plan. Transformational work programmes identified within the Plan include Digital Transformation and the Commercial Programme.

In complementing the digitalisation and commercialisation agendas prioritisation of services will be continued to ensure projected budget deficits are addressed and resources allocated to priority services.

### **Further Information**

Further information about the accounts is available from the Finance Department, Civic Centre, Castle Street, Merthyr Tydfil. This is part of the Authority's policy of providing full information about the Authority's affairs. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised on the Authority's Website and within the Authority's Civic Centre.

**Statement of Responsibilities for the Statement of Accounts****The Authority's Responsibilities**

The Authority is required to:

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

**The Chief Finance Officer's Responsibilities**

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

In preparing this statement of accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgments and estimates that were reasonable and prudent.
- Complied with the Code of Practice on Local Authority Accounting in the United Kingdom.

The Chief Finance Officer has also:

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

Signed **C Flynn**  
**Director of Finance**

Date 11<sup>th</sup> June 2025

**Chief Finance Officer's Certificate**

I hereby certify that the statement of accounts on pages 14 to 88 present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2024.

Signed

**C Flynn  
Director of Finance**

Date 11<sup>th</sup> June 2025

**Council Chairman's Certificate**

I hereby certify that the Council approves the statement of accounts on pages 14 to 88 for the year ended 31<sup>st</sup> March 2024.

Signed

**Councillor Paula Layton  
Mayor**

Date 11<sup>th</sup> June 2025

## Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and Business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2022/23				2023/24		
Net Expenditure Chargeable to the General Fund Balances	Adjustments between the funding and Accounting basis (Note 7)	Net expenditure in the Comprehensive Income and Expenditure Statement	Description	Net Expenditure Chargeable to the General Fund Balances	Adjustments between the funding and Accounting basis (Note 7)	Net expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
38,895	2,072	40,967	Social Services Directorate	42,951	(189)	42,762
58,319	7,284	65,603	Education Directorate	61,525	1,609	63,134
6,620	12,325	18,945	Economy and Public Protection Directorate	9,763	5,325	15,088
11,466	6,935	18,401	Neighbourhood Services Directorate	10,234	7,528	17,762
8,502	1,612	10,114	Governance and Resources Directorate	6,481	96	6,577
5,001	265	5,266	Corporate Costs	5,833	(530)	5,303
<b>128,803</b>	<b>30,493</b>	<b>159,296</b>	<b>Net Cost of Services</b>	<b>136,787</b>	<b>13,839</b>	<b>150,626</b>
<b>(125,337)</b>	<b>(19,552)</b>	<b>(144,889)</b>	<b>Other Income and Expenditure</b>	<b>(131,170)</b>	<b>(38,891)</b>	<b>(170,061)</b>
<b>3,466</b>	<b>10,941</b>	<b>14,407</b>	<b>(Surplus)/Deficit</b>	<b>5,617</b>	<b>(25,052)</b>	<b>(19,435)</b>
41,698			Opening General Fund Balance	38,328		
96			Adjustment for Cardiff Capital Region City Deal	129		
<b>(3,466)</b>			Plus Surplus/Deficit on General Fund Balance in Year	<b>(5,617)</b>		
<b>38,328</b>			<b>Closing General Fund Balance at 31st March</b>	<b>32,840</b>		

## Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure 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 (or rents). Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2022/23				2023/24			
Gross Expenditure	Gross Income	Net expenditure	Description	Note	Gross Expenditure	Gross Income	Net expenditure
£'000	£'000	£'000			£'000	£'000	£'000
57,091	(16,124)	40,967	Social Services Directorate		59,170	(16,408)	42,762
78,218	(12,615)	65,603	Education Directorate		76,606	(13,472)	63,134
36,806	(17,861)	18,945	Economy and Public Protection Directorate		33,239	(18,150)	15,089
25,426	(7,025)	18,401	Neighbourhood Services Directorate		24,626	(6,865)	17,761
12,696	(2,582)	10,114	Governance and Resources Directorate		11,418	(4,841)	6,577
23,097	(17,831)	5,266	Corporate Costs		21,991	(16,688)	5,303
<b>233,334</b>	<b>(74,038)</b>	<b>159,296</b>	<b>Cost of Services</b>		<b>227,050</b>	<b>(76,424)</b>	<b>150,626</b>
		9,226	Other operating expenditure	11			9,873
		8,434	Financing and Investment (income) and expenditure	12			7,035
		(162,549)	Taxation and non-specific grant (income) and expenditure	13			(186,968)
		<b>14,407</b>	<b>(Surplus) or Deficit on the Provision of Services</b>				<b>(19,434)</b>
		(7,407)	(Surplus) or deficit on revaluation of property, plant and equipment assets				(4,180)
		(126,687)	Remeasurement of the net defined benefit liability/(asset)				(33,892)
		<b>(134,094)</b>	<b>Other Comprehensive (Income) and Expenditure</b>				<b>(38,072)</b>
		<b>(119,687)</b>	<b>Total Comprehensive (Income) and Expenditure</b>				<b>(57,506)</b>

**Movement in Reserves Statement**

The Movement in Reserves Statement shows the movement from the start of the year to the end on different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

**2023/24**

Description	Note	General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31st March 2023</b>		<b>38,328</b>	<b>584</b>	<b>1,239</b>	<b>40,151</b>	<b>121,119</b>	<b>161,270</b>
<b>Opening balance adjustment</b>		<b>33</b>	<b>(219)</b>		<b>(186)</b>	<b>(767)</b>	<b>(953)</b>
<b>Movement in reserves during 2023/24</b>							
Total Comprehensive Income and Expenditure		<b>19,436</b>	<b>0</b>	<b>0</b>	<b>19,436</b>	<b>38,072</b>	<b>57,508</b>
Adjustments between accounting basis and funding basis under regulations	9	<b>(25,053)</b>	<b>555</b>	<b>475</b>	<b>(24,023)</b>	<b>23,964</b>	<b>(59)</b>
<b>Increase or Decrease in 2023/24</b>		<b>(5,617)</b>	<b>555</b>	<b>475</b>	<b>(4,587)</b>	<b>62,036</b>	<b>57,449</b>
Single Entity adjustment		<b>96</b>	<b>219</b>		<b>314</b>	<b>(314)</b>	<b>0</b>
<b>Balance at 31st March 2024 carried forward</b>		<b>32,840</b>	<b>1,139</b>	<b>1,714</b>	<b>35,692</b>	<b>182,074</b>	<b>217,766</b>

2022/23

Description		General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31st March 2022</b>		<b>41,698</b>	<b>59</b>	<b>1,589</b>	<b>43,346</b>	<b>(1,739)</b>	<b>41,607</b>
<b>Movement in reserves during 2022/23</b>							
Total Comprehensive Income and Expenditure		<b>(14,407)</b>	<b>0</b>	<b>0</b>	<b>(14,407)</b>	<b>134,094</b>	<b>119,687</b>
Adjustments between accounting basis and funding basis under regulations	9	<b>10,941</b>	<b>305</b>	<b>(350)</b>	<b>10,896</b>	<b>(10,922)</b>	<b>(26)</b>
<b>Increase or Decrease in 2022/23</b>		<b>(3,466)</b>	<b>305</b>	<b>(350)</b>	<b>(3,511)</b>	<b>123,172</b>	<b>119,661</b>
Single Entity adjustment		<b>96</b>	<b>220</b>	<b>0</b>	<b>316</b>	<b>(314)</b>	<b>2</b>
<b>Balance at 31st March 2023 carried forward</b>		<b>38,328</b>	<b>584</b>	<b>1,239</b>	<b>40,151</b>	<b>121,119</b>	<b>161,270</b>

**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 reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. 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 reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.'

<b>31/03/2023</b>			<b>31/03/2024</b>	
<b>£'000</b>		<b>Notes</b>	<b>£'000</b>	<b>£'000</b>
305,615	Property, Plant and Equipment	14	347,098	
8,028	Heritage Assets	15	8,093	
2,506	Investment Properties	39	2,506	
358	Long Term Investments	16	477	
2,652	Long Term Debtors	16	1,976	
<b>319,159</b>	<b>Total Long-Term Assets</b>			<b>360,150</b>
25,681	Short-term Investments	16	21,122	
653	Assets Held for Sale	20	398	
179	Inventories		267	
41,312	Short-term Debtors	17	48,843	
6,096	Cash and Cash Equivalents	19	6,072	
<b>73,921</b>	<b>Total Current Assets</b>			<b>76,702</b>
(35,550)	Short-term Borrowing	16	(53,423)	
(32,943)	Short-term Creditors	21	(32,590)	
(1,433)	Short-term Provisions	22	(1,488)	
(108)	Capital receipts in advance		(108)	
<b>(70,034)</b>	<b>Total Current Liabilities</b>			<b>(87,609)</b>
(431)	Long-term Creditors	16	(391)	
(260)	Provisions	22	(1,524)	
(91,225)	Long-term Borrowing	16	(95,036)	
(64,910)	Defined Benefit Pension Scheme Liability	23	(32,162)	
(4,950)	Other Long-term Liabilities	16	(2,364)	
<b>(161,776)</b>	<b>Total Long-Term Liabilities</b>			<b>(131,477)</b>
<b>161,270</b>	<b>Net Assets</b>			<b>217,766</b>
<b>40,151</b>	<b>Usable Reserves</b>	10		<b>35,692</b>
<b>121,119</b>	<b>Unusable Reserves</b>	23		<b>182,074</b>
<b>161,270</b>	<b>Total Reserves</b>			<b>217,766</b>

## Cash Flow Statement

The Cash Flow Statement shows the changes 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 as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. 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.

<b>2022/23</b>			<b>2023/24</b>
<b>£'000</b>		<b>Note</b>	<b>£'000</b>
236,348	Cash Inflows Generated from Operating Activities		243,167
(227,259)	Cash Outflows Generated from Operating Activities		(243,298)
<b>9,089</b>	<b>Net Cash Flows from Operating Activities</b>	<b>24</b>	<b>(131)</b>
(24,465)	Net Cash Flows from Investing Activities	25	(22,017)
13,416	Net Cash Flows from Financing Activities	26	22,124
<b>(1,960)</b>	<b>Net increase or decrease in Cash and Cash Equivalents</b>		<b>(24)</b>
8,056	Cash and Cash Equivalents at the Beginning of the Reporting Period		6,096
<b>6,096</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	<b>19</b>	<b>6,072</b>

## **Notes to the Statement of Accounts**

### **1.0 Accounting Policies**

#### **1.1 General**

The Statement of Accounts summarises the Authority's transactions for the 2023/24 financial year and its position at the year-end of 31<sup>st</sup> March 2024. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, which those Regulations require 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 2023/24, supported by International Financial Reporting Standards (IFRS).

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

#### **1.2 Accruals of Income and Expenditure**

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

In particular:

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

#### **1.3 Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

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

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

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

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

#### **1.5 Charges to Revenue for Non-Current Assets**

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

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the differences between the two.

#### **1.6 Employee Benefits**

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

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

##### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the 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 and are charged on an accruals basis to the appropriate service segment at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### Post-Employment Benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pension on behalf of the Department for Education.
- The Local Government Pension Scheme, administered by Rhondda Cynon Taf County Borough Council.

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education Directorate line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

### The Local Government Pension Scheme

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

- The liabilities of the Rhondda Cynon Taf 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 and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate (based on the indicative rate of return on the constituents of the iBoxx index of AA rated corporate bonds).
- The assets of the Rhondda Cynon Taf pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value

The change in the net pension 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- 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 on the Provision of Services in the Comprehensive Income and Expenditure Statement.

- **net interest on the net defined benefit liability (asset)** - the net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- **Re-measurements comprising:**
  - **the return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset) – 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
- **Contributions paid to the Rhondda Cynon Taf County Borough Council pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits that are earned by employees.

### **Discretionary Benefits**

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Full pension details are included in Note 36.

### **1.7 Events after the reporting period**

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

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

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

## **1.8 Financial Instruments**

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Account for interest payable are based on the carrying value of the liability, multiplied by the effective rate of interest for the instrument.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years.

### **Financial Assets**

Financial assets are based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

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

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

## **1.9 Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions 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.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line in the Comprehensive Income and Expenditure Statement.

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

### **Community Infrastructure Levy**

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments within the authority) with appropriate planning and consent. The authority charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support development in the area.

CIL is received without conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above.

### **1.10 Heritage Assets**

Heritage assets are defined as non-current assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

The heritage assets included within the statement of accounts include historical buildings, collections of fine art, archaeological artefacts and civic regalia.

Historic buildings and monuments have been valued in accordance with section 1.14 below, Property, Plant and Equipment. Heritage assets included within the Museum collection are measured at valuation.

The valuation was carried out by an external valuer as follows:

Bonhams,  
7/8 Park Place,  
Cardiff.  
CF10 3DP.

The valuation date was 29<sup>th</sup> March 2022.

Depreciation or amortisation is not required on heritage assets which have indefinite lives.

The Authority's policy for the acquisition, preservation, management and disposal of heritage assets is included within the Authority's 'Collections Development and Documentation Policy'. Paragraph 1.1.3 of this document details that the policy follows the accreditation scheme which all museums are expected to follow.

### **1.11 Interests in Companies and Other entities**

#### **Joint operations**

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. The Authority participates in Joint Committees which are accounted for as joint operations. For 2023/24 the Llwydcoed Crematorium Joint Committee, the Central South Consortium Joint Committee and the Cardiff Capital Region City Deal Joint Committee are included within the Authorities financial statements. The Authority has reflected its share, 46.6% of the transactions and balances of the Llwydcoed Crematorium Joint Committee and 6.33% of the transactions and balances of the Central South Consortium Joint Committee and 3.94% of the Cardiff Capital Region City Deal Joint Committee into the Authority's Accounts on a line-by-line basis.

A description of the Joint Committees is contained in Note 39 to the Statement of Accounts.

The accounting policies of the joint operations recognised in the Statement of Accounts are in line with those of the Authority.

### **Associates**

WSP Glamorgan Consultancy Ltd (formerly Capita Glamorgan Consultancy) meets the definition of an associate. The Authority has significant influence over this associate as it has representation on the board of directors. Group Accounts are not prepared as the Authority's interest in WSP Glamorgan Consultancy is not considered material. For further details see Note 39.

### **1.12 Inventories**

Inventories are included in the Balance Sheet at the last actual purchase price known. This does not comply with IAS 2 which requires valuation at the lower of cost and net realisable value. The departure from the accounting standard is not deemed to be material.

### **1.13 Leases**

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

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

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

### **The Authority as Lessee**

- **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

- **Operating Leases**

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

### **The Authority as Lessor**

- **Finance Leases**

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment (PPE) or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), and matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the Council Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the Council Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

- **Operating Leases**

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

## **1.14 Property, Plant and Equipment Non-Current Assets**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### **Recognition**

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

### **De Minimis Limit**

The Authority operates a Non-Current Asset de minimis limit of £10,000. This means that expenditure on non-current assets is only capitalised provided that the expenditure exceeds £10,000. On disposal all non-current assets with values less than £10,000 are written out of the Balance Sheet in accordance with The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 whereby receipts not exceeding £10,000 are not to be treated as capital receipts.

### **Measurement**

Assets are initially measured at cost, comprising:

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

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The costs of assets acquired other than by purchase is deemed to be its fair value.

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

- Infrastructure and assets under construction are shown at depreciated historical cost
- Community assets are valued at Existing Use Value
- Vehicles, plant, furniture and equipment are shown at depreciated historical cost
- Land and Operational properties are valued using Existing Use Value when market-based evidence is available. If there is no market-based evidence then they are valued using depreciated replacement cost.

- Land and Buildings componentised assets such as hardstanding and boilers are shown at depreciated replacement cost
- Surplus assets are shown at fair value

Donated Assets are those transferred for nil consideration or less than fair value. They are not included in the accounts since they are considered immaterial.

### **Valuation**

Assets included in the Balance sheet at current value are revalued on a five year rolling basis to ensure their carrying amount is not materially different from their current value at the year end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

Where decreases in value are identified, they are accounted for by:

- where there is a balance in the Revaluation Reserve the difference between the historic carrying value of the asset and its re-valued value is written off against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance the difference between the historic carrying amount of the asset and its re-valued value (impaired value) is written down against the relevant service line(s) in the Comprehensive Income and Expenditure 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.

Valuations are carried out by Avison Young, the Authority's independent valuers. A valuation of the whole portfolio was carried out at 31<sup>st</sup> March 2013. A revaluation of land and property is undertaken annually thereafter on the basis of a sample of assets. The sample will equate to approximately 20% of the Authority's portfolio being valued each year throughout the geography of the Authority. In addition there is also an annual revaluation of the ten highest value properties in the Authority's portfolio at the relevant balance sheet date. Avison Young also carry out an assessment of assets where Capital Expenditure has been incurred. The remainder of the asset population has been reviewed to consider whether there has been any material valuation movement by reference to nationally published indices.

### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- |  |   |
|--|---|
| • Infrastructure – Culverts                | up to 120 years   |
| • Infrastructure – Roads and bridges       | up to 40 years  |
| • Infrastructure – Street Furniture        | 25 years  |
| • Vehicles, Plant, Furniture and Equipment | 5-10 years  |
| • Operational properties                   | straight line over useful life of property as estimated by the valuer |
| • Finance Leases                           | Term of lease   |
| • Surplus Assets                           | Asset life  |

Land, Community Assets and Assets under construction are not depreciated. Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

### Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e.

netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and are credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **1.15 Provisions and Contingent Liabilities**

#### **Provisions**

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

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, considering 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.

The nature of each provision is disclosed in Note 22 to the Statement of Accounts.

#### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent Liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts, refer to Note 37 of the Statement of Accounts.

### **1.16 Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the Provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against council tax for expenditure.

The Authority's reserves, under the Code of Practice, are categorised between Usable and Unusable Reserves, as defined in the Narrative Report to these accounts, refer to notes 9 and 10.

Usable Reserves disclosed in the Balance Sheet are as follows:

The **Capital Receipts Reserve** represents the amount of capital receipts available to finance future capital expenditure.

The **Capital Grants Unapplied Account** represents capital grants and contributions received from Government and Non-government Departments where the terms and conditions of the grants and contributions have been met by the Authority but not yet applied to finance capital expenditure.

The **Insurance Fund** represents monies set aside to meet the Authority's potential future insurance liabilities and is not available to finance general unspecified expenditure.

**Local Management of Schools Balances** represent monies set aside by the Authority's schools to be used for individual school specific purposes and is not available to finance general unspecified expenditure.

**Other Earmarked Balances** represent monies set aside or relating to a specific purpose and are not available to finance general unspecified expenditure.

The **General Fund Balance** represents the monies available to the Authority to spend on general expenditure and is not earmarked for specific projects. Refer to the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement.

The **Consolidated Llwydcoed Crematorium Reserve** represents the distributable revenue reserve attributable to Merthyr Tydfil County Borough Council from the Llwydcoed Crematorium Joint Committee. The reserve consists of the accumulated surpluses of the Crematorium's operations.

The **Consolidated Central South Consortium Reserve** represents the distributable revenue reserve attributable to Merthyr Tydfil County Borough Council from the Central South Consortium Joint Committee. The reserve consists of the accumulated surpluses of the Consortium's operations.

The **Consolidated Cardiff Capital Region City Deal Reserve** represents the distributable revenue reserve attributable to Merthyr Tydfil County Borough Council from the Cardiff Capital Region City Deal Joint Committee. The reserve consists of the accumulated surpluses of the Joint Committee's operations.

Unusable Reserves disclosed in the Balance Sheet (refer to note 23) are as follows:

The **Revaluation Reserve** records unrealised revaluation gains/losses arising (since 1 April 2007) from holding non-current assets.

The **Capital Adjustment Account** provides a balancing mechanism between the different rates at which assets are depreciated under the Code of Practice and are financed through the capital controls system.

The **Financial Instruments Adjustment Account** provides a balancing mechanism between the different rates at which gains and losses are recognised under the Code of Practice and are required by statute to be met from the General Fund.

The **Accumulated Absences Adjustment Account** represents the Employee Benefits accrual calculated in compliance with International Accounting Standard (IAS) 19.

The **Pensions Reserve** represents an assessment of the pension liability in respect of retirement benefits earned to date by employees.

### **1.17 Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service revenue account in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement so there is no impact on the level of council tax.

### **1.18 Schools**

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local Authority maintained schools lies within the local Authority. The code also stipulates that those school's assets, liabilities, reserves and cash flows are recognised in the local Authority financial statements as if they were the transactions, cash flows and balances of the Authority.

### **1.19 VAT**

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

### **1.20 Fair Value Measurement**

The Authority measures some of its non-financial assets such as surplus assets at fair value. 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:

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

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

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

## **2.0 Accounting Standards that have been Issued but have not yet been Adopted**

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The standards introduced by the 2024/25 Code where disclosures are required in the 2023/24 financial statements are:

- IFRS 16 Leases issued in January 2016 (but only for those local authorities that have not decided to voluntarily implement IFRS 16 in the 2023/24 year).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020. The amendments:
  - specify that an entity's right to defer settlement must exist at the end of the reporting period
  - clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement • clarify how lending conditions affect classification, and
  - clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:
  - a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and
  - targeted disclosure requirements for affected entities.
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:
  - assess how supplier finance arrangements affect an entity's liabilities and cash flows, and
  - understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

The Authority does not expect any of the new or amended standards within the 2023/24 Code to have a material impact on the Financial Statements.

### **3.0 Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, 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 remains a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

#### 4.0 **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.

Further details are included in Notes 23, 35 and 36 to the Statement of Accounts.

The items in the Authority's Balance Sheet at 31<sup>st</sup> March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual results differ from Assumptions
<b>Property, Plant and Equipment</b>	A source of uncertainty is the valuation of fixed assets, which depends on judgements made in relation to build costs, useful economic life as well as the condition and location of the assets. A firm of independent valuers is engaged to provide the Authority with expert advice about the assumptions applied (further information on the valuation is included in 1.14 of the Accounting Policies).	If the Useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge would increase by £47,000 for Buildings and £240,000 for Infrastructure for every year that useful lives had to be reduced.
<b>Fair Value Measurements</b>	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Authority's assets and liabilities. Where level 1 inputs are not available, the Authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value.	The Authority uses a selection of valuation methods to measure the fair value of its surplus assets, financial assets and liabilities. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth and discount rates – adjusted for regional factors (for some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement.

<b>Provisions</b>	Significant judgements relate to the requirement for accounting provisions. Details regarding the judgements made in determining the provision values at 31 <sup>st</sup> March 2024 are included within Note 22 to the Statement of Accounts.	An increase over the forthcoming year of 10% in the total number of insurance claims outstanding at year end would have the effect of adding £51,500 to the provision.
<b>Pensions Liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Aon Hewitt Limited, is engaged to provide the Authority with expert advice about the assumptions to be applied, refer to Note 37.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease to the Present value of the total obligation of £6.3 million.
<b>Arrears</b>	At 31st March 2024, the Authority had amounts it was owed for items such as Sundry Debts, Council Tax and Housing Benefit overpayments. The Authority has made an allowance for non collection against these debts (totalling £11.812m excluding counterparty debt) of £1.263m (10.7%), however in the current economic climate it is not guaranteed that this level of allowance will be sufficient.	If collection rates were to deteriorate, a doubling of the amount of impairment for doubtful debts would increase the provision to £2.53m

## 5.0 **Material Items of Income and Expenditure**

When items of income or expense are material, an Authority shall disclose their nature and amount separately.

There are no material items of income or expense to disclose for the 2023/24 financial statements.

## 6.0 **Events after the reporting period**

The Statement of Accounts was authorised by the Chief Finance Officer on 8<sup>th</sup> November 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31<sup>st</sup> March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no Events after the reporting period.

## 7.0 **Note to the Expenditure and funding analysis**

		Adjustments between Funding and Accounting Basis 2023/24		
Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Social Services Directorate	186	(408)	33	(189)
Education Directorate	2,992	(471)	(912)	1,609
Economy and Public Protection Directorate	5,582	(257)	0	5,325
Neighbourhood Services Directorate	7,728	(210)	10	7,528
Governance and Resources Directorate	349	(253)	0	96
Corporate Costs	(810)	(25)	306	(529)
<b>Net Cost of Services</b>	<b>16,027</b>	<b>(1,624)</b>	<b>(563)</b>	<b>13,840</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(41,686)</b>	<b>2,777</b>	<b>17</b>	<b>(38,892)</b>
<b>Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on Provision of Services</b>	<b>(25,659)</b>	<b>1,153</b>	<b>(546)</b>	<b>(25,052)</b>

		Adjustments between Funding and Accounting Basis 2022/23		
Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000
Social Services Directorate	256	1,876	(60)	2,072
Education Directorate	4,357	2,464	463	7,284
Economy and Public Protection Directorate	11,380	945	0	12,325
Neighbourhood Services Directorate	5,980	961	(6)	6,935
Governance and Resources Directorate	465	1,147	0	1,612
Corporate Costs	828	161	(724)	265
<b>Net Cost of Services</b>	<b>23,266</b>	<b>7,554</b>	<b>(327)</b>	<b>30,493</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(24,108)</b>	<b>4,660</b>	<b>(104)</b>	<b>(19,552)</b>
<b>Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on Provision of Services</b>	<b>(842)</b>	<b>12,214</b>	<b>(431)</b>	<b>10,941</b>

### Adjustments for Capital purposes

Adjustments for capital purposes – this column adds in depreciation and impairments and revaluation gains and losses in the service line, and for:

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

#### **Net changes for the Pensions Adjustments**

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

- **For services** this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

#### **Other Differences**

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

- **For Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- **The charge under Taxation and Non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought into future surpluses or deficits on the collection fund.

### **8.0 Expenditure and Income analysed by nature**

<b>Expenditure/Income</b>	<b>2023/24</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
<b>Expenditure</b>		
Employee Benefits Expenses	98,458	106,240
Other Service Expenses	119,441	114,294
Depreciation, amortisation, impairment	9,183	17,487
Interest Payments	5,945	4,538
Precepts and Levies	9,829	9,021
(Gain) or loss on the disposal of assets	44	206
Change in Fair Value of Investment Properties	95	95
<b>Total expenditure</b>	<b>242,995</b>	<b>251,881</b>
<b>Income</b>		
Fees charges and other service income	(19,249)	(21,219)
Interest and Investment Income	(1,784)	(878)
Income from council tax, non-domestic rates	(53,106)	(53,739)
Government Grants and Contributions	(188,290)	(161,638)
<b>Total income</b>	<b>(262,429)</b>	<b>(237,474)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>(19,434)</b>	<b>14,407</b>

## **9.0 Adjustments between accounting basis and funding basis under regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

### **General Fund Balance**

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

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

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

<b>2023/24</b>	<b>Usable Reserves</b>		
<b>Adjustments to the Revenue Resources</b>	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adjustments to the Revenue Resources</b>			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements			
• Pensions costs	1,153	0	0
• Financial Instruments	49	0	0
• Holiday Pay	(934)	0	0
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in Relation to capital expenditure	17,716	0	0
<b>Total adjustments to Revenue Resources</b>	<b>17,984</b>	<b>0</b>	<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>			
• Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(555)	555	0
• Statutory Provision for the repayment of Debt	(2,664)	0	0
• Capital expenditure financed from revenue balances	(638)	0	0
• Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	339	0	0
<b>Total adjustments between Revenue and Capital Resources</b>	<b>(3,518)</b>	<b>555</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>			
• Use of the capital receipts reserve to finance capital expenditure	0	0	0
• Application of capital grants to finance capital expenditure	(39,501)	0	475
<b>Total Adjustments to Capital Resources</b>	<b>(39,501)</b>	<b>0</b>	<b>475</b>
<b>Total Adjustments</b>	<b>(25,035)</b>	<b>555</b>	<b>475</b>

<b>2022/23</b>	<b>Usable Reserves</b>		
<b>Adjustments to the Revenue Resources</b>	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adjustments to the Revenue Resources</b>			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements			
• Pensions costs	12,211		0
• Financial Instruments	(834)		0
• Holiday Pay	407		0
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in Relation to capital expenditure	24,880		0
<b>Total adjustments to Revenue Resources</b>	<b>36,664</b>	<b>0</b>	<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>			
• Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(305)	305	0
• Statutory Provision for the repayment of Debt	(2,375)	0	0
• Capital expenditure financed from revenue balances	(498)	0	0
• Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	0
<b>Total adjustments between Revenue and Capital Resources</b>	<b>(3,178)</b>	<b>305</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>			
• Use of the capital receipts reserve to finance capital expenditure	0	0	0
• Application of capital grants to finance capital expenditure	(22,545)	0	(350)
<b>Total Adjustments to Capital Resources</b>	<b>(22,545)</b>	<b>0</b>	<b>(350)</b>
<b>Total Adjustments</b>	<b>10,941</b>	<b>305</b>	<b>(350)</b>

**10.0 General and Earmarked Reserves**

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2023/24:

	Balance at 1st April 2022	Transfers Out 2022/23	Transfers In 2022/23	Balance at 31st March 2023	Transfers Out 2023/24	Transfers In 2023/24	Balance at 31st March 2024
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund Reserves</b>	5,723	0	0	5,723	0	0	5,723
<b>Balances held by schools under a scheme of delegation</b>	6,339	(3,323)	933	3,949	(2,105)	210	2,054
<b>Insurance Reserve</b>	2,375	0	0	2,375	(399)	0	1,976
<b>Other Reserves</b>							
Budget Reserve	5,609	(356)	4,113	9,366	(5,762)	5,481	9,085
Wales Cyber Security Operation	3,314	0	0	3,314	0	0	3,314
Redundancy Cost Reserve	0	0	2,343	2,343	(852)	0	1,491
Social Services Winter Pressures Reserve	1,068	(159)	0	909	(100)	0	809
Ffos-Y-Fran (Miller Argent) Account	757	(315)	386	828	(403)	169	594
Capital financing cost reserve	809	(809)	649	649	0	0	649
Capital earmarked reserve	591	(556)	520	555	(720)	165	0
Social Services Real Living Wage and Other pressures	1,000	(445)	0	555	(555)	0	0
Pay Award Reserve	467	0	0	467	(467)	0	0
HWB Sustainability Funding	152	0	277	429	0	271	700
City Deal reserve	389	0	0	389	0	0	389
Hardship Funding - Supporting Digital Transformation	480	(161)	0	319	0	0	319
Social Services Commitments Reserve	770	(466)	0	304	(304)	0	0
ISB Allocation Surplus Account	721	(423)	0	298	0	132	430
NRSWA Ring-fenced Earmarked Reserve	200	0	63	263	(61)	118	320
Ukrainian Refugee Programme	0	0	248	248	0	132	380
Neighbourhood Services Earmarked Reserve	261	(25)	0	236	(72)	0	164
BIFFA Profit Sharing Grant Account	164	(1)	0	163	(4)	0	159
Inspire Cash match	153	0	0	153	(153)	0	0
Regeneration Management costs	97	0	48	145	(56)	56	145

	Balance at 1st April 2022	Transfers Out 2022/23	Transfers In 2022/23	Balance at 31st March 2023	Transfers Out 2023/24	Transfers In 2023/24	Balance at 31st March 2024
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Kickstart Grant Reserve	139	(79)	79	139	(139)	0	0
Communities For Work ESF Grant	134	0	0	134	(138)	4	0
Levelling Up Fund - capacity building	125	0	0	125	0	0	125
Waste Management Reserve	154	(32)	0	122	(24)	0	98
Business Change Reserve	117	0	0	117	(106)	0	11
Highways - S38 Road Agreements	114	0	0	114	0	12	126
Catering reserve	0	0	110	110	0	0	110
Aberfan Grove Field - Equipment Replacement	100	0	7	107	(8)	6	105
Welsh Government Preliminary flood defences risk assessment	101	0	0	101	(11)	0	90
COVID Business admin fees	201	(100)	0	101	(101)	0	0
Afon Taf Running Track	100	0	0	100	0	0	100
Planning Fee Reserve	100	0	0	100	(23)	0	77
Cost of Living Support Scheme - Discretionary Element	590	(499)	0	91	(50)	0	41
Working Skills for Adults and Bridges 2	391	(314)	0	77	(79)	2	0
Apprenticeships Programme Reserve	152	(84)	0	68	(68)	0	0
West Merthyr Inquiry	121	(54)	0	67	0	0	67
Bishop Hedley 3-16 Headteacher	112	(65)	0	47	(47)	0	0
Schools Broadband Installation Account	98	(54)	0	44	(23)	18	39
Decarbonisation Reserve	102	(67)	0	35	(35)	0	0
Building Maintenance Mutual Fund Balance	33	(13)	0	20	0	20	40
Recovery, transformation and improvement plan Reserve	451	(440)	0	11	(11)	0	0
Hardship Grant Earmarked Reserve	2,082	(2,082)	0	0	0	0	0
Hardship Funding - Support for council tax collection	857	(857)	0	0	0	0	0
Welsh Government Legacy Fund	300	(300)	0	0	0	0	0
Covid Recovery Reserve	240	(240)	0	0	0	0	0
St Tydfils Surplus Reserve	264	(264)	0	0	0	0	0
Social Services Client Deferred Income	671	(671)	0	0	0	600	600
Other	1,157	(358)	380	1,179	(523)	347	1,003
<b>Single Entity Reserves</b>							
Llwydcoed General Reserve	694	(66)	0	628	(29)	0	599
Central South Consortium General Reserve	11	0	0	11	0	0	11
Central South Consortium Earmarked Reserves	29	0	42	71	(35)	63	99
Cardiff Capital Region City Deal General Reserve	500	0	47	547	0	0	547
City Deal Earmarked Reserves	18	0	64	82	(29)	198	251
<b>Total</b>	<b>41,697</b>	<b>(13,678)</b>	<b>10,309</b>	<b>38,328</b>	<b>(13,492)</b>	<b>8,004</b>	<b>32,840</b>

**11.0 Other operating expenditure**

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
5,615	South Wales Police Precept	6,041
28	Bedlinog Community Council Precept	39
3,108	South Wales Fire and Rescue Authority Levy	3,476
270	Other Levies	273
205	(Gains)/losses on the disposal of non-current assets	44
<b>9,226</b>	<b>Total</b>	<b>9,873</b>

**12.0 Financing and Investment Income and Expenditure**

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
4,538	Interest payable and similar charges	5,945
4,680	Net interest on the net defined benefit liability	2,779
(879)	Interest receivable and similar income	(1,784)
95	Change in Fair Value of Investment Properties	95
<b>8,434</b>	<b>Total</b>	<b>7,035</b>

**13.0 Taxation and "Non-specific" Grant Income and Expenditure**

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
(32,508)	Council tax income	(34,078)
(21,226)	Non-domestic rates income	(19,024)
(89,391)	Non-ringfenced government grants (Revenue Support Grant)	(99,590)
(19,418)	Capital grants and contributions	(34,270)
(6)	Corporation Tax Cardiff Capital Region City Deal	(6)
<b>(162,549)</b>	<b>Total</b>	<b>(186,968)</b>

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

NNDR is organised on a national basis. The government specifies an amount for the rate and, subject to the effects of transitory arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Authority is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR pool administered by the Welsh Government (WG). The WG redistributes the sums payable back to the Authority on the basis of a fixed amount per head of population.

The total Non-Domestic Rateable Value as at 31<sup>st</sup> March 2024 was £41,794,638 (£39,066,115 as at 31<sup>st</sup> March 2023) with the Non-Domestic Rate Multiplier being £0.535 (53.5 pence) in the pound (£0.535 (53.5 pence) in the pound for 2022/23). The total number of chargeable properties for 2023/24 was 1,931 (2022/23 – 1,920). The net proceeds from Non-Domestic Rates in 2023/24 was £19,023,803 (2022/23 - £21,226,200).

## Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands. Charges are calculated by taking the amount of income required for the forthcoming year and dividing this amount by the Council Tax base. The number of chargeable dwellings for Council Tax for 2023/24 was 27,498 (2022/23 – 27,468).

A breakdown of the chargeable dwellings over the nine valuation bands is as follows:

<b>Dwellings 2022/23</b>	<b>Band</b>	<b>Range (Based on 1 April 2003 values)</b>	<b>Dwellings 2023/24</b>
14,089	A	Not exceeding £44,000	14,098
6,669	B	Between £44,000 and £65,000	6,671
2,263	C	Between £65,000 and £91,000	2,263
2,202	D	Between £91,000 and £123,000	2,196
1,516	E	Between £123,000 and £162,000	1,538
566	F	Between £162,000 and £223,000	565
154	G	Between £223,000 and £324,000	158
2	H	Between £324,000 and £424,000	2
7	I	Exceeding £424,000	7
<b>27,468</b>			<b>27,498</b>

	<b>Dwellings 2022/23</b>	<b>Tax Base 2022/23</b>	<b>Dwellings 2023/24</b>	<b>Tax Base 2023/24</b>
Total Number of properties on the valuation list	27,468	27,468	27,498	27,498
Less Exempt properties 100%	873	(873)	858	(858)
Less Single Discounts 25%	9,955	(2,489)	10,027	(2,507)
Less Multiple Discounts 50%	67	(34)	67	(34)
Band D Conversion	0	(4,711)	0	(4,706)
Losses on Collection	0	(774)	0	(776)
<b>Tax Base</b>		<b>18,588</b>		<b>18,618</b>
<b>Requirement for Merthyr Tydfil County Borough Council</b>		<b>32,458,707</b>		<b>34,039,674</b>
<b>Basic Band D tax for the year</b>		<b>1,746</b>		<b>1,828</b>
Payable to South Wales Police		5,615,451		6,040,911
Band D tax for South Wales Police		302		324
<b>*Total Band D tax for the year</b>		<b>2,048</b>		<b>2,153</b>

\*Band D community council addition for properties in Bedlinog £33.28 (£23.95 in 2022/23)

The basic amount for a Band D property is multiplied by the proportion specified for the particular band to give the individual amount due:

<b>Band</b>	A	B	C	D	E	F	G	H	I
<b>Multiplier</b>	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	21/9

#### 14.0 Property, Plant and Equipment

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The below note assumes that the carrying amount of the derecognised part of an infrastructure asset is nil.

The Council has chosen not to disclose this information as previously reported practices due to historic information deficits mean that gross cost and accumulated depreciation relating to infrastructure assets are not measured accurately.

	<b>31/03/2024</b>	<b>31/03/2023</b>
	<b>£'000</b>	<b>£'000</b>
Infrastructure Assets	109,605	101,079
Other PPE Assets	237,493	204,536
<b>Total PPE Assets</b>	<b>347,098</b>	<b>305,615</b>

	<b>Infrastructure Assets</b>	
	<b>31/03/2024</b>	<b>31/03/2023</b>
	<b>£'000</b>	<b>£'000</b>
<b>Net Book Value</b>		
At 1 <sup>st</sup> April	101,079	95,562
Acquisitions/Additions	12,773	9,475
Derecognition - Disposals	0	0
Depreciation Charge	(4,247)	(3,958)
Impairment	0	0
Reclassification and Transfers	0	0
<b>At 31<sup>st</sup> March</b>	<b>109,605</b>	<b>101,079</b>

**2023/24**

	Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Other Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>						
At 1 <sup>st</sup> April 2023	184,294	8,109	15	5,587	14,893	212,898
Opening Balance Adjustment	0	(50)	0	0	19	(31)
Acquisitions/Additions	4,340	3,134	34	793	27,233	35,534
Revaluation Increases/Decreases recognised in the Revaluation Reserve	1,371	0	0	(15)	0	1,356
Surplus/Deficit on the Provision of Services	675	0	(34)	(329)	0	312
Derecognition - Disposals	(91)	0	0	0	0	(91)
Derecognition - Other	(1,544)	0	0	0	0	(1,544)
Reclassification and Transfers	(559)	51	0	38	472	2
<b>At 31<sup>st</sup> March 2024</b>	<b>188,486</b>	<b>11,244</b>	<b>15</b>	<b>6,074</b>	<b>42,617.0</b>	<b>248,436</b>
<b>Accumulated Depreciation and Impairment</b>						
As 1 <sup>st</sup> April 2023	2,973	4,536	0	107	746	8,362
Opening Balance Adjustment	0	8	0	0	0	8
Depreciation Charge	4,366	1,305	0	62	0	5,733
Depreciation written out to the Revaluation Reserve	(2,615)	0	0	(12)	0	(2,627)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(630)	0	0	0	0	(630)
Impairment losses/(reversals) recognised in the Revaluation Reserve	91	0	0	(2)	0	89
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(44)	56	0	0	0	12
Derecognition - Disposals	(4)	0	0	0	0	(4)
Reclassification and Transfers	(9)	0	0	9	0	0
<b>At 31<sup>st</sup> March 2024</b>	<b>4,128</b>	<b>5,905</b>	<b>0</b>	<b>164</b>	<b>746</b>	<b>10,943</b>
<b>Net Book Value</b>						
<b>At 31<sup>st</sup> March 2024</b>	<b>184,358</b>	<b>5,339</b>	<b>15</b>	<b>5,910</b>	<b>41,871</b>	<b>237,493</b>
At 31 <sup>st</sup> March 2023	181,321	3,573	15	5,480	14,147	204,536

**2022/23**

	Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>						
At 1 <sup>st</sup> April 2022	182,339	7,691	15	4,866	1,370	<b>196,281</b>
Opening Balance Adjustment	0	(50)	0	0	19	<b>(31)</b>
Acquisitions/Additions	10,339	1,178	0	43	13,713	<b>25,273</b>
Revaluation Increases/Decreases recognised in the Revaluation Reserve	2,935	0	0	658	0	<b>3,593</b>
Surplus/Deficit on the Provision of	(9,927)	0	0	18	0	<b>(9,909)</b>
Derecognition - Disposals	(595)	(761)	0	0	0	<b>(1,356)</b>
Reclassification and Transfers	(797)	51	0	2	(209)	<b>(953)</b>
<b>At 31<sup>st</sup> March 2023</b>	<b>184,294</b>	<b>8,109</b>	<b>15</b>	<b>5,587</b>	<b>14,893</b>	<b>212,898</b>
<b>Accumulated Depreciation and Impairment</b>						
As 1 <sup>st</sup> April 2022	4,331	3,980	0	150	746	<b>9,207</b>
Opening Balance Adjustment	0	(8)	0	0	0	<b>(8)</b>
Depreciation Charge	4,216	1,188	0	39	0	<b>5,443</b>
Depreciation written out to the Revaluation Reserve	(3,814)	0	0	(73)	0	<b>(3,887)</b>
Surplus/Deficit on the Provision of Services	(1,419)	0	0	(9)	0	<b>(1,428)</b>
Impairment losses/(reversals) recognised in the Revaluation Reserve	23	0	0	28	0	<b>51</b>
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(142)	0	0	(28)	0	<b>(170)</b>
Derecognition - Disposals	(222)	(624)	0	0	0	<b>(846)</b>
<b>At 31<sup>st</sup> March 2023</b>	<b>2,973</b>	<b>4,536</b>	<b>0</b>	<b>107</b>	<b>746</b>	<b>8,362</b>
<b>Net Book Value</b>						
<b>At 31<sup>st</sup> March 2023</b>	<b>181,321</b>	<b>3,573</b>	<b>15</b>	<b>5,480</b>	<b>14,147</b>	<b>204,536</b>
At 31 <sup>st</sup> March 2022	178,008	3,711	15	4,716	624	187,074

## Capital Commitments

As at 31<sup>st</sup> March 2024, the Authority had entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2024/25 and future years budgeted to cost £68.940m. Similar commitments at 31<sup>st</sup> March 2023 were £40.221m. The major commitments at 31<sup>st</sup> March 2024 are as follows:

<b>Capital Scheme</b>	<b>Value £'000</b>
Community Regeneration	199
Neighbourhood services	1,390
Corporate Services	1,945
Education	65,407
	<b>68,940</b>

There is also a commitment to spend on 3<sup>rd</sup> party assets as detailed in the table below:

<b>Capital Scheme</b>	<b>Value £'000</b>
<b>Community Regeneration</b>	
- Castle House	1,761
	<b>1,761</b>

## Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is re-valued at least every five years. All valuations were carried out externally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

### 15.0 Heritage Assets

	Museum Collection	Civic Regalia	Historic Buildings	Monuments	Total Assets
	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>					
<b>At 1<sup>st</sup> April 2023</b>	<b>4,080</b>	<b>257</b>	<b>4,124</b>	<b>224</b>	<b>8,685</b>
Acquisitions/Additions	0	0	199	0	199
Revaluation Increases/Decreases recognised in the Revaluation Reserve	0	0	0	0	0
Revaluation Increases/Decreases to Surplus/Deficit on the Provision of Services	0	0	(134)	0	(134)
<b>At 31<sup>st</sup> March 2024</b>	<b>4,080</b>	<b>257</b>	<b>4,189</b>	<b>224</b>	<b>8,750</b>
<b>Accumulated Depreciation and Impairment</b>					
<b>At 1<sup>st</sup> April 2023</b>	0	0	657	0	657
Depreciation Charge	0	0	0	0	0
<b>At 31<sup>st</sup> March 2024</b>	<b>0</b>	<b>0</b>	<b>657</b>	<b>0</b>	<b>657</b>
<b>Net Book Value</b>					
<b>At 31<sup>st</sup> March 2024</b>	<b>4,080</b>	<b>257</b>	<b>3,532</b>	<b>224</b>	<b>8,093</b>
At 31 <sup>st</sup> March 2023	4,080	257	3,467	224	8,028

**2022/23**

	Museum Collection	Civic Regalia	Historic Buildings	Monuments	Total Assets
	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>					
<b>At 1<sup>st</sup> April 2022</b>	<b>3,788</b>	<b>257</b>	<b>3,883</b>	<b>224</b>	<b>8,152</b>
Acquisitions/Additions	0	0	28	0	28
Revaluation Increases/Decreases recognised in the Revaluation Reserve	292	0	0	0	292
Revaluation Increases/Decreases to Surplus/Deficit on the Provision of Services	0	0	213	0	213
<b>At 31<sup>st</sup> March 2023</b>	<b>4,080</b>	<b>257</b>	<b>4,124</b>	<b>224</b>	<b>8,685</b>
<b>Accumulated Depreciation and Impairment</b>					
<b>At 1<sup>st</sup> April 2022</b>	0	0	657	0	657
Depreciation Charge	0	0	0	0	0
<b>At 31<sup>st</sup> March 2023</b>	<b>0</b>	<b>0</b>	<b>657</b>	<b>0</b>	<b>657</b>
<b>Net Book Value</b>					
<b>At 31<sup>st</sup> March 2023</b>	<b>4,080</b>	<b>257</b>	<b>3,467</b>	<b>224</b>	<b>8,028</b>
At 31 <sup>st</sup> March 2022	3,788	257	3,226	224	7,495

The Authority's Heritage Assets include Cyfarthfa Castle within the historic buildings category. The Museum Collection includes Art, Ceramics, Porcelain work, figurines and instruments. The valuation of the Museum Collection is included at insurance valuation.

## 16.0 Financial Instruments

### Financial Instruments – Classifications

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

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

	Non-Current		Current	
	31/03/2024	31/03/2023	31/03/2024	31/03/2023
	£'000	£'000	£'000	£'000
<b>Financial Assets</b>				
Investments at Amortised Cost	358	358	21,122	25,681
<u>Debtors:</u>				
Gellideg Co-operative Loan	306	326	20	20
Home Loans	593	687	0	0
VVP	201	586	324	165
Transforming Towns Loans	382	404	27	319
Other	649	649	0	0
<b>Total Financial Assets</b>	<b>2,489</b>	<b>3,010</b>	<b>21,493</b>	<b>26,185</b>
Non - Financial Assets	0	0	48,436	40,808
<b>Total</b>	<b>2,489</b>	<b>3,010</b>	<b>69,929</b>	<b>66,993</b>

	Non-Current		Current	
	31/03/2024	31/03/2023	31/03/2024	31/03/2023
	£'000	£'000	£'000	£'000
<b>Financial Liabilities</b>				
Borrowings at Amortised Cost	95,036	91,225	53,423	35,550
<b>Total Financial Liabilities</b>	<b>95,036</b>	<b>91,225</b>	<b>53,423</b>	<b>35,550</b>
Non - Financial Liabilities				
Finance Lease and Other	3,407	4,950	0	0
Creditors	391	431	32,724	32,943
<b>Total</b>	<b>3,798</b>	<b>5,381</b>	<b>32,724</b>	<b>32,943</b>

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	2023/24 Total	2022/23 Total
	Surplus or Deficit on the Provision of Services	Surplus or Deficit on the Provision of Services
	£'000	£'000
Interest Expense	5,945	4,538
Interest Revenue: Financial assets measured at amortised cost	(1,784)	(817)
<b>Net (Gain)/loss for the year</b>	<b>4,161</b>	<b>3,721</b>

### Financial Instruments – Fair Values

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31<sup>st</sup> March 2024, using the following methods and assumptions:

- Loans borrowed by the Authority have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

	Fair Value	31/03/2024		31/03/2023	
		Carrying Value	Fair Value	Carrying Value	Fair Value
		£'000	£'000	£'000	£'000
<i>Financial Liabilities held at amortised cost</i>					
Long-term loans from PWLB	2	78,243	82,205	63,013	62,483
Long-term LOBO Loans	2	0	0	12,216	11,113
Other long term loans		16,793	7,543	15,996	10,142
Short term loans		53,423	1,972	35,550	0

The fair value for PWLB debt and market debt have been calculated using level 2 in the fair value hierarchy detailed above. Please see accounting policy 1.20 for further explanation.

Fair value disclosures have not been calculated for short term financial liabilities or short-term financial assets, including payables (creditors), receivables (debtors) and temporary investments as the carrying amount is a reasonable approximation of fair value.

**17.0 Short-term Debtors**

The breakdown of Debtors is as follows:

	<b>31/03/2024</b>	<b>31/03/2023</b>
	<b>£'000</b>	<b>£'000</b>
Trade receivables	10,886	7,405
Prepayments	1,664	2,196
Other receivable amounts	36,293	31,711
<b>Total</b>	<b>48,843</b>	<b>41,312</b>

**18.0 Debtors for local taxation**

The past due but not impaired amount for local taxation (Council Tax) can be analysed by age as follows:

	<b>31/03/2024</b>	<b>31/03/2023</b>
	<b>£'000</b>	<b>£'000</b>
Up to 1 Year	2,476	2,120
Between 1 and 2 Years	1,530	1,596
Between 2 and 3 Years	1,293	1,273
Between 3 and 4 Years	1,068	893
Between 4 and 5 Years	753	688
Greater than 5 Years	1,977	1,674
<b>Total</b>	<b>9,097</b>	<b>8,244</b>

**19.0 Cash and Cash Equivalents**

This balance recognises the net cash position of the Authority in providing its services to the public. The balance is as follows:

<b>31/03/2023</b>		<b>31/03/2024</b>
<b>£'000</b>		<b>£'000</b>
6,096	Bank Current Accounts	6,072
<b>6,096</b>	<b>Total Cash and Cash equivalents</b>	<b>6,072</b>

**20.0 Assets Held for Sale**

The breakdown of assets held for sale is as follows:

	Non-current	
	2023/24	2022/23
	£'000	£'000
<b>Balance outstanding at the start of the year</b>	653	3
Assets newly classified as held for sale	275	952
Revaluation losses	0	(311)
Revaluation gains	0	10
Impairment losses	0	0
Assets declassified as held for sale	0	0
Assets sold	(530)	(1)
<b>Balances outstanding at year end</b>	<b>398</b>	<b>653</b>

Assets held for sale at 31<sup>st</sup> March 2024 comprise of land surplus to requirement.

## 21.0 Short-term Creditors

The breakdown of Creditors is as follows:

	31/03/2024	31/03/2023
	£'000	£'000
Trade Payables	(24,583)	(22,065)
Other Payables	(8,007)	(10,878)
<b>Total</b>	<b>(32,590)</b>	<b>(32,943)</b>

## 22.0 Provisions

The balance on provisions at 31<sup>st</sup> March 2024 is derived as follows:

	Insurance Claims	Pengarnddu	City Deal	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April 2023</b>	<b>(301)</b>	<b>(1,283)</b>	<b>(109)</b>	<b>(1,693)</b>
Additional provisions made in 2023/24	(468)	0	0	<b>(468)</b>
Amounts used in 2023/24	104	0	0	<b>104</b>
Unused amounts reversed in 2023/24	151	0	0	<b>151</b>
<b>Balance at 31<sup>st</sup> March 2024</b>	<b>(514)</b>	<b>(1,283)</b>	<b>(109)</b>	<b>(1,906)</b>

The Authority expects that the provisions recognised at 31<sup>st</sup> March 2024 will substantially be utilised within 12 months of that date, the split of short and long term provisions is as follows:

	2022/23			2023/24		
	Short term	Long term	Total	Short term	Long term	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Insurance Claims	(150)	(151)	<b>(301)</b>	(205)	(309)	<b>(514)</b>
Pengarnddu	(1,283)	0	<b>(1,283)</b>	(1,283)	0	<b>(1,283)</b>
City Deal	0	(109)	<b>(109)</b>	0	(109)	<b>(109)</b>
	<b>(1,433)</b>	<b>(260)</b>	<b>(1,693)</b>	<b>(1,488)</b>	<b>(418)</b>	<b>(1,906)</b>

### Insurance Claims Provision

This provision reflects the Authority's outstanding insurance claims obligations at 31<sup>st</sup> March 2024. There is an uncertainty around the timing and value of this obligation. Claims are settled when they reach Court, depending on the specific circumstances of the case this can take varying time.

### Pengarnddu Provision

The provision consists of monies set aside for the costs of removing several thousand tonnes of residual waste on land at Pengarnddu that was left by a previous occupier. Due to the volume and nature of waste the actual timing for clearing the site is not certain.

### City Deal Provision

This balance is as a result of including the Authority's Share of 3.94% of the Cardiff Capital Region City Deal (Note 39)

## 23.0 Unusable Reserves

The breakdown of Unusable Reserves at 31<sup>st</sup> March 2024 is as follows:

31/03/2023		31/03/2024
£'000		£'000
49,074	Revaluation Reserve	51,198
(2,110)	Financial Instruments Reserve	(2,159)
142,418	Capital Adjustment Account	167,617
(64,910)	Pensions Reserve	(32,162)
(3,353)	Accumulated Absences Account	(2,418)
<b>121,119</b>	<b>Total Unusable Reserves</b>	<b>182,076</b>

### Revaluation Reserve

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

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

The reserve contains only revaluation gains accumulated since 1<sup>st</sup> April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated in the Capital Adjustment Account.

<b>2022/23</b>		<b>2023/24</b>
<b>£'000</b>		<b>£'000</b>
<b>43,086</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>49,074</b>
(2)	Opening Balance Adjustment	0
9,122	Upward revaluation of assets	6,337
(1,714)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the provision of services	(2,166)
<b>7,408</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the provision of services</b>	<b>4,171</b>
(1,292)	Difference between fair value depreciation and historical cost depreciation	(1,504)
(126)	Accumulated gains on assets sold or scrapped	(543)
<b>(1,418)</b>	<b>Amounts written off to the Capital Adjustment Account</b>	<b>(2,047)</b>
<b>49,074</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>51,198</b>

### 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 additions to those assets under statutory provisions. The account is debited with the cost of acquisition, construction or subsequent costs such as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and subsequent costs.

2022/23 £'000		2023/24 £'000
<b>139,715</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>142,418</b>
2	Opening Balance Adjustment	<b>16</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(8,764)	• Charges for depreciation and impairment of non current assets	(9,767)
(8,724)	• Revaluation gain/loss on property, plant and equipment	587
(6,916)	• Revenue expenditure funded from capital under statute	(7,949)
(510)	• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(617)
<b>(24,914)</b>		<b>(17,746)</b>
1,417	Adjusting amounts written out to the Revaluation Reserve	2,023
<b>(23,497)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(15,723)</b>
	Capital financing applied in the year:	
(219)	• Use of Capital Receipts Reserve to finance new capital expenditure	0
21,651	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	37,394
1,249	• Application of grants to capital financing from the Capital Grants Unapplied Account	549
2,301	• Statutory provision for the financing of capital investment charged against the General Fund	2,664
572	• Capital Expenditure charged against the General Fund	638
739	• Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(339)
<b>26,293</b>		<b>40,906</b>
<b>(95)</b>	<b>Movements in the market Value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement</b>	<b>0</b>
<b>142,418</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>167,617</b>

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenditure relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Authority uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance through the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on the Council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

2022/23 £'000		2023/24 £'000
<b>(2,207)</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>(2,110)</b>
<b>102</b>	Premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with Statutory	<b>42</b>
<b>(5)</b>	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	<b>(91)</b>
<b>(2,110)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(2,159)</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2022/23 £'000		2023/24 £'000
<b>(179,385)</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>(64,910)</b>
<b>126,687</b>	Actuarial gains/(losses) on pensions assets/liabilities	<b>33,911</b>
<b>(24,448)</b>	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the provision of services in the Comprehensive Income and Expenditure Statement	<b>(11,918)</b>
<b>12,400</b>	Employer's pensions contributions and direct payments to pensioners payable in the year	<b>11,330</b>
<b>(164)</b>	Net adjustments to Pension strain	<b>(575)</b>
<b>(64,910)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(32,162)</b>

### Accumulated Absences Adjustment Account

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

2022/23 £'000		2023/24 £'000
<b>(2,948)</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>(3,353)</b>
<b>2,944</b>	Settlement or cancellation of accrual made at the end of the preceding year	<b>3,349</b>
<b>(3,349)</b>	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<b>(2,414)</b>
<b>(3,353)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(2,418)</b>

#### 24.0 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2022/23 £'000		2023/24 £'000
1,583	Rents (after rebates)	1,517
31,767	Council Tax receipts	33,367
21,226	National non-domestic rate receipts from national pool	19,024
89,391	Revenue Support Grant	99,590
13,572	DWP grants for benefits	14,657
39,471	Other government grants	40,671
759	Interest received	1,843
18,831	Cash received for goods and services	20,378
19,748	Other operating cash receipts	12,121
<b>236,348</b>	<b>Cash Inflows Generated from Operating Activities</b>	<b>243,168</b>
(100,250)	Cash paid to and on behalf of employees	(96,289)
(99,697)	Cash Payments to Suppliers	(117,278)
(4,062)	Interest paid	(5,628)
(14,229)	Housing Benefit paid out	(14,275)
(3,378)	Levies paid	(3,749)
(5,643)	Precepts	(6,080)
<b>(227,259)</b>	<b>Cash Outflows Generated from Operating Activities</b>	<b>(243,299)</b>
<b>9,089</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(131)</b>

#### 25.0 Cash Flow Statement – Investing Activities

<b>2022/23</b> <b>£'000</b>		<b>2023/24</b> <b>£'000</b>
(30,719)	Purchase of Property, Plant and Equipment	(45,794)
(6,916)	Other capital cash payments	(7,949)
(339,495)	New Short term and long term investments made	(398,375)
330,000	Repayments of investments	402,770
305	Sale of fixed assets	555
22,360	Capital grants received	26,776
<b>(24,465)</b>	<b>Net Cash Flows Generated from Investing</b>	<b>(22,017)</b>

## 26.0 Cash Flow Statement – Financing Activities

<b>2022/23</b> <b>£'000</b>		<b>2023/24</b> <b>£'000</b>
34,360	New long-term loans raised	1,615
59,000	New short-term loans raised	133,500
(79,944)	Repayments of amounts borrowed	(112,991)
<b>13,416</b>	<b>Cash Flows Generated from Financing Activities</b>	<b>22,124</b>

## 27.0 Pooled Budgets

### **Integrated Community Equipment Store**

The authority has entered into a pooled budget arrangement with the Integrated Community Equipment Store for the provision of specialist equipment and services to clients in the community. The partnership currently comprises Rhondda Cynon Taf County Borough Council, Merthyr Tydfil County Borough Council, Bridgend County Borough Council and Cwm Taf Morgannwg University Health Board. This partnership was formalised with the introduction of a Section 33 Agreement (The Agreement) in accordance with Section 33 of the National Health Service (Wales) Act 2006 together with the NHS bodies and Local Authorities (Partnership Agreements) Wales regulations 2000 SI 2993 as amended. Partners contribute an underlying contribution in line with those covered by the Section 33 agreement. Any deficit or surplus arising on the pooled budget is adjusted at the end of the financial year based on the actual spend on community equipment for each partner.

The pooled budget is hosted by Rhondda Cynon Taf County Borough Council on behalf of all partners to the agreement. For 2023/24 Merthyr Tydfil County Borough Council paid a contribution of £187,959 (£138,178 for 2022/23) into the pool, total partner income for 2023/24 was £3,444,487 (£3,168,414 for 2022/23), total pool expenditure for 2023/24 was £3,433,009 in 2023/24 (£3,164,007 for 2022/23).

### **Cwm Taf Care Home Accommodation Pooled Fund**

The Cwm Taf Social Services and Wellbeing Partnership Board are required to establish and maintain a pooled fund in relation to the exercise of their care home accommodation functions; these duties took effect from 6 April 2018. The pooled fund is hosted by Rhondda Cynon Taf County Borough Council on behalf of all partners to the agreement, who are Cwm Taf Morgannwg University Health Board and Merthyr Tydfil County Borough Council. The Care Home Pooled Fund is managed by the Residential & Nursing Care Pooled Fund Manager

under the direction of the Cwm Taf Care Home Accommodation Pooled Fund Operational Management Board

Lead service commissioners are responsible for commissioning & contracting placements and the subsequent payments relating to those services. Variation of anticipated spend, either negative or positive remain the responsibility of the Party/Lead Commissioner to which the variation relates.

For 2023/24 Merthyr Tydfil County Borough Council paid a contribution of £6,398,024 (£5,697,561 for 2022/23) into the pool, total partner income was £70,242,348 for 2023/24 (£60,544,117 for 2022/23) and total pool expenditure was £69,990,928 (£60,483,975 for 2022/23).

## **28.0 Members' Allowances**

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

	<b>2023/24</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Salaries and Allowances	741	686
Pension Contributions	81	84
National Insurance Contributions	63	58
Expenses	1	0
<b>Balance at 31st March</b>	<b>886</b>	<b>828</b>

## **29.0 Officers' Remuneration**

The remuneration paid to the Authority's senior employees is as follows:

2023/24	Salary, Fees and Allowances	Compensation for loss of Office	Pension Contributions	Exit Package	Total
	£	£	£	£	£
Chief Executive	129,270	-	28,180	-	157,450
Deputy Chief Executive	105,377	-	22,972	-	128,349
Director of Social Services	90,242	-	19,673	-	109,915
Director of Education	90,242	-	19,673	-	109,915
Director of Neighbourhood Services	86,660	-	18,892	-	105,552
Head of Legal & Monitoring Officer	82,454	-	17,975	-	100,429
Head of Adult Services	78,859	-	17,191	-	96,050
Head of Engineering & Highways	78,859	-	17,191	-	96,050
Head of Revenues, Benefits & Customer Services	76,480	-	16,673	-	93,153
Head of Achievement & Wellbeing	75,060	-	16,363	-	91,423
Head of Communications, Consultation & Cabinet	71,746	-	15,641	-	87,387
Head of Prevention	70,555	-	15,378	-	85,933
Head of ICT	70,532	-	15,376	-	85,908
Head of Public Protection	70,551	-	15,376	-	85,927
Head of Additional Learning Needs & Inclusion	70,532	-	15,376	-	85,908
Head of Planning, Performance & Resources	70,532	-	-	-	70,532
Head of HR & Org. Development	65,772	-	14,338	-	80,110
Chief Finance Officer * (old post)	50,080	-	10,635	-	60,715
Chief Finance Officer *	30,335	-	6,613	-	36,948
Head of Children Services ** (old post)	28,291	-	4,849	-	33,140
Head of Children Services **	49,356	-	10,760	-	60,116
Head of Housing & Regeneration ***	19,715	21,605	4,298	139,290	184,908
<b>Total</b>	<b>1,561,500</b>	<b>21,605</b>	<b>323,423</b>	<b>139,290</b>	<b>2,045,818</b>

The highest paid employee during 2023/24 was the Chief Executive, whose remuneration of £129,270 excluding pension contributions was 4.89 times the median remuneration of the workforce £26,421. There were no returning officer payments during 2023/24.

The following positions were held by two officers during the year:

- Chief Finance Officer \* - Employment ceased 03/11/2023  
New post commenced on the 06/11/2023
- Head of Children's Services \*\* - Employment ceased 16/07/2023  
New post commenced on the 24/07/2023
- Head of Housing & Regeneration \*\*\* - Employment ceased 30/06/2023

2022/23	Salary, Fees and Allowances	Compensation for loss of Office	Pension Contributions	Exit Package	Total
	£	£	£	£	£
Chief Executive	127,024	-	31,599	-	158,623
Deputy Chief Executive	101,813	-	25,759	-	127,572
Director of Social Services	87,204	-	22,059	-	109,263
Director of Education	87,185	-	22,058	-	109,243
Director of Neighbourhood Services	83,729	-	21,183	-	104,912
Chief Finance Officer	79,374	-	20,082	-	99,456
Head of Legal & Monitoring Officer	79,374	-	20,082	-	99,456
Head of Policy & Improvement	75,913	-	19,206	-	95,119
Head of Adult Services	75,913	-	19,206	-	95,119
Head of Housing & Regeneration	75,913	-	19,206	-	95,119
Head of Engineering & Highways	74,888	-	18,947	-	93,835
Head of Communications, Consultation & Cabinet	74,696	-	18,748	-	93,444
Head of Children Services	73,623	-	18,627	-	92,250
Head of Revenues, Benefits & Customer Services	73,052	-	18,482	-	91,534
Head of Achievement & Wellbeing	69,138	-	17,492	-	86,630
Head of Planning, Performance & Resources	67,900	-	-	-	67,900
Head of ICT	67,897	-	17,178	-	85,075
Head of Public Protection	67,900	-	17,178	-	85,078
Head of Additional Learning Needs & Inclusion	67,897	-	17,178	-	85,075
Head of Prevention	67,886	-	17,175	-	85,061
Head of HR & Org. Development *	59,152	-	14,965	-	74,117
<b>Total</b>	<b>1,637,471</b>	<b>0</b>	<b>396,410</b>	<b>0</b>	<b>2,033,881</b>

The highest paid employee during 2022/23 was the Chief Executive, whose remuneration of £127,024 excluding pension contributions was 5.19 times the median remuneration of the workforce £24,496. The Chief Executives Salary includes returning officer fees of £2,125.85.

The following position commenced employment during the year:

\*Head of HR and Organisational Development – Commenced 18/05/2022

The number of employees (excluding voluntary aided schools) receiving more than £60,000 remuneration for the year (including redundancy payments and excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	2023/24	2022/23
	Number of Employees	Number of Employees
£60,000 - £64,999	11	13
£65,000 - £69,999	13	11
£70,000 - £74,999	10	10
£75,000 - £79,999	13	5
£80,000 - £84,999	3	3
£85,000 - £89,999	2	4
£90,000 - £94,999	3	3
£95,000 - £99,999	2	1
£100,000 - £104,999	3	1
£105,000 - £109,999	4	0
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
£125,000 - £129,999	1	1
	<b>65</b>	<b>52</b>

The table above includes disclosures for Senior Officers that are also disclosed within the first two tables of this note.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band	Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band £'000	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
£0 - £20,000	9	4	9	4	81	57
£20,001 - £40,000	11	2	11	2	306	64
£40,001 - £60,000	9	1	9	1	431	53
£60,001 - £80,000	2	1	2	1	142	63
£80,001 - £100,000	3	0	3	0	263	0
£100,001 - £150,000	3	0	3	0	358	0
£150,001 - £200,000	1	1	1	1	193	158
<b>Total cost included in bandings and in the CIES</b>	<b>38</b>	<b>9</b>	<b>38</b>	<b>9</b>	<b>1,774</b>	<b>395</b>

### 30.0 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:

	<b>2023/24</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Fees payable with regard to external audit services carried out by the appointed auditor for the year	201	179
Fees payable in respect of statutory inspections	115	119
Fees payable for the certification of grant claims and returns for the year	46	37
<b>Total</b>	<b>362</b>	<b>335</b>

### 31.0 Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2023/24:

	<b>2023/24</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
<b>Credited to Taxation and Non-specific Grant Income and Expenditure</b>		
Revenue Support Grant	(99,590)	(89,391)
Non-Domestic Rates	(19,024)	(21,226)
<b>Capital Grants and Contributions</b>		
General Capital Grant	(1,605)	(1,070)
Sustainable Communities for Learning	(19,564)	(7,556)
Storm Damage Grant	(3,884)	(2,172)
Active Travel Fund	(3,158)	(1,297)
Schools Additional Capital Grant	0	(938)
Housing with Care Fund (HCF)	(1,455)	(775)
Community Focused Schools	0	(747)
Free School Meals Capital	0	(610)
Sports Council Wales Capital Grant	0	(450)
Transforming Towns	(849)	(384)
Cardiff Capital Region Challenge Fund	0	(318)
Local Transport Fund	(254)	(304)
Resilient Roads Fund	(381)	(359)
Local Places for Nature Grant	(355)	(287)
Intermediate Care Fund (ICF)	0	(27)
EV Charging Infrastructure Grant	(140)	0
City Deal Capital Grants and Contributions	(1,095)	(1,112)
Other Capital Grants and Contributions	(1,530)	(1,012)
<b>Total</b>	<b>(152,884)</b>	<b>(130,035)</b>

<b>Credited to Services</b>	<b>2023/24 £'000</b>	<b>2022/23 £'000</b>
<u>Education Directorate</u>		
Education Grant	(3,770)	(3,533)
Pupil Deprivation Grant	(2,687)	(2,731)
Education Improvement Grant	(2,168)	(2,196)
Central South Consortium Collaboration Grants	(305)	(339)
Misc Central South Consortia Grants	(144)	(182)
Shared Prosperity Fund	(1,169)	0
Other Revenue Grants	(835)	(1,148)
<u>Social Services Directorate</u>		
Children and Communities Grant	(5,363)	(4,814)
Regional Integrated Fund (RIF)	(641)	(1,193)
Workforce and Sustainability Grant	(962)	(964)
Inspire 2 Achieve	(1)	(346)
Substance Misuse Grant	0	(317)
Childrens Social Services Grant	0	(316)
Youth Service Revenue Grant	(320)	(311)
Education Grant	(243)	(303)
Inspire 2 Work	1	(257)
WG Eliminating Profit	(524)	0
Shared Prosperity Fund	(951)	0
Other Revenue Grants	(1,230)	(1,103)
<u>Economy and Public Protection</u>		
Housing Support Grant	(2,939)	(2,935)
Concessionary Fares Grant	(1,030)	(1,413)
UK Community Renewal Fund	(5)	(1,179)
Shared Prosperity Fund	(2,926)	(783)
Local Transport Fund	(59)	(696)
Homelessness No One Left Out Funding	(475)	(547)
Children and Communities Grant	(682)	(541)
Domestic Abuse Grant	(448)	(493)
Gypsy & Traveller Grant	0	(473)
Communities for Work	(29)	(413)
Pontmorlais Townscape Heritage Initiative	0	(323)
Ukrainian Resettlement Programme	(166)	(347)
Bridges Into Work 2 Grant	0	(313)
Housing First for Young People	(326)	(263)
Kickstart	0	(66)
Transforming Towns	(133)	0
Other Revenue Grants	(2,988)	(3,113)

<u>Neighbourhood Services</u>		
Coal Tip Safety Grant	(107)	(358)
Residual Waste Grant	(312)	(312)
Sustainable Waste Management Grant	(273)	(275)
Shared Prosperity Fund	(2,019)	0
Dragon Park (2023/24)	(1,257)	0
RTA Metro Plus Scheme - Merthyr Rail Station	(1,326)	0
Other Revenue Grants	(720)	(695)
<u>Governance and Resources</u>		
Regional Integrated Fund (RIF)	(615)	0
Shared Prosperity Fund	(106)	0
Other Revenue Grants	(736)	(690)
<u>Corporate</u>		
Housing Benefit Subsidy	(14,100)	(14,226)
Cost of Living Support Scheme Discretionary Fund	(5)	(120)
High Street Properties	(307)	0
Other Grants	(345)	(272)
<u>Covid-19</u>		
Local Government Hardship Fund	(214)	(867)
Other Revenue Grants	1	(8)
<b>Total</b>	<b>(55,959)</b>	<b>(51,774)</b>

The authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that could require the monies to be returned to the giver. The balances at the year-end are as follows:

	<b>2023/24</b>
<b>Current Liabilities</b>	<b>£'000</b>
<b>Grants Receipts in Advance (Revenue Grants)</b>	
Local Transport Fund	(50)
Adult Education Grant	(66)
National Exercise Referral Scheme	(9)
Active Travel Fund	(45)
Mind Our Futures Grant	(187)
Sustainable Food Partnership Fund	(37)
ECO4 Flex Funding	(16)
Housing Benefit Subsidy	(266)
UK Community Renewal Fund	(46)
Electoral Integrity New Burdens Fund	(10)
Long term plan for towns grant	(40)
LAPA Sports Development Grant	(12)
Community Chest	(4)
Over 60's ALS scheme	(7)
WEEE fund	(5)
Heritage Lottery Funding - YMCA	(156)
Education Grant	(110)
<b>Total</b>	<b>(1,066)</b>

	<b>2023/24</b>
<b>Current Liabilities</b>	<b>£'000</b>
<b>Grants Receipts in Advance (Capital Grants)</b>	
ULEV Transformation Fund	(71)
Valleys Life Dementia Hub	(21)
Green Recovery Grant	(10)
Crucible Grant	(3)
Access Improvement Grant	(3)
Food Poverty Grant	(1)
<b>Total</b>	<b>(109)</b>

### Agency Transactions

There have been a number of grants or areas of financial support that the Council has been asked to administer on behalf of Welsh Government. These have been accounted for as an agency arrangement. The following table shows the schemes, and the amount received:

<b>2022/23</b>	<b>Scheme</b>	<b>2023/24</b>
<b>£000's</b>		<b>£000's</b>
0	Ukrainian Resettlement Programme - Sponsor	62

### 32.0 Related Party Transactions

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

**Central Government** (i.e. Welsh Government) has effective control over the general operations of the Authority. It is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties. Grants received from government departments are set out in note 31. Welsh Government grant receipts of £11,727,489 were outstanding at 31<sup>st</sup> March 2024 and £11,821,000 were outstanding as at 31<sup>st</sup> March 2023.

**Members of the Authority** have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2023/24 is shown in note 28. Interests in other organisations held by members and their close family have been identified by an inspection of the Members' and Officers' Declaration of Interest Register and are set out in the table below.

**Officers** - details of officers' emoluments are shown in note 29 to the Core Financial Statements. Interests in other organisations held by senior officers and their close family have been identified and are set out in the table below.

**Joint Operations** - the Authority is involved in a number of joint operations, the details of which are shown in note 39.

**Precepts and Levies** are shown in note 11.

**Other Bodies** – the Authority is represented on a number of other outside bodies, and these are set out in the table below.

Description	In-year Transactions 2023/24		Balances at 31/03/2024	
	Expenditure incurred by Authority £000	Income received by Authority £000	Owed by Authority (Creditors) £000	Owed to Authority (Debtors) £000
<b>Companies / voluntary bodies in which Members' interests declared</b>				
JV Redstart (Capita Glamorgan Consultancy)	1,090	0	(438)	0
Voluntary Action Merthyr Tydfil	150	0	0	0
The Cyfarthfa Foundation	453	(1)	0	0
Stephen & George Charitable Trust	61	(1)	(2)	1
Merthyr Tydfil Institute for the Blind	420	0	(93)	0
Nursery Rhymes Playgroup	88	0	(6)	0
Dwylo Bach Pre-School	100	0	(1)	0
Cwm Taf Care & Repair	188	0	(18)	0
Little Acorns Pre School Playgroup	72	0	(1)	0
Cefn Coed Rugby Club	61	(1)	0	0
Funky Cabs Ltd	36	0	(3)	0
3G's Development Trust	6	0	0	0
Cwm Taf Morganwg Mind / Merthyr & The Valleys Mind	34	(1)	0	0
Fir Tree Centre	19	0	0	0
Treharris Boys & Girls Club	42	0	0	0
Other companies / voluntary bodies in which Members' interests declared	76	(4)	0	23
<b>Companies / voluntary bodies in which Officers' interests declared</b>				
The Big Heart of Merthyr Tydfil	80	(10)	0	0
Merthyr Tydfil College	302	(3)	(106)	0
<b>Outside Bodies on which the Authority is represented</b>				
Merthyr Tydfil Leisure Trust	3,363	(23)	(62)	450
Merthyr Valleys Homes*	369	(185)	0	370
Safer Merthyr Tydfil	765	(2)	(201)	0
Citizen Advice Bureau	262	(1)	(74)	0
Welsh Local Government Association	103	(413)	0	39
Glamorgan Archives Joint Committee	54	0	0	0
Cwm Taf Morganwg Public Service Board	38	0	0	0
Other bodies on which the Authority is represented	2	0	0	0

\*The Authority provided a loan to Merthyr Valleys Homes in the 2014/15 financial year, and the balance outstanding as at 31<sup>st</sup> March 2024 is £326,400. The Authority is represented on the Board.

Description	In-year Transactions 2022/23		Balances at 31/03/2023	
	Expenditure incurred by Authority £000	Income received by Authority £000	Owed by Authority (Creditors) £000	Owed to Authority (Debtors) £000
<b>Companies / voluntary bodies in which Members' interests declared</b>				
Cwm Taf Care & Repair	59	(1)	(20)	0
Pant Boys & Girls Club	92	(10)	(1)	0
Nursery Rhymes	324	0	0	0
Dwylo Bach Pre-Nursery	69	(2)	(1)	0
Merthyr & The Valleys Mind	69	(1)	0	0
Merthyr Town Football Club	71	(6)	0	2
The Cyfarthfa Foundation	315	(1)	(18)	0
Other companies / voluntary bodies in which Members' interests are declared	177	(33)	(18)	37
<b>Companies / voluntary bodies in which Officers' interests declared</b>				
The Big Heart of Merthyr Tydfil	41	(10)	0	0
<b>Outside Bodies on which the Authority is represented</b>				
Merthyr Tydfil Leisure Trust	3,455	(482)	(54)	381
Merthyr Valley Homes*	1,002	(174)	(38)	366
Safer Merthyr Tydfil	653	(1)	(217)	0
JV Redstart (Capita Glamorgan Consultancy)	434	0	0	0
Citizen Advice Bureau	334	(1)	(69)	0
Welsh Local Government Association	96	(296)	0	3
Other Bodies on which the Authority is represented	2	(3)	0	0

\*The Authority provided a loan to Merthyr Valleys Homes in the 2014/15 financial year, and the balance outstanding at 31<sup>st</sup> March 2023 is £346,800. The Authority is represented on the Board.

### 33.0 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

#### **Minimum Revenue Provision**

Under the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003, Local Authorities are required to charge to their revenue account for each financial year a Minimum Revenue Provision (MRP) to account for the cost of their debt in that financial year. Regulation 21 set out the method Authorities were required to follow in calculating MRP.

Under the Local Authorities (Capital Finance and Accounting) (Amendment) (Wales) Regulations 2008, the detailed calculation was replaced with a requirement that local

authorities calculate an amount of MRP which they consider to be prudent. The broad aim of prudent provision is to ensure that debt is repaid over a period reasonably commensurate with that over which the capital expenditure provides benefits.

The following has been applied for the 2023/24 accounts in calculating the provision:

- The MRP has been charged to revenue under option 3b) the Asset Life Annuity Method, since it recognises the time value of money thus protecting current and future generations.

	<b>2023/24</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
<i>Opening Capital Financing Requirement</i>	128,488	115,902
<i>Capital Investment</i>		
Property, Plant and equipment	48,436	31,579
Investment Properties	0	0
Revenue Expenditure Funded from Capital under Statute	7,949	6,916
Joint Committee Additions	114	(1,314)
<i>Sources of finance</i>		
Capital receipts	0	0
Government grants and other contributions	(37,940)	(21,788)
Direct revenue Contributions	(682)	(516)
Minimum Revenue Provision	(2,664)	(2,291)
<b><i>Closing Capital Financing Requirement</i></b>	<b>143,701</b>	<b>128,488</b>
<i>Explanation of movements in year</i>		
Increase in underlying need to borrow (supported by government financial assistance)	1,563	1,558
Increase in underlying need to borrow (unsupported by government financial assistance)	16,200	14,633
Impact of Joint Committees	114	(1,314)
Minimum Revenue Provision	(2,664)	(2,291)
<b><i>Increase/(decrease) in Capital Financing Requirement</i></b>	<b>15,213</b>	<b>12,586</b>

### 34.0 Leases

#### Authority as Lessee

##### **Finance Leases**

The assets acquired under finance leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

	31/03/2024	31/03/2023
	£'000	£'000
Other land and Buildings	1,464	3,081
Vehicles, Plant, Furniture and Equipment	142	142
	<b>1,606</b>	<b>3,223</b>

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts.

	31/03/2024	31/03/2023
	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments)		
• current	(45)	(59)
• non-current	(1,639)	(3,168)
Finance costs payable in future years	(4,554)	(5,988)
<b>Minimum lease payments</b>	<b>(6,238)</b>	<b>(9,215)</b>

The minimum lease payments will be payable over the following periods.

	Minimum Lease Payments		Finance Lease	
	31/03/2024	31/03/2023	31/03/2024	31/03/2023
	£'000	£'000	£'000	£'000
Not later than one year	128	218	45	59
Later than one year and not later than five	430	837	112	226
Later than five years	5,680	8,160	1,527	2,942
	<b>6,238</b>	<b>9,215</b>	<b>1,684</b>	<b>3,227</b>

### Operating Leases

The Authority has entered into operating leases with lessors for buildings, vehicles and equipment. The future minimum annual lease payments due are as follows.

	31/03/2024	31/03/2023
	£'000	£'000
Not later than one year	692	685
Later than one year and not later than five	1,138	1,524
Later than five years	35	47
	<b>1,865</b>	<b>2,256</b>

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was as follows.

	2023/24	2022/23
	£'000	£'000
Minimum lease payments	765	737
	<b>765</b>	<b>737</b>

**Authority as Lessor*****Operating Leases***

The Authority has entered into operating leases with lessees for buildings, vehicles and equipment. The future minimum annual lease payments due to the Authority are as follows:

	<b>31/03/2024</b>	<b>31/03/2023</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	917	1,062
Later than one year and not later than five	2,325	2,395
Later than five years	7,080	7,254
	<b>10,322</b>	<b>10,711</b>

**35.0 Pension Schemes accounted for as defined contribution schemes**

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The Scheme is unfunded, and the Department for Education uses a notional fund as the basis for calculating the employer's contribution rate paid by local authorities. Valuations are undertaken every four years. The Authority is not able to identify its share of the underlying financial position and performance with sufficient reliability for accounting purposes, therefore it is accounted for on the same basis as a defined contribution scheme.

In 2023/24 the Authority paid £5,549,884 to the Teachers' Pensions (£5,189,000 in 2022/23) in respect of teachers' pension costs, which represents 23.68% of teachers' pay (23.68% in 2022/23).

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis as detailed in Note 36.

The Authority expects to pay £6.629m in contributions into the scheme in 2024/25. The employers pension contribution rate is to increase from 23.68% to 28.68% with effect from April 2024.

**36.0 Defined Benefit Pension Schemes****Participation in Pension Schemes**

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

The Authority participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Rhondda Cynon Taf County Borough Council under the Local Government Pension Scheme regulations—this is a funded defined benefit scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. On retirement, members receive an annual pension based on their final salary (or career-average pensionable salary from 1<sup>st</sup> April 2014) and have the option to take part of their pension as a tax-free lump sum.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement (Unfunded Teachers' Discretionary Benefits) – this is an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.
- The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amounts required by statute as described in the accounting policies note.

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

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

	Local Government £m		Discretionary £m	
	2023/24	2022/23	2023/24	2022/23
<b>Comprehensive Income and Expenditure</b>				
Cost of services:				
Service cost comprising				
• current service cost	8.88	19.12	0.00	0.00
• past service cost	0.20	0.66	0.05	0.01
• (gain)/loss from settlements	0.00	0.00	0.00	0.00
• adjustment to pension strain	0.58	0.16	0.00	0.00
Financing and Investment Income and Expenditure				
• Net interest expense	2.12	4.23	0.66	0.45
<b>Total post employment Benefits charged to the Surplus or Deficit on provision of services</b>	<b>11.78</b>	<b>24.17</b>	<b>0.71</b>	<b>0.46</b>
Remeasurement of the net defined benefit liability comprising:				
• Return on plan assets (excluding the amount included in the net interest expense)	(20.75)	36.89	0.00	0.00
• Actuarial gains and losses arising on changes in demographic assumptions	(5.84)	(0.20)	(0.24)	0.04
• Actuarial gains and losses arising on changes in financial assumptions	(12.56)	(191.39)	(0.26)	(3.61)
• Actuarial gains and losses arising on changes in experience	4.52	30.06	0.94	1.52
• Other	0.28	0.00	0.00	0.00
<b>Total post employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(22.56)</b>	<b>(100.47)</b>	<b>1.15</b>	<b>(1.59)</b>
<b>Movement in Reserves Statement</b>				
• reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the code Actual amount charged against the General Fund Balance for pensions in the year:				
Employers contributions payable to scheme	10.27	11.46		
Retirement benefits payable to pensioners			1.06	0.96

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

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plan is as follows:

	Local Government Pension Scheme		Discretionary Benefits	
	£m		£m	
	2023/24	2022/23	2023/24	2022/23
Present Value of the defined benefit obligation	(370.95)	(371.04)	(14.67)	(14.58)
Fair value of plan assets	354.20	320.87	0.00	0.00
<b>Sub-total</b>	<b>(16.75)</b>	<b>(50.17)</b>	<b>(14.67)</b>	<b>(14.58)</b>
Other movements in the (liability)/asset	(0.58)	(0.16)	0.00	0.00
<b>Net liability arising from the defined benefit obligation</b>	<b>(17.33)</b>	<b>(50.33)</b>	<b>(14.67)</b>	<b>(14.58)</b>

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

	Local Government Pension Scheme		Discretionary Benefits	
	£m		£m	
	2023/24	2022/23	2023/24	2022/23
Opening fair value of scheme assets	320.87	346.40	0.00	0.00
Interest Income	15.03	9.38	0.00	0.00
Remeasurement gain/(loss)				
• The return on plan assets, excluding the amount in the net interest expense	20.75	(36.89)	0.00	0.00
Contributions from the employer	10.27	11.46	1.06	0.96
Contributions from employees into the scheme	2.89	2.68	0.00	0.00
Benefits paid	(15.60)	(12.16)	(1.06)	(0.96)
Net increase in assets from disposals/acquisitions	0.00	0.00	0.00	0.00
<b>Closing fair value of scheme assets</b>	<b>354.20</b>	<b>320.87</b>	<b>0.00</b>	<b>0.00</b>

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

	Local Government Pension Scheme £m		Discretionary Benefits £m	
	2023/24	2022/23	2023/24	2022/23
Opening balance at 1 April	371.04	508.66	14.58	17.13
Opening Balance Adjustment	0.00	0.00	0.00	0.00
Current Service cost	8.88	19.12	0.00	0.00
Interest Cost	17.15	13.61	0.66	0.45
Contributions from scheme participants	2.89	2.68	0.00	0.00
Remeasurements (gains) and losses			0.00	
• Actuarial gains and losses arising on changes in demographic assumptions	(5.84)	(0.20)	(0.24)	0.04
• Actuarial gains and losses arising on changes in financial assumptions	(12.56)	(191.39)	(0.26)	(3.61)
• Actuarial gains and losses arising on changes in experience	4.52	30.06	0.94	1.52
• Other	0.28	0.00	0.00	0.00
Past service cost	0.20	0.66	0.05	0.01
Losses/(gains) on curtailment	0.00	0.00	0.00	0.00
Benefits paid	(15.60)	(12.16)	(1.06)	(0.96)
Net increase in assets from disposals/acquisitions	0.00	0.00	0.00	0.00
<b>Closing balance at 31st March</b>	<b>370.95</b>	<b>371.04</b>	<b>14.67</b>	<b>14.58</b>

#### Local Government Pension Scheme assets comprised

	As at 31/03/2024	As at 31/03/2023
	£m	£m
Equities	226.72	218.51
Property	23.02	25.03
Government Bonds	43.21	33.69
Corporate Bonds	55.26	39.79
Cash	5.99	3.85
	<b>354.20</b>	<b>320.87</b>

#### Basis for Estimating Assets and Liabilities

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

Both the Local Government Pension Scheme and Discretionary Benefits and have been assessed by Aon Hewitt, an independent firm of actuaries, estimates for the Rhondda Cynon Taf County Council Pension Fund being based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2022.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2023/24	2022/23	2023/24	2022/23
Males	21.00	21.60	21.00	21.60
Females	23.80	24.20	23.80	24.20
Males	22.30	22.90		
Females	25.20	25.70		
Discount rate	4.80%	4.70%	4.80%	4.70%
CPI Inflation	2.60%	2.70%	2.60%	2.70%
Pension increases	2.60%	2.70%	2.60%	2.70%
Pension accounts revaluation rate	2.60%	2.70%		
Salary increases	3.85%	3.95%		

The duration of the defined benefit obligation (i.e. the weighted average of the time until payment of future cash flows) for scheme members at 31<sup>st</sup> March 2024 was calculated by the actuary as 16.7 years (17.1 years at 31<sup>st</sup> March 2023).

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

	Impact on the Defined Benefit Obligation in the scheme		
	Increase in assumption	Base Figure	Decrease in assumption
	£m	£m	£m
Discount Rate (increase or decrease by 0.1%)	364.37	370.67	376.97
Rate of increase in salaries (increase or decrease by 0.1%)	371.41	370.67	369.93
Rate of increase in pensions (increase or decrease by 0.1%)	376.23	370.67	365.11
Post retirement mortality assumption (increase or decrease by 1 year)	380.31	370.67	361.40

Contribution rates are set by the fund's actuary based on triennial actuarial valuations. The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Authority has agreed a strategy with the scheme's actuary to achieve a funding level of 100% of the overall liabilities of the fund. The next triennial valuation is due to be completed on 31<sup>st</sup> March 2025.

The authority expects to pay £10.05m contributions into the scheme in 2024/25.

### 37.0 Contingent liabilities

As at 31<sup>st</sup> March 2024, the Authority has the following contingent liabilities:

- **Ffos-Y-Fran - Land Reclamation**

The extraction of coal as part of the land reclamation scheme ceased over 12 months ago. The developer is currently undertaking some restoration of the site in accordance with the approved restoration strategy from 2007. A planning application has been received by MTCBC to request a variation of the extant planning permission. This application seeks to vary the restoration strategy to allow for a different restoration of the site to be delivered. This application has not yet been determined by MTCBC. The works being undertaken by the developer at present are likely to take several months.

Remedial works are required to bring the site up to required public safety standards. These costs are not quantifiable at present as the developer is still carrying out restoration of the reclamation site. The costs of these remedial works sit with the developer. It is only if the developer ceases to trade or abandons the site that there is an issue with restoration.

The Council considers that liability for these remedial works currently sits with the operator and/or the landowner, but the ownership position is complex, with the Council/Welsh Government (WG) both owning small parts of the land which are considered unlikely to need remedial works.

The Council is expecting a response from WG concerning differences of opinion in the near future. Issues as to liability will be reconsidered following receipt of the correspondence from WG.

- **Merthyr Tydfil Leisure Trust** - Merthyr Tydfil Leisure Trust (trading as Wellbeing at Merthyr) was set up on the 1<sup>st</sup> April 2015 “the Transfer Date”. The Authority transferred the function of providing existing Leisure and Cultural Services within the County Borough to the Trust. Following communication during December 2023 of the intention to terminate contract, and actual termination of contract on the 30<sup>th</sup> April 2024, Merthyr Tydfil Leisure Trust (trading as Wellbeing at Merthyr) has since declared a status of liquidation.

Pension Fund – The Trust was admitted as a body to the Rhondda Cynon Taf County Borough Council Pension Fund (the Pension Fund). To do this, the Authority and the Pension Fund entered into an Admissions Agreement with Merthyr Tydfil Leisure Trust so that eligible Leisure Trust employees could access the Pension Scheme. The Pension Fund required a guarantee from the Authority to indemnify the Pension Fund against the risk of the Trust failing to make contributory payments due under the agreement.

The admission agreement states that any accrued pension liabilities relating to scheme members at the transfer date are the Authority’s liability. The Trust is responsible for the increase in liabilities post transfer. Since declaring a status of liquidation there is increasing likelihood of default on payments owing to the Pension Fund.

Employment Tribunal - Following TUPE transfer in 2015, the Trust was contractually bound by the National Joint Council (NJC) collective agreement on pay/terms and conditions of employment, specifically the 2023 pay award that was collectively

negotiated and agreed by the NJC. The Board of Merthyr Tydfil Leisure Trust agreed and acknowledged that they were bound by the NJC negotiations and agreement on pay. Failure to apply the increase by the Trust has resulted in a claim being made by eligible Leisure Trust employees in relation to suffering unlawful deductions.

Since declaring a status of liquidation, and Claimants demonstrating that they hold the benefit of the NJC awards as part of their contractual entitlement with the resultant transfer of liability under TUPE back to MTCBC on 1<sup>st</sup> May 2024 and a further TUPE transfer of some staff to Halo on 1<sup>st</sup> August 2024 (with some of the staff being retained by MTCBC), there is increasing likelihood that the Council will be liable to remedying the claim of unlawful deductions by eligible Leisure Trust employees which is estimated to be in the region of £220,000.

There is also potential that some other specific debts from the Trust may pass to the Authority if they cannot be funded from their remaining funds. The quantum and likelihood of the Council incurring these costs cannot be quantified at this time.

- **Merthyr Valleys Homes** - As part of the legal agreements associated with the transfer of the Authority's Housing Stock to Merthyr Valleys Homes (MVH), a number of warranties and indemnities have been provided for a period of 30 years from the transfer date (March 2009), covering areas including environmental pollution and asbestos. The limit to claims made against these warranties is £15,000 for each property (uprated annually by RPI), with the exception of the warranty for environmental pollution and asbestos, where the limits are £40m (environmental pollution) and without limit (asbestos). Claims are subject to a de minimis level below which the Authority is not liable to reimburse MVH, these being £10,000 generally and £3.3m for Asbestos works. Potential liabilities that could arise in respect of environmental pollution have been mitigated by means of insurance policies, providing aggregate cover of £20m. At this stage, there have been no definite claims associated with the warranties provided and it is not possible to determine the extent and value of claims that may arise in the future.
- **Pensions Asset / Liability** - The High Court ruled in June 2023 that changes to member benefits in contracted out defined benefit pension schemes between 1996 and 2016 require actuarial certificates under section 37 of the Pension Schemes Act 1993. Where there is no certification, or the certificates are not available, the changes will be considered void. This applies to past service and future service rights whether resulting in detriment or benefit to scheme members. An appeal was dismissed by the Court of Appeal in August 2024. The Government's Actuary Department (GAD) are currently reviewing scheme changes for LGPS among other schemes to confirm whether actuarial certificates are available. Requests have been made to DWP to consider making regulations under section 37 (2) of the Pension Schemes Act 1993 to validate any amendment held to be void solely due to written actuarial confirmation not being received or located. DWP have not indicated whether they will take this forward.

There is a potential liability of unknown value and timing due to the uncertainties detailed above.

### **38.0 Risks Arising from Financial Instruments**

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

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

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. Risk management is carried out by Chief Executive's Directorate, under policies outlined in the Treasury Management Policy Statement and Annual Investment Strategy approved by Council annually, prior to the commencement of the new financial year.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. This Authority currently relies on information supplied by investment brokers to determine the creditworthiness of counterparties. It is the Authority's policy to deal with only the major UK banks and UK rated building societies.

The Authority's Treasury Management Policy Statement and Annual Investment Strategy 2023/24 reported to Council on 8<sup>th</sup> March 2023 set limits for investments for 2023/24 of:

- £10m to any one UK Local Authority
- £5m to any one UK Bank or Building Society
- UK Government as required

A Treasury Management Half-Year Review of the 2023/24 financial year was also reported to Council on 21<sup>st</sup> February 2024 with the full year outturn being reported on 6<sup>th</sup> October 2024.

The Authority does not apply credit ratings to other financial assets; however, the following table summarises potential exposure to credit risk based on experience of default and uncollectability:

### 2023/24

<b>Description</b>	<b>Balance outstanding as at 31/03/2024 £000</b>	<b>Historic Experience of Default %</b>	<b>Estimated exposure to non-repayment at 31/03/2024 £000</b>
Sundry Debtors	2,464	0.99	24
Council Tax	9,097	12.57	1,144

### 2022/23

<b>Description</b>	<b>Balance outstanding as at 31/03/2023 £000</b>	<b>Historic Experience of Default %</b>	<b>Estimated exposure to non-repayment at 31/03/2023 £000</b>
Sundry Debtors	3,524	1.10	39
Council Tax	8,244	9.39	774

The Authority expects repayment of its general debt within 30 days. However, all of the above is past this due date and analysed as follows:

	<b>31/03/2024</b>		<b>31/03/2023</b>	
	<b>Sundry</b>	<b>Council Tax</b>	<b>Sundry</b>	<b>Council Tax</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Up to 1 Year	1,248	2,476	2,626	2,120
Between 1 and 2 Years	697	1,530	553	1,596
Between 2 and 3 Years	308	1,293	186	1,273
Between 3 and 4 Years	131	1,068	94	893
Between 4 and 5 Years	35	753	37	688
Greater than 5 Years	45	1,977	28	1,674
<b>Total</b>	<b>2,464</b>	<b>9,097</b>	<b>3,524</b>	<b>8,244</b>

### Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready borrowing access to borrowings from the money market and the Public Works Loans Board. There is no significant risk that the Authority will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority sets limits on the proportion of its fixed borrowings during specified periods. The maturity analysis of financial liabilities is as follows:

	<b>2023/24</b>				
	<b>£'000</b>				
	<b>PWLB</b>	<b>LOBO</b>	<b>Other</b>	<b>Market Loans</b>	<b>Total</b>
Less than one year	4,492	0	134	48,797	<b>53,423</b>
Between one and two years	4,435	0	134	0	<b>4,569</b>
Between two and five years	9,539	0	401	0	<b>9,940</b>
More than five years	64,270	0	16,255	0	<b>80,525</b>
	<b>82,736</b>	<b>0</b>	<b>16,924</b>	<b>48,797</b>	<b>148,457</b>

	2022/23				
	£'000				
	PWLB	LOBO	Other	Market Loans	Total
Less than one year	33,404	0	129	2,017	<b>35,550</b>
Between one and two years	1,912	0	130	0	<b>2,042</b>
Between two and five years	5,080	0	1,697	0	<b>6,777</b>
More than five years	56,021	12,216	14,169	0	<b>82,406</b>
	<b>96,417</b>	<b>12,216</b>	<b>16,125</b>	<b>2,017</b>	<b>126,775</b>

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

### Market Risk

The Authority could be 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 variable 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 Provision of Services and affect the General Fund Balance.

The Authority's strategies for managing interest rate risk are set out in the Treasury Management Policy and Annual Investment Strategy. All the Public Works Loan Board Loans are fixed rate whereas the £12m repaid Commerzbank Bank Loans were variable. In respect of Investments, the Authority invests monies at both fixed and variable rate but the risk is minimised since the maximum period of investment is less than 1 year.

If the Authority had experienced interest rates at 1% higher than the actual levels, the financial effect for 2023/24 would have been as follows:

	£'000
Increase in interest payable on variable rate borrowings	231
Increase in interest payable on variable rate investments	(546)
Impact on Surplus or Deficit on Provision of Services	<b>(315)</b>

### 39.0 Interests in other entities

#### Associates

WSP Glamorgan Consultancy Ltd (Formerly Capita Glamorgan Consultancy) also trades as Redstart Ltd. is a Joint Venture between Capita Property and Infrastructure Limited, Bridgend

County Borough Council, Rhondda Cynon Taf County Borough Council and Merthyr Tydfil County Borough Council. The Authority owns 6% of the shares of the Company.

The principal activity of the company is the provision of engineering, design and consultancy services, primarily in the fields of highways and transportation engineering, project management and construction management.

The Audit Report provided for WSP states that the accounts have been prepared on a non-going concern basis and WSP is expected to cease trading in the first quarter of 2025.

An extract from the latest available financial statements as at 31<sup>st</sup> December 2022 is detailed below. There is a nine month window for auditing the financial statements and the 2023 financial statements are expected in October 2024:

	31/12/2023	31/12/2022
	£'000	£'000
<b>Expenditure</b>		
Cost of Sales	5,923	6,346
Administration Expenses	721	688
<b>Total Expenditure</b>	<b>6,644</b>	<b>7,034</b>
<b>Income</b>		
Turnover	(7,272)	(7,798)
<b>Operating (Profit)/loss</b>	<b>(628)</b>	<b>(764)</b>
Net finance cost	492	614
Income tax charge	136	150
<b>Total Comprehensive expense income for the year</b>	<b>0</b>	<b>0</b>
	31/12/2023	31/12/2022
	£'000	£'000
<b>Fixed Assets</b>		
Deferred Tax	0	0
	<b>0</b>	<b>0</b>
<b>Current Assets</b>		
Trade and Other Receivables	2,279	2,119
Cash	1,743	1,959
	<b>4,022</b>	<b>4,078</b>
<b>Current Liabilities</b>		
Trade and Other Payables	(1,840)	(1,752)
Financial Liabilities	(2,182)	(2,324)
Income tax payable	0	(2)
	<b>(4,022)</b>	<b>(4,078)</b>
<b>Net Assets</b>	<b>0</b>	<b>0</b>
<b>Capital and reserves</b>		
Profit and loss account	0	0
<b>Total equity</b>	<b>0</b>	<b>0</b>

## Joint Operations

Under IFRS, the Authority is required to recognise its share of the income and expenditure and assets and liabilities in relation to Joint Operations. The Authority had such an arrangement in place with the following bodies:

- Glamorgan Archives
- Llwydcoed Crematorium Joint Committee
- Central South Consortium Joint Education Service
- Vale, Valleys and Cardiff Regional Adoption Collaborative
- Cardiff Capital Region City Deal

### ***Glamorgan Archives***

This is a joint committee, created on 11<sup>th</sup> April 2006, comprising elected member representatives from the County Boroughs of Merthyr Tydfil, Bridgend, Cardiff, Rhondda Cynon Taf, Caerphilly and Vale of Glamorgan. The Glamorgan Archives Joint Committee provides, maintains, administers and develops a joint archives service for its constituent authorities. Merthyr Tydfil's contribution to the joint arrangement is 6%.

The net financial impact on the Authority's accounts as a result of including Glamorgan Archives' transactions is not considered material and so has not been included within the statement of accounts for 2023/24.

The Authority does however include in its Accounts the contribution paid towards the Glamorgan Record Office Building.

### ***Llwydcoed Crematorium Joint Committee***

Llwydcoed Crematorium is managed and administered by the Llwydcoed Crematorium Joint Committee, under powers conferred by the Local Government (Wales) Act 1994. The Joint Committee is made up of nine members, five from Rhondda Cynon Taf CBC and four from Merthyr Tydfil CBC. Rhondda Cynon Taf CBC became the Host Authority for the Joint Committee in 1996, taking over from the Urban District of Aberdare and the County Borough of Merthyr Tydfil. Merthyr Tydfil CBC's share of the joint arrangement is 46.6%.

The Authority does not consider that it has significant influence at Llwydcoed Crematorium as the Joint Committee has overall responsibility for the operation, management and finance of the crematoria with both authorities having delegated their functions as Burial Authorities to the Joint Committee.

The Authority has included its share of the joint operation within the 2023/24 financial statements.

### ***Central South Consortium Joint Education Service***

The Central South Consortium Joint Education Service was created on 1<sup>st</sup> September 2012 to provide a range of school improvement services within the local Authority areas of Bridgend, Cardiff, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan.

The Central South Consortium is managed and administered by the Central South Consortium Joint Committee, under powers conferred by the Local Government (Wales) Act 1994. The Joint Committee is made up of five members, one from each Local Authority. Rhondda Cynon Taf CBC became the Host Authority upon formation of the Joint Committee. Merthyr Tydfil CBC's share of the joint arrangement is 6.33%.

The Authority has included its share of the joint operation within the 2023/24 financial statements.

### ***Vale, Valleys and Cardiff Regional Adoption Collaborative***

This is a statutory consortium that all authorities must be party to as set out by Welsh Government and the National Adoption Agency. The Collaborative was set up in June 2015.

It is the Authority's central agency for assessment, matching and placement work regarding adoptions.

The Collaborative consists of the Vale of Glamorgan County Council as Lead Authority, Rhondda Cynon Taf County Council, Cardiff County Council and Merthyr Tydfil County Borough Council.

Merthyr Tydfil County Borough Council contribute 12.6% into the Collaboration.

The net financial impact on the Authority's accounts as a result of including the Vale, Valleys and Cardiff Regional Adoption Collaborative is not considered material and so has not been included within the statement of accounts for 2023/24.

### ***Cardiff Capital Region City Deal***

On 1 March 2017 the £1.2 billion Cardiff Capital Region City Deal between the UK Government, the Welsh Government and the 10 constituent councils in South East Wales, which includes Merthyr, was formally ratified. The investment is over a 20-year period and the key aim of the fund is to create 25,000 new jobs by 2036 and lever £4 billion of private sector investment.

The CCRD Investment Fund comprises two distinct elements: -

- £734m – METRO scheme. This will comprise £503m of Welsh Government funding provided over the first seven years from 2016/17 to 2022/23; £106m from the European Development Fund, (which is committed and guaranteed following Brexit by both UK and Welsh Governments); and £125m from UK Government. This element will be the sole responsibility of Welsh Government.
- £495m – Regional Cabinet Fund, comprising the ten constituent councils' commitment to borrow £120m over the 20-year period of the Investment Fund, together with £375m from the UK Government. This fund will be used for investment in infrastructure, housing, skills and training, innovation, business growth and "Metro plus" transport proposals. This element will be the responsibility of the CCRD Regional Cabinet. The Council will make a 3.94% contribution to the £120m based on its proportion of the regional population.

Merthyr Tydfil CBC's share of the joint arrangement is 3.94%.

The Authority has included its share of the joint operation within the 2023/24 financial statements.

Investment Properties included within the Balance Sheet of £2,506,000 solely relate to the inclusion of Merthyr Tydfil CBC's share of the Cardiff Capital Region City Deal joint arrangement. Other significant balance sheet items that reflect CCRD balances include Cash, Other Long-term Liabilities and the Capital Adjustment Account.

### **Other Entities**

**Merthyr Tydfil Leisure Trust**

Merthyr Tydfil Leisure Trust (trading as Wellbeing at Merthyr) was set up on the 1<sup>st</sup> April 2015. The Authority transferred the function of providing existing Leisure and Cultural Services within the County Borough to the Trust. The Trust has been set up as a Not for Profit Distributing Organisation, a registered Charity and a Charitable Company Limited by Guarantee. The Trust is a registered Charity. The Trust was led by a Board of Trustees, which is required to be independent of the Authority. The Board Membership is as follows:

- The Chief Executive Officer
- 7 Community Trustees
- 1 Authority Trustee

Hence the Authority's representation is below 20%.

Following the termination of the Council's contract with Wellbeing Merthyr, they have since declared insolvency and a provision for bad debt reflects the outstanding debt owed to Merthyr Tydfil CBC as at 31<sup>st</sup> March 2024.

During 2023/24 the Trust were paid a management Fee as agreed in a Contractual Framework of £2,424m (£2,424m in 2022/23) to run existing services.

## **Glossary of Terms**

### **Accrual**

An accrual is a sum shown in the accounts representing income or expenditure relating to the accounting period, which had not actually been received or paid as at the date of the Balance Sheet.

### **Actuary**

An actuary is an individual or organisation that calculates insurance premiums and liabilities and pension obligations.

### **Amortisation**

The reduction in the value of an intangible asset, which is charged to revenue

### **Asset Under Construction**

An Asset Under Construction represents an asset that is not yet complete.

### **Budget**

A budget is the spending plan for a financial year.

### **Capital Expenditure**

Expenditure on non-current assets that will be used for several years in the provision of services for example buildings.

### **Capital Financing Requirement**

An Authority's underlying need to borrow for a capital purpose. It measures capital expenditure incurred but not yet financed.

### **Capital Receipt**

Proceeds from the sale of capital assets that can be used to fund new capital expenditure schemes, or reduce the underlying need to borrow.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is the professional body responsible for issuing financial guidance to be followed by public sector bodies.

### **Contingent Asset**

A possible asset that arises from a past event but whose existence will only be confirmed after an uncertain future event e.g. the outcome of a court case.

### **Contingent Liability**

A possible financial cost of a past event but which will only be confirmed by the occurrence of one or more uncertain future events e.g. the outcome of a legal case.

### **Creditor**

A creditor is an organisation/individual who is owed money by the Authority for goods/services provided.

### **Current Assets**

Assets that are short term (less than one year) and are considered to be liquid.

### **Current Liabilities**

Liabilities that are short term (less than one year).

**Debtor**

A debtor is an organisation/individual who owes the Authority for goods/services received.

**Depreciation**

A charge made to the Comprehensive Income and Expenditure Statement to reflect the use of non-current assets during the year.

**Earmarked Reserves**

Amount set aside from the General Fund Balance to fund future expenditure plans.

**Fair Value**

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date.

**Financial Instruments**

A financial Instrument arises from a contract that gives rise to a financial asset of one entity and a financial liability of another. Examples are trade debtors, creditors, investments and borrowings.

**Financial Liabilities**

A financial liability is an obligation to transfer economic benefits controlled by the Authority and can be represented by a contractual obligation to deliver cash or financial assets e.g. Loans, trade payables

**Financial Assets**

A financial asset is a right to future economic benefits controlled by the Authority that is represented by cash or other instruments or a contractual right to receive cash or another financial asset e.g. loans, trade receivables.

**Financial Year**

This is the accounting period that starts on 1 April and finishes on 31 March in the following year.

**Finance Leases**

Financing capital assets over a number of years through annual payments to a leasing company.

**Heritage Asset** - A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities held and maintained for its contribution to knowledge and culture.

**Impairment**

Impairment occurs when the value of a non-current asset changes significantly for example as a result of physical damage.

**International Accounting Standard (IAS)**

Financial Regulations to be followed as set by the International Accounting Standards Board (IASB).

**International Financial Reporting Standards (IFRS)**

International Financial Reporting Standards are produced by the IASB (International Accounting Standards Board) with the aim of ensuring consistency within the countries adopting the standards.

**Inventories**

Raw materials used in carrying out services, unused items are shown as current assets in the Balance Sheet.

**Leasing**

A method of financing expenditure for assets through a rental payment over a set period of time.

**Lessee**

The user or renter of the leased asset or property.

**Lessor**

The owner of the asset or property that is leased.

**Levies**

Charges on the Authority by other public bodies to enable them to cover their costs in the performance of their services.

**Liability**

An obligation to transfer economic benefits as a result of past transactions or events.

**Lender Option Borrower Option Loans (LOBOs)**

Loans to the Authority where the lender can request a change in the rate of interest payable by the Authority at predetermined dates.

**Long-Term Asset**

Assets that are used in the provision of services (for a period greater than one year).

**Market Loans**

Borrowing that is sourced from the market i.e. organisations other than the Public Works Loan Board or a Public Sector Body.

**Minimum Revenue Provision (MRP)**

The charge to revenue for each financial year to account for the cost of the debt in that financial year.

**Net Realisable Value**

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

**Non-Current Assets**

Long term assets to be used for more than one year.

**Non-Domestic Rates (NDR)**

The NDR, or Business Rates, is the charge to occupiers of business premises. NDR is set by the Welsh Government and is based upon the rateable value of the premises. Amounts collected by the Authority are paid into the Pool and are then redistributed amongst all Welsh Authorities on the basis of population.

**Operating Leases**

Financing for the use of capital assets through annual payments to a leasing company over a number of years. The risks and rewards of ownership remain with the leasing company.

**Pooled Budget**

A pooled budget is a financial mechanism, in which several organisations pool funding to provide a service/goods for a specific function.

**Precept**

A demand levied by one public Authority, which is collected on its behalf by another Authority.

**Provision**

A provision is an obligation to transfer economic benefits as a result of past events where a reliable estimate can be made of the obligation, but the amount or timing of which cannot yet be determined accurately.

**Public Works Loan Board (PWLB)**

The Public Works Loan Board is a Government Body that provides long term loans to local Authorities.

**Recharge**

An internal charge for services rendered by one Council section to another.

**Reserves**

Finance set aside to meet future expenditure plans.

**Revenue Expenditure funded from Capital Under Statute**

Expenditure that is capital in nature but that creates no asset for the Authority e.g. Disabled Facility Grants.

**Revenue Support Grant**

Welsh Government Grant provided to Local Authority towards funding its services.

**Trust Funds**

Monies held by the Authority on behalf of individuals or organisations.



Cyngor Bwrdeistref Sirol  
**MERTHYR TUDFUL**  
**MERTHYR TYDFIL**  
County Borough Council

# **FINAL ANNUAL GOVERNANCE STATEMENT**

## **2023/24**

**May 2025**

**SUMMARY**

Generally there are good governance arrangements at Merthyr Tydfil CBC. There is demonstrable evidence of compliance with the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016) and how the Council meets the requirements of Part 2 of the Accounts and Audit Regulations 2015.

Appropriate policies and procedures are in place to support good governance and a significant amount of relevant information is published on the Council's website demonstrating transparency and openness.

Appropriate action was taken to address the Significant Governance Issues identified in 2022/23 (Section 6) in order to improve the overall governance arrangements, although some issues are ongoing and are impacted by external influences and not totally within the control or capacity of the Council. Many of the issues identified are as a result of financial pressures on the Council.

Governance and risk issues for 2023/24 have been identified at Section 5 and action will be taken to either improve the arrangements or minimise the risk during 2024/25.

## 1. SCOPE OF RESPONSIBILITY

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

The Council has a Local Code of Corporate Governance which was updated and approved in 2020/21. The Local Code of Corporate Governance will be updated when the new constitution is adopted, this will then be reviewed annually to ensure it is updated where necessary.

The Wellbeing of Future Generations (Wales) Act 2015 (the Act) requires the Council to set and publish wellbeing objectives and to identify how it will work towards meeting those objectives using the sustainable development principle. Public bodies in Wales must work in a sustainable way to achieve the common vision to improve the economic, social, cultural and environmental wellbeing of Wales. Therefore, the Council needs to make sure that when decisions are made, the Council takes into account the impact they could have on people, now and in the future.

Public bodies covered by the Act, including Local Government are required to consider the longer term in making their decisions and to work collaboratively with other public bodies to improve wellbeing in Wales. The Act places a wellbeing duty to set wellbeing objectives that maximise their contribution to achieving wellbeing goals. Public bodies' first wellbeing objectives were set and published on 31<sup>st</sup> March 2017. In 2023 a population needs and well-being assessment was undertaken across Cwm Taf Morgannwg region. Public bodies are required to report annually on their progress towards meeting their wellbeing objectives.

The Act also established Public Services Boards (PSB) for each Local Authority area. The Cwm Taf PSB is a collection of public bodies working together to improve the economic, social, environmental and cultural well-being of people who live, work and visit the Cwm Taf areas of Bridgend, Merthyr Tydfil and Rhondda Cynon Taf. Each PSB is required to improve the economic, social, environmental and cultural well-being of its areas by working to achieve the wellbeing goals.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

## 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

Guidance has been issued called Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE, 2016) and applies to annual governance statements prepared for the financial year 2016/17 onwards. In addition, further CIPFA Guidance Bulletin 06 (Application of the Good Governance Framework 2020/21) was issued in February 2021.

This Annual Governance Statement explains how the Council has complied with the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016) and also meets the requirements of Part 2 of the Accounts and Audit Regulations 2015.

A governance framework has been in place at the Council for the year ended 31<sup>st</sup> March 2024 and up to the date of approval of the Annual Governance Statement and Statement of Accounts.

## 3. THE GOVERNANCE FRAMEWORK

The core principles and outcomes of our Governance Framework are set out below. This includes examples of how the Council has adhered to its governance commitments set out in the Constitution.

<b>Principles of Good Governance</b>	
<p><b>A.</b> Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.</p> <p><b>B.</b> Ensuring openness and comprehensive stakeholder engagement.</p> <p><b>C.</b> Defining outcomes in terms of sustainable economic, social, and environmental benefits.</p> <p><b>D.</b> Determining the interventions necessary to optimise the achievement of the intended outcome.</p>	<p><b>E.</b> Developing the entity's capacity, including the capability of its leadership and the individuals within.</p> <p><b>F.</b> Managing risks and performance through robust internal control and strong public financial management.</p> <p><b>G.</b> Implementing good practices in transparency, reporting, and audit to deliver effective accountability.</p>

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

### Behaving with Integrity

#### Core Values

- Working with staff, the Council has identified a number of Core Values and associated behaviours:
  - *Honesty & Openness*
  - *Trust & Respect*
  - *Accountability*
  - *Learning*
  - *Aspiration*
  - *Team Working*
  - *Communication*

#### Induction Process

- Corporate induction process was developed to allow new starters the opportunity to learn about the Council and the main policies and procedures including the staff handbook. Included within the Handbook is a summary of the Employee Code of Conduct.
- Apprenticeship induction process has been implemented.
- Managers Induction for new managers or managers who need a review of current processes and policies to help with managing teams. This programme also includes softer skills such as coaching, leadership styles and managing high performing teams.

#### Code of Conduct

- The Code of Conduct, Register of Interests, and Declaration of Interests form part of the Councillor's Induction Process. Councillors are expected to declare any financial/non-financial interests which could conflict the Council's interests. Councillors must also declare any offers/acceptance of hospitality and complete a Statutory Statement of Accounts at the beginning of their term of office. They have a responsibility for continually keeping this up to date. Six monthly reminders are also sent out by Democratic Services.
- The Training Needs Analysis (TNA) forms part of the Personal Development Review; they are usually completed by Councillors with their Leaders. This process assists Councillors to identify their key

	<p>strengths, consider their continued development needs and what support may be required to meet their personal objectives and deliver the Council's wellbeing objectives and corporate vision.</p> <p><b>Performance Appraisals</b></p> <ul style="list-style-type: none"> <li>• 2023/24 saw the introduction of new programmes available through e-learning for officers.</li> </ul> <p><b>Policies and Procedures</b></p> <ul style="list-style-type: none"> <li>• The Council has adopted a Whistleblowing Policy, which was approved at Council on 8th February 2023. An email was then sent to all members of staff from the Chief Executive advising them that the policy had been updated and reminding them of the process for making referrals should they become aware of any malpractice.</li> <li>• The Council has an Anti-Fraud, Bribery and Corruption Policy and a Counter Fraud Strategy &amp; Framework 2021/22 to 2024/25. The Policy, Strategy &amp; Framework identifies roles and responsibilities, aims and objectives, fraud risks, an action plan and a fraud response plan flowchart.</li> <li>• In January 2023, an annual Counter Fraud report was provided to Governance and Audit Committee (GAC) illustrating the progress made since the implementation of the Policy and Strategy and also the employment of a Fraud Officer. The second annual Counter Fraud report was presented to GAC on 15<sup>th</sup> July 2024.</li> </ul> <p><b>Standards reflect Welsh Government public services values</b></p> <ul style="list-style-type: none"> <li>• The Standards Committee is responsible for monitoring the Council's governance and promoting high standards of ethical conduct among Members to maintain public confidence in Local Government.</li> </ul>
<p><b>Demonstrating strong commitment to ethical values</b></p>	<p><b>Procurement Policy and Strategy 2019-2022</b></p> <ul style="list-style-type: none"> <li>• All procurement activity will be undertaken to the highest standards of probity and professionalism and that Councillors and Officers will be fair and ethical and will avoid conduct that may contradict this or suggest a conflict of interest.</li> </ul>

	<ul style="list-style-type: none"> <li>• A new Socially Responsible Procurement Strategy was presented to Full Council for approval on 17<sup>th</sup> July 2024. The strategy will drive procurement activity across the Council for the next 5 years and will ensure compliance with new legislation coming into force on 28<sup>th</sup> October 2024. There are three key objectives within the new strategy which are: <ul style="list-style-type: none"> <li>• <i>We shall ensure ethical procurement promotes decent work throughout our supply chains</i></li> <li>• <i>We shall promote equalities within our requirements and cascade this through our supply chains</i></li> <li>• <i>We shall ensure legal compliance through transparent governance</i></li> </ul> </li> <li>• The implementation of the Integrated Impact Assessment (IIA) was introduced to support effective decision making and ensure compliance with legislation that the Council is subject to. The IIA incorporates the Council's Wellbeing Objectives, the Sustainable Development principle (the five ways of working processes), Welsh Language, Equalities and Socio-economic disadvantage, Decarbonisation, Biodiversity, Consultation and engagement along with data and evidence.</li> </ul>
<p><b>Respecting the rule of Law</b></p>	<p><b>Statutory Provisions</b></p> <ul style="list-style-type: none"> <li>• The Head of Legal is the Monitoring Officer for the Council, with the specific responsibility for ensuring that the Council, its officers and its Councillors maintain the highest standards of conduct in all they do as per Section 5 of The Local Government and Housing Act 1989 and as amended by schedule 5 paragraph 24 of the Local Government Act 2000.</li> <li>• The Governance structure of the Council is consistently upheld and ensures that all processes are within the rule of law.</li> </ul> <p><b>Monitoring Officer Provisions</b></p> <ul style="list-style-type: none"> <li>• The functions of the Monitoring Officer include support to the Standards Committee in its promotion of high standards; acting on Ombudsman reports; and conducting investigations into certain categories of complaints against Councillors remitted by the Ombudsman. Any complaints received against Councillors are dealt with under the Council's internal dispute resolution procedure or referred to the Ombudsman for investigation. Complaints are only referred to the Standards Committee if the Ombudsman considers that there is an appropriate outcome to do so.</li> </ul>

	<ul style="list-style-type: none"> <li>• The Council received 4 complaints against Councillors during 2022/23 and all were dealt with by way of informal resolution.</li> <li>• There have been further complaints during 2023/24 with one being dealt with by way of formal Standards determination and two being referred to the Ombudsman. One of the matters referred to the Ombudsman has been concluded with no further action to be taken and the other is still awaiting a determination. All other matters were resolved informally.</li> </ul> <p><b>Fraud and Corruption</b></p> <ul style="list-style-type: none"> <li>• The Counter Fraud Strategy and Framework 2021/22 to 2024/25 identifies fraud risks and includes an action plan which will further improve the Council's resilience to fraud, bribery and corruption.</li> <li>• Following the approval of the Counter Fraud Strategy and Framework, key policies such as the Anti Money Laundering Policy and an Anti-Tax Evasion policy have been updated and approved by Full Council.</li> <li>• The Council is a participant in the National Fraud Initiative (NFI) and the employment of a Fraud Officer in 2022/23 ensures all areas of the NFI are covered including processing and co-ordinating the NFI data matches with Service Departments and other relevant work in partnership with Internal Audit.</li> </ul>
--	--

<b>B. Ensuring openness and comprehensive stakeholder engagement</b>	
<b>Ensuring Openness</b>	<p><b>Council's website</b></p> <ul style="list-style-type: none"> <li>• All Council agendas, reports and minutes are available on the Council's website in both English and Welsh language.</li> <li>• Committee meetings are recorded and published on the Council's website.</li> </ul> <p><b>Councils Goals and Objectives</b></p>

- During 2023/24, the Corporate Communications, Consultation & Engagement team delivered 30 consultations. The Annual Budget Consultation took place from November 2023 – February 2024, with over 1,000 people taking part. This is an improvement on recent years, with the number of people engaging with the consultation growing year on year.
- 2023/24 saw the reinstating of the Citizens' Panel, the recruitment of which remains ongoing.

### **Wellbeing Strategy**

- The public were engaged as part of the process to undertake the Wellbeing Assessment to inform the Wellbeing Plan on behalf of the Public Services Board (PSB) and further engagement and consultation was undertaken to inform the Council's Wellbeing Statement and objectives linked to the Wellbeing of Future Generations (Wales) Act 2015 (the Act). This reviewed at a regional level (a wide-ranging project team across Cwm Taf Morgannwg) and local level (the Council through an internal project team).
- A population needs and well-being assessment was undertaken across Cwm Taf Morgannwg. This will lead to the development of a new PSB plan and reviewed and renewed Corporate Well-being Plan.

### **Complaints Policy**

- The Council operates a corporate complaints policy and a social services complaints policy to ensure it effectively deals with any concerns or complaints customers may have about services provided by the Council which is accessible via the Council's website.
- The aim, through the representation and complaints procedure, is to secure a better service for all the people using social care services and it is underpinned by the following key principles:
  - *Commitment to providing quality services;*
  - *Accessible and supportive to those with particular needs;*
  - *Prompt and responsive with resolution at the earliest possible opportunity with strong problem solving element*
  - *Operated without prejudice or discrimination; and*
  - *Adheres to the principle of equal opportunity.*

	<ul style="list-style-type: none"> <li>• The Council adopts a positive attitude towards complaints and views them as a valuable form of feedback, which assists in the development and improvement of services. Complaints also provide an opportunity to learn lessons where a service has fallen short of an expected standard.</li> <li>• In 2023/24, a total of 579 corporate complaints were received by the Council. This is an increase on the previous year (514 corporate complaints). Further data was supplied in the Corporate Annual Report in October 2024.</li> <li>• Compliments and complaints form part of the Council's corporate dashboard; data can be used to inform the quarterly business reviews. Social Services complaints are reported to Cabinet and Scrutiny Committee. In addition to this, the Corporate Complaints are presented annually to the Governance &amp; Audit Committee and then at Full Council for approval.</li> </ul>
<p><b>Engaging comprehensively with institutional stakeholders</b></p>	<p><b>Communication and Engagement Strategy</b></p> <ul style="list-style-type: none"> <li>• On 12<sup>th</sup> July 2023, the Communications &amp; Engagement Strategy was approved at Full Council, which explains the way in which the Council communicates with residents, partners, businesses and all our other key audiences.</li> <li>• Communication and engagement activities are primarily undertaken using a digital consultation hub Smart Survey and there has been increased engagement through digital platforms in relation to public consultations. This portal is published through the Council's website (<a href="http://www.merthyr.gov.uk">www.merthyr.gov.uk</a>), social media sites and the Contact Community magazine.</li> </ul> <p><b>Public Service Board</b></p> <ul style="list-style-type: none"> <li>• The Public Service Board represents a statutory partnership of public and voluntary sector organisations. Wide ranging consultation was undertaken during the development of the Cwm Taf Wellbeing Assessment and the development of the Cwm Taf Morgannwg Wellbeing Plan. The Council is proactive with all consultation and engagement across the Cwm Taf Morgannwg Footprint through closer partnership working via the Strategic and Practitioners Public Engagement Group meetings.</li> </ul>

	<ul style="list-style-type: none"> <li>The public were engaged as part of the process to undertake the Wellbeing Assessment to inform the Wellbeing Plan on behalf of the Public Services Board (PSB) and further engagement and consultation was undertaken to inform the Council's Wellbeing Statement and objectives linked to the Wellbeing of Future Generations (Wales) Act 2015 (the Act). This has been reviewed at a regional level (a wide-ranging project team across Cwm Taf Morgannwg) and local level (the Council through an internal project team).</li> </ul>
<p><b>Engaging stakeholders effectively, including individual citizens and service users</b></p>	<p><b>Participation Strategy</b></p> <ul style="list-style-type: none"> <li>A Participation Strategy for 2023-28 was approved on 12<sup>th</sup> July 2023, which sets out the Council's approach to encouraging two-way communications and making the process of influencing decision making more accessible.</li> <li>Feedback from public consultations and engagement activities (where there would be any significant service change or high level public interest) are fed back to the Corporate Management Team (CMT), Cabinet and Full Council.</li> </ul>

<b>C. Defining outcomes in terms of sustainable, economic, social and environmental benefits</b>	
<p><b>Defining Outcomes</b></p>	<p><b>Wellbeing Statement and Objectives</b></p> <ul style="list-style-type: none"> <li>The Wellbeing of Future Generations (Wales) Act 2015 (the Act) requires the Council to set and publish wellbeing objectives and to identify how it will work towards meeting those objectives using the sustainable development principle.</li> <li>The Corporate Wellbeing Plan sets out the Council's key outcomes in line with its wellbeing objectives. Service level plans aim to assess the resources available to deliver this. A self-evaluation of this is done through the Council's self-evaluation process. This feeds into the Council's Corporate Self-Assessment Report (approved annually by Council).</li> </ul> <p><b>Visions used as a basis for corporate and service planning.</b></p>

- The Council has an approved vision that is at the heart of delivering the local Wellbeing Objectives and PSB objectives. This aligns with the seven national Wellbeing Goals and Five Ways of Working (Long Term; Preventative; Integration; Involvement; Collaboration).
- The Council also has a Statement of Wellbeing and a Corporate Wellbeing Plan that sets out the local Wellbeing Objectives. A PSB Wellbeing Plan has been developed. There are strategies for each Wellbeing Objective underneath the vision with appropriate performance indicators identified. An extensive exercise has been carried out when developing the local Wellbeing objectives and PSB objectives.
- The Cwm Taf Morgannwg region has undertaken a population needs and well-being assessment to feed into the review and renew of PSB Wellbeing Plan. The findings of this assessment also informed the review and renewal of the Council's Corporate Well-being Plan. As in previous versions, findings are reflected in the PSB Wellbeing Plan and the Council Wellbeing Statement and Corporate Wellbeing Plan. The same approach is taken to change projects and budget setting, i.e. using data and information to inform decisions. This is then used in setting budgets and local Wellbeing Objectives.

**Community Engagement and involvement**

- For openness and transparency, information supporting all engagement and public consultations, is available on the Council's communication channels i.e. Council website, social media sites, Facebook and Twitter and via the Smart Survey. Stakeholders can access these channels to feedback in response to any engagement session or public consultation with the opportunity to also respond via a paper copy, email or a petition. All information will be recorded and analysed by the Corporate Communications Team, the outcome of which will be forwarded to Corporate Management Team (CMT) and Corporate Leadership Team for consideration. The outcome and the impact of the decision made will be reported via the Council's communication channels.
- Budget consultation exercises are held throughout the County Borough in evaluating customer priorities for the allocation of scarce resources. These take the form of Cabinet roadshows, on-line surveys and social media engagement. As part of this, the customer's opinion on Council Tax increases in supporting local services is sought. This engagement assists in informing the Budget Setting process and also

informs the customer of the financial pressures faced by the Council in allocation of resources to competing demands. Business cases are developed and challenged using the seven Wellbeing Goals, Five Ways of Working, regional Wellbeing Objectives and local Wellbeing Objectives. Residents of the County Borough were engaged through an on-line survey via the Council website and social media pages. In addition, paper copies of the survey were available at the Civic Centre and Cabinet undertook a series of roadshows facilitating face-to-face consultation.

- Extensive public engagement processes are in place, these include managing expectations. For internal change business cases, project initiation documentation and delivery reports include assessments against determining priorities and making the best use of the resources available.
- The Council has continued to undertake its residents survey with results informing decisions going forward. This data will be used in the Council's self-assessment.

#### **Risk Management Protocols**

- The Council has a Corporate Risk Register in place which is an essential part of the Council's corporate governance arrangements. The Corporate Risk Register is a risk register which allows the Council to focus on managing and mitigating the most significant corporate risks that could impact on the organisation and/or community.
- The Council's updated Corporate Risk Register is presented to Governance & Audit Committee and Cabinet for approval, along with an Annual Report on risk management. Updates are provided on a quarterly basis, with three specific risk items (Education, Capacity and Homelessness) being reviewed in more detail by the Governance and Audit Committee agenda.
- Reporting on risk management is an integral part of the Council's risk governance arrangements. Lead CMT Officers are invited to attend Governance & Audit Committee on a rolling programme basis to report on progress in managing their Corporate Risks. Workshops are held at least quarterly with CMT. Further workshops are held with CMT and the Cabinet. The Council has an updated Corporate Risk Policy and Strategy which was approved at Full Council in 2023. Training arrangements remain in place and are being strengthened.

<p><b>Sustainable economic, social and environmental benefits</b></p>	<p><b>Capital Investment</b></p> <ul style="list-style-type: none"> <li>The unprecedented financial outlook facing Local Government means that the Council is faced with significant challenges over the medium-term. The cost of borrowing and increased cost of materials, means that continuing to deliver the Capital Programme will become even more challenging and difficult decisions factoring in affordability will need to be taken.</li> </ul> <p><b>Procurement Policy Statement</b></p> <ul style="list-style-type: none"> <li>The Welsh Government Procurement Policy Statement is a key driver for procurement activity. The Council's Commercial Board is driving the application of economic, social and environmental impacts of procurement related activity. Community benefits are tested on all contracts over £1million. The Council collaborates with other public bodies extensively across the procurement portfolio and the procurement strategy supports the Well-being of Future Generations (Wales) Act including supplier engagement. Open accessible competition is provided through e-procurement tools funded by Welsh Government (Sell2wales, e-tenderwales, AWARD, marketplace) and simplified standardised process are provided through P2P.</li> <li>The Welsh Government Procurement Policy Statement was updated in March 2021. The Welsh public sector will follow ten principles for procurement, based on the Well-being of Future Generations (Wales) Act Goals and key Welsh Government policies.</li> <li>In terms of conflict of interests, Procurement is now making use of the Crown Commercial Service conflict of interest form on appropriate tender evaluations. Evaluators have to sign the declaration before evaluations of tender can take place.</li> </ul> <p><b>Developing protocols to ensure fair access and that statutory guidance is followed</b></p> <ul style="list-style-type: none"> <li>In terms of ensuring fair access to services the Council undertook consultation and engagement for the Strategic Equality Plan (SEP) for 2020-2024 in line with the requirements of the Equality Act 2010. Five Equality Objectives are set out in the Plan: <ul style="list-style-type: none"> <li><b><i>Inclusive Engagement and Participation:</i></b></li> </ul> </li> </ul>
---	---

	<p><i>Engage with Citizens to participate and have their voices heard to understand and respond to the needs of Merthyr communities.</i></p> <ul style="list-style-type: none"> <li>• <b>Community Cohesion:</b> <i>Promote and facilitate inclusive, safe and cohesive communities.</i></li> <li>• <b>Inclusive and Diverse Workforce:</b> <i>Create an inclusive and diverse workforce, which reflects the communities in Merthyr Tydfil.</i></li> <li>• <b>Gender/Equal Pay:</b> <i>Ensure equity of pay across the Council. Accessible services, understand and remove the barriers people face when accessing the Council services.</i></li> <li>• <b>Accessible Services:</b> <i>Understanding and removing the barriers people face when accessing our services.</i></li> </ul> <ul style="list-style-type: none"> <li>• The SEP sets out the following Equalities Vision for Merthyr Tydfil:  <i>"A place where diversity is valued and respected and everyone can participate, flourish and have the opportunity to fulfil their potential free from discrimination and prejudice."</i></li> <li>• The Strategic Equality Plan (SEP) will be updated for the period 2024-2028 following an extensive public engagement and consultation exercise. It will set out the objectives to meet key legislative requirements.</li> </ul>
--	--

<b>D. Determining the interventions necessary to optimise the achievement of the intended outcomes.</b>	
<b>Determining interventions</b>	<p><b>Decision Making Protocols</b></p> <ul style="list-style-type: none"> <li>• The delivery of corporate change is monitored and supported via the Corporate Wellbeing Steering Group which is also part of the Council's governance arrangements. This group comprises of professionals from across the Council. The Council's Budget Board monitors the financial position. Performance is monitored through self-evaluation and performance challenge. Service performance is also challenged at Scrutiny</li> </ul>

	<p>Committee meetings (and other functions of scrutiny) and officer scrutiny in the form of quarterly performance improvement reviews. Additional workshops are in place for Elected Members and Scrutiny Members. Specific workshops have taken place regarding improving the Council's Scrutiny Function.</p> <ul style="list-style-type: none"> <li>• The challenge of documents is carried out by various relevant Boards as part of the governance arrangements of the Council. All reports to Cabinet and Council require an Integrated Impact Assessment (IIA). The challenge against the Wellbeing of Future Generations (Wales) Act 2015 (the Act) is done as part of this process.</li> <li>• The Council has a project management framework (PMF) that assesses risk, resources and finance (as well as other elements of the proposal). The business case template forms part of PMF and sets out each option for appraisal. The project initiation documentation sets out timescales and additional information as required. Changes have been made in light of the new socio-economic duty and decarbonisation. The Council's IIA is embedded within its project management framework.</li> <li>• CMT and directorate Service Management Boards (SMBs) assess reports prior to Cabinet and Council with feedback from documentation and Boards being available. A fortnightly meeting between Cabinet and CMT is in place and additional meetings are also in place to discuss Cabinet &amp; Council reports prior to publication.</li> <li>• The PMF has been updated to include the Council's risk policy and risk assessment templates. The framework is also being reviewed to make it easier for officers to complete and more accessible.</li> </ul>
<p><b>Planning interventions</b></p>	<p><b>Performance Indicators</b></p> <ul style="list-style-type: none"> <li>• Corporate performance indicators (as well as statutory or other national performance indicators) are used to identify how the performance of services and projects are to be measured.</li> <li>• A quarterly business review style process has been reviewed and put in place; this has been done in collaboration with the Corporate Management Team.</li> </ul>

	<p><b>Medium Term Financial Plan</b></p> <ul style="list-style-type: none"> <li>• The Council's Medium Term Financial Plan is for a four year period integrating revenue expenditure and capital plans linked to strategic objectives. The Capital Programme is set for four years. Four year budget requirement projections are compiled for revenue indicating projected budget deficits for years two to four. In determining affordability of the Council's plans, the Medium Term Financial Plan is compiled on the basis of indicative funding notified by Welsh Government. This informs the amount of available resources for Council services in defining the affordability envelope.</li> <li>• The Medium Term Financial Plan aids financial planning and corporate decision making and is integrated with the Council's Wellbeing Objectives, Asset Management Plan, Healthy Organisation Plan, Financial Context, Revenue Budget, Capital Programme, Reserves Strategy and Treasury Management Policy.</li> </ul>
<p><b>Optimising achievement of intended outcomes</b></p>	<p><b>Financial Strategy</b></p> <ul style="list-style-type: none"> <li>• Professionally qualified and part qualified Accountants work with Service Managers in establishing budget requirements and identifying the impact of proposed budget reductions. Timelines are communicated along with expectations. The Medium Term Financial Plan marries capital ambitions with revenue implications over the four year period of the plan.</li> <li>• Regular sensitivity analysis of assumptions in respect of Welsh Government Funding, Council Tax increases and Pay Award allow the impact of changes in the external environment to be determined. This provides further meaningful information to the decision maker.</li> </ul>

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

<p><b>Developing the entity's capacity</b></p>	<p><b>Performance and use of Assets</b></p> <ul style="list-style-type: none"> <li>• Operations, performance and use of assets are reviewed on a regular basis to ensure their continuing effectiveness. Assets surplus to requirements are continuously reviewed and recommended for sale where appropriate.</li> </ul>
--	--

- The Council has an approved performance management and quality assurance framework. This sets out how regular reviews of activities and planned outcomes are planned and then monitored. It follows a 'plan-do-check-act' model.
- The framework includes quarterly performance and improvement reviews, a Corporate Wellbeing Board (to monitor progress against the Council's Corporate Wellbeing Plan), how the budget board monitoring integrates with this, self-evaluation and scrutiny involvement, self-assessment and the role of senior officers/leaders (e.g. CMT and senior leadership team).

**Corporate Asset Management Plan**

- The Corporate Asset Management Plan (2023-38) sets out the Council's long term plan for managing its assets and was adopted by Full Council in June 2023. The Corporate Asset Management Plan details a property portfolio which is closely aligned to service requirements and corporate priorities. There is a robust property review exercise in place which analyses service requirements recommending property rationalisation where appropriate and delivers on the release of surplus property to fund the capital programme.

**Effective operation of partnerships.**

- There has been an increased amount of partnership working following the Council's RTI Plan and addressing impact from Covid-19 pandemic. Several case studies were produced by the Council as part of setting its Corporate Wellbeing Plan. The PSB objectives and the Council objectives align and support each other. This was achieved through a collaborative approach to engagement and consultation. The Council was able to understand local need and how that reflects across the wider region.
- The Council has also worked with the WLGA and several other councils in responding to the Local Government and Elections Act 2021.

**Digital Strategy**

- Audit Wales conducted a Digital Strategy Review during 2023/24 and identified that the Council does not have an approved digital strategy. A report was issued in September 2023, including the recommendation that the Council develop its strategic approach to digital, to act in accordance with the

	<p>sustainable development principle in the process of designing and delivering it, and to develop monitoring and evaluation arrangements for it. The Council agreed with the recommendation; plans for its implementation will be undertaken during 2024/25</p>
<p><b>Developing the capability of the entity's leadership and other individuals</b></p>	<p><b>Respective Roles and Responsibilities</b></p> <ul style="list-style-type: none"> <li>• From experiences gained in the 2017 election where a large number of new Councillors were elected, an extensive induction programme was formulated to ensure returning and new members in 2022 had a clear picture about roles and responsibilities and the functioning of the organisation. This involved workshops, briefing sessions and provision of written and verbal information.</li> <li>• The current Leader and Chief Executive work well together and have a clear understanding of their respective roles.</li> </ul> <p><b>Member Development Strategy</b></p> <ul style="list-style-type: none"> <li>• Induction, training and development for Councillors has continued together with close working relationships between CMT and Cabinet including a number of joint meetings being held. The Assurance Board and WLGA have provided specific support in training and development. Staff and Members have adapted to remote access and agile working which enables participation; time can be used more effectively.</li> <li>• The involvement of the Assurance Board has now concluded but support from WLGA for training and development opportunities continues.</li> <li>• The accountability of the role of Member Champions has been clarified and they will be required to report back on the work that they have been involved with and how it has impacted the Council's vision and wellbeing objectives.</li> </ul> <p><b>Training and Development Plan</b></p> <ul style="list-style-type: none"> <li>• A performance management system is in place. The system is used to capture the data for each individual when meeting with line managers to set objectives, review objectives and then to review the full year</li> </ul>

performance. Training has been offered at various times throughout the year for managers and staff to understand the process and it's also included in the Corporate and Managers Induction.

- Performance management remains a key priority to ensure it is embedded. Feedback has suggested that a review of the E-performance system would allow for an easier way of recording discussions, this will be done during 2024/25.

#### **HR Policies**

- There are a number of health and safety policies in place to help maintain the health and wellbeing of the workforce, along with supporting staff in maintaining their own physical and mental wellbeing. These policies are subject to review every January and include:
  - *Corporate Health and Safety Policy;*
  - *Risk Assessment Policy Procedure and Guidelines;*
  - *First Aid at Work Policy;*
  - *Display Screen Equipment Policy;*
  - *Control of Substances Hazardous to Health Policy (COSHH);*
  - *Drug and Alcohol Policy;*
  - *Lone Worker policy;*
  - *Asbestos Management Plan; and*
  - *Workplace Stress Policy.*
- Within the year 2023/24 focus remained on wellbeing programmes which link to the Healthy Organisation Strategy. Programmes such as mindfulness, menopause awareness, coping with stress at work. The occupational health team have also done sessions on Know your Numbers and many promotional days to help support staff with emotional, physical and mental wellbeing.
- A Healthy Organisation Strategy has been published and one of the key themes is the wellbeing of our staff. We continue to offer programmes and occupational support to staff and training for managers.

	<ul style="list-style-type: none"> <li>• A new employee assistance programme has gone live through VIVUP and promotion of the new programme is continuing to be promoted to staff with all details updated on the Occupational Health Intranet pages.</li> </ul>
--	--

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

<b>Managing risk</b>	<p><b>Risk Management Protocol</b></p> <ul style="list-style-type: none"> <li>• A Self-Assessment of the Council's Risk Management arrangements has been undertaken to establish the Council's level of risk maturity. The Council's level of Risk Maturity was assessed as:             <ul style="list-style-type: none"> <li>• <i>Risk Management is working and embedded in the organisation.</i></li> </ul> </li> <li>• The Risk Policy/Strategy has been updated and approved by Full Council in September 2022. The Council continued its work to refine its arrangements through self-review and has restructured its risk register to reflect the requirements of the Wellbeing of Future Generations (Wales) Act 2015 (the Act).</li> <li>• The Council has a Corporate Risk Register in place along with Director and Service Area Risk Registers. These Risk Registers capture and report on the management of risks and issues that could impact on:             <ul style="list-style-type: none"> <li>• <i>Delivering the Council's Wellbeing Objectives.</i></li> <li>• <i>The wellbeing of our communities and future generations.</i></li> <li>• <i>The organisation (the Council).</i></li> </ul> </li> <li>• The Risk Policy/Strategy includes the Risk Appetite and Tolerance for the Council. Risk Management is an integral part of the Council's Procurement Toolkit which helps service departments and staff when procuring goods and services. It assists Procurement to manage stakeholder expectations and facilitate outcomes that are within the risk tolerance of the Council.</li> </ul>
----------------------	---

- Each Corporate Risk is allocated to a Portfolio Member, Lead CMT Officer and Lead Officers to ensure that there are clear lines of responsibility and awareness at all levels of the Council. To support the management of each Corporate Risk, Team Members and Key Partners are also identified within the Corporate Risk Register.
- Within the Director and Service Area Risk Registers each risk/issue is allocated to a Risk Owner, Team Members and Key Partners. The risks/issues in the RTI Plan Risk Log have been allocated to the Senior Responsible Officer.

**Risk Management Strategy**

- The Council has continued to improve its risk management arrangements. In a recent audit, the Council's risk management arrangements were deemed to be sound with priority 2 and 3 recommendations made. An action plan is in place to ensure recommendations made are being implemented.
- The Council has officers as members of ALARM and a mentor assigned to provide peer challenge. Staff training has increased, including through the Risk Management Institute. Risk training and up-skilling takes place as part of the senior leadership team meetings and at a service level when completing operational/service risk register updates. On-line fact sheets are due to become available to Elected Members and officers. Risk management has also been built into Elected Member training programme in addition to the Managers' Curriculum and staff induction. Risk management training remains mandatory for all staff and Elected Members through the Council's 'Bob's Business' platform.
- Greater links have been made between officers working on corporate risk and those in the insurance team. Corporate risk is a regular item on CMT, senior leadership team and service board meetings.
- The Council has strengthened its risk strategy/policy. This includes strengthening its position regarding opportunity risk, risk appetite and risk tolerance. This will be challenged through a peer review from another Council before being presented to the GAC and then to Council for approval.

	<ul style="list-style-type: none"> <li>• The Corporate risk register is formally reviewed every three months by CMT and Cabinet (but viewed and monitored more regularly) and approved at Cabinet. The corporate risk register is updated as risks change/become apparent. The Council uses relevant risk material to inform its risk monitoring and mitigation (as well as other plans). The Council uses its risk appetite in budget setting and programme development and delivery.</li> <li>• Corporate risk is presented to the GAC four times a year each time it reviews the whole Risk Register and also allows a rolling programme for greater in depth assessment of a Corporate Risk.</li> <li>• Operational/service risk registers are live documents with review workshops taking place twice a year. An escalation process is in place.</li> </ul>
<p><b>Managing performance</b></p>	<p><b>Submitting/Publishing reports</b></p> <ul style="list-style-type: none"> <li>• The Council has a Corporate Dashboard that is being updated following the approval of its Corporate Wellbeing Plan. As such, it is continually evolving with the changing needs of the Organisation. This Dashboard supports its governance, leadership and decision making.</li> <li>• The Budget Board, which includes the Cabinet and Corporate Management Team, meet on a monthly basis to scrutinise service performance against budgets. Where financial issues exist, Directors, with respective Cabinet Portfolio Members, are challenged and are required to provide explanations and potential solutions. Cabinet formally consider Budget Monitoring statements on a quarterly basis.</li> <li>• Councillors are provided with electronic access to committee papers as they are published and receive ongoing statutory and non-statutory training to support them in their role as decision makers.</li> </ul> <p><b>Roles and Responsibilities of Scrutiny</b></p> <ul style="list-style-type: none"> <li>• The Council has six scrutiny committees; the Corporate and Resources; the Learning and LGES (Local Government Education Services) Scrutiny Committee; the Neighbourhood Services, Planning and Countryside Scrutiny Committee; Regeneration, Public Protection &amp; Housing (also Crime and Disorder Committee); and the Social Services Scrutiny Committee. These committees meet approximately every six weeks. There is also a Joint Scrutiny Committee with membership including all the Scrutiny Councillors</li> </ul>

	<p>and Co-opted members. The Joint Scrutiny Committee meet when there is an issue or item that affects all the scrutiny committees.</p> <ul style="list-style-type: none"> <li>• The scrutiny committees are made up of elected local members (Councillors) who are not part of the Council’s Cabinet, along with co-opted representatives. Their role is to hold the executive to account by monitoring performance, challenging the Council’s spending proposals, reviewing services, contributing to policy development, examining the work of other local public service providers.</li> <li>• All Cabinet decisions are subject to “call-in” by the scrutiny committees. All Councillors are sent a link to the Cabinet agenda. Minutes / decision notices are sent to scrutiny members for them to decide if they wish to “call-in” a decision. During 2022/23 and 2023/24 no Cabinet decisions have been subject to “call-in”. Cabinet members are requested to attend scrutiny committee meetings to respond to challenge on their areas of responsibility; Cabinet Member attendance remains high.</li> <li>• The Constitution also sets out the terms of reference for the scrutiny committees. Each year the Council’s scrutiny committees produce an Annual Report which includes a retrospective insight into the work undertaken by each of the Council’s Scrutiny Committees during the municipal year. The Annual Scrutiny Report for 2022/23 was presented to Full Council in July 2023. The Annual Report for 2023/24 was presented to Full Council in 2024/25.</li> <li>• Dates for submitting, publishing and distributing timely reports are set out in the Council’s constitution or terms of reference for non-public meetings. As such the Council produces self-evaluation reports at least annually to scrutiny meetings, an annual self-assessment report (Council), an annual review of its corporate wellbeing plan (Council), performance scorecards to QPIR (as part of CMT meetings) and reports to the corporate wellbeing board (quarterly).</li> <li>• The Cwm Taf Morgannwg Joint PSB Scrutiny Committee scrutinises and challenges the work of the PSB in terms of delivery against regional wellbeing objectives.</li> </ul>
<b>Robust internal control</b>	<b>Internal Audit</b>

- As required by the Accounts and Audit Regulations, each local authority must ensure it has an effective internal audit service within its organisation. Internal Audit is provided by the Regional Internal Audit Service which was established in April 2019 with the amalgamation of Merthyr, Bridgend, RCT and Vale of Glamorgan Internal Audit teams. An external assessment of Internal Audit concluded that it delivers a professional independent, objective service and fully conforms with the Public Sector Internal Audit Standards in the UK.

**Internal Audit Plan**

- The Internal Audit plan is devised using a risk based strategy to provide assurance on the adequacy and effectiveness of the Council's governance arrangements, internal control process and risk management processes in place across all services provided, and systems used, by the Council on a cyclical basis. Individual Internal Audit reports give balanced opinions on risk management and internal control arrangements across a range of services.

**Managing the Risk of Fraud and Corruption**

- Risk Management informs the Internal Audit Plan that is put in place for the year. Each year Internal Audit will focus on several Corporate Risks as part of their audit work and review risk management arrangements on a periodic basis.

**Annual Governance Statement**

- To support governance arrangements within the Council, the Head of the Regional Internal Audit Service's annual assurance opinion is included within the Annual Governance Statement. For 2023/24 this was *Reasonable Assurance* on the internal control environment, risk management and governance arrangements.

**Compliance with Code of Practice on 'Managing the Risk of Fraud and Corruption**

- Audit Wales published a national report 'Raising our Game': tackling fraud in Wales, in 2020 which identified a number of national and local recommendations. The Council has developed an action plan to address these recommendations. The action plan was fully completed in April 2024 with no further actions required.

	<p><b>Governance &amp; Audit Committee</b></p> <ul style="list-style-type: none"> <li>• In 2021/22, the Local Government and Elections (Wales) Act 2021 came into force which saw changes being made to the Audit Committee Terms of Reference. One of which being the change of name to the 'Governance and Audit Committee' (GAC).</li> <li>• During 2021, elected members and scrutiny members attended training regarding the Local Government Wales and Elections (Wales) Act.</li> <li>• In May 2022, the following changes in Sections 116 - 118 of the Act come into effect: <ul style="list-style-type: none"> <li>• <i>One third of the Committee's membership must be made up from lay persons appointed by the Council.</i></li> <li>• <i>The Governance and Audit Committee shall be chaired by a lay member elected by the Committee.</i></li> <li>• <i>The Vice Chair elected by the Committee may be a Councillor or a lay member but must not be a member of the Authority's Cabinet (Executive) or an assistant to its Executive.</i></li> </ul> </li> <li>• Each GAC meeting is attended by Internal Audit and a representative from the External Auditors. All meetings are open to the public, with papers and minutes published on the Council's website. Minutes and agendas of the meeting are also maintained and retained on the Council's democratic administration system. Training is provided to Councillors periodically and when requested.</li> </ul>
<p><b>Managing data</b></p>	<p><b>Data Sharing</b></p> <ul style="list-style-type: none"> <li>• The Council's Data Protection Officer sits on the All Wales Data Protection Officer Group, All Wales Data Protection Officer for Schools Forum and the South Wales Information Forum where issues relating to personal data sharing are discussed.</li> <li>• A Regional Cwm Taf General Data Protection Regulation (GDPR) Forum has been created with representatives from the Cwm Taf Morgannwg Teaching Healthboard (CTMTH), Rhondda Cynon Taf County Borough Council (RCTCBC) and Bridgend County Borough Council (BCBC) on a monthly basis.</li> </ul>

	<ul style="list-style-type: none"> <li>• The Council has an Information Governance Forum which is chaired by the Chief Executive, who is also the Senior Information Risk Owner (SIRO), and has representatives for all Council departments which takes place quarterly. Local data sharing arrangements are discussed during these meetings.</li> <li>• In addition, the Council is represented on the Welsh Government Data Protection Officer Forum which provides Welsh LA's with updates on any future plans to share personal data across Wales. This also has representatives from other public sector organisations such as the NHS, Police and Fire Service.</li> <li>• The Council is a member of Wales Accord on the Sharing of Personal Information (WASPI) and as such will enter into WASPI agreements when sharing information with partners that are also party to the Accord. In instances where a data controller is not a member of the WASPI, information sharing protocols are in place that will support the sharing of personal information.</li> <li>• The Corporate Information Security Officer sits on the WASPI Management Board and Chairs the Cwm Taf Regional Quality Assurance sub-group to ensure information sharing with partners is appropriate and relevant and in line with legal and regulatory requirements.</li> <li>• The Council also has technical controls implemented to ensure the security of data transfer when sharing data with other bodies.</li> </ul>
<p><b>Strong public financial management</b></p>	<p><b>Financial Management</b></p> <ul style="list-style-type: none"> <li>• The annual budget process encompasses medium term financial planning with the intention that budget decisions are aligned to wellbeing objectives, asset management planning and the Healthy Organisation Plan. The Council's approved Medium Term Financial Plan covers a three year period with currently a balanced budget set for year one and indicative budget deficits stated for future years (based on reported assumptions).</li> </ul>

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

<p><b>Implementing good practice in transparency</b></p>	<p><b>Council Website</b></p> <ul style="list-style-type: none"> <li>• The Council's website is clear and accessible.</li> <li>• All Committee agendas, reports and minutes are written, communicated, and published on the Council's website for the public and other stakeholders.</li> </ul> <p><b>Annual Reports</b></p> <ul style="list-style-type: none"> <li>• Committee Membership, Attendance, Declarations at meetings, Registered Interests and Councillor Representation on Outside Bodies are monitored and published on the Council's website and included in the Councillors' Annual Reports.</li> <li>• A report on Remuneration paid to elected Members is published annually on the Council Website and updated with any changes throughout the financial year.</li> <li>• Annual Financial Statements are presented to Full Council for approval following external Audit by Audit Wales, which is a statutory requirement. As part of the annual Council approval of the forthcoming year's Budget ("Budget Requirement and Council Tax - State of the Council Debate") the Chief Finance Officer comments on the robustness of the estimates and adequacy of financial reserves and ensures that general fund balances are maintained at appropriate levels set out in the Council's Reserves Policy.</li> </ul>
<p><b>Implementing good practices in reporting</b></p>	<p><b>Formal Annual Reports</b></p> <ul style="list-style-type: none"> <li>• The Self-Assessment Report was published in December 2023, meeting the Council's duty. This includes progress that the Council has made on its corporate wellbeing plan.</li> <li>• The Annual Statement of Accounts is compiled based on the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice followed by every Local Authority. This ensures consistency of reporting allowing for meaningful comparisons and benchmarking. Completion and publication is governed by statutory timescales. Limited performance data is included within the audited annual accounts.</li> </ul>

	<ul style="list-style-type: none"> <li>• In accordance with the Public Sector Internal Audit Standards, the Head of Regional Internal Audit Service (RIAS) prepares an Annual Report and provides an overall assurance opinion on the control environment, risk management and governance arrangements at the Council using the work completed throughout the year as the basis on which to formulate an opinion. This is presented to senior management and the Governance and Audit Committee.</li> </ul>
<p><b>Assurance and effective accountability</b></p>	<p><b>Internal And External Recommendations</b></p> <ul style="list-style-type: none"> <li>• The Council has introduced a process and software system (Audit Action Plan (AAP) system) for monitoring External Audit, Regulation and Inspection reports and their actions/recommendations. This involves performance checking all reports and maintaining a monitoring system.</li> <li>• Reports are presented to CMT which includes an update on progress made against each action/recommendation. The Governance &amp; Audit Committee can use this data to inform discussions and/or have access to the data if they require.</li> </ul> <p><b>Assurance</b></p> <p>The Regional Internal Audit Service (RIAS) commenced operational activity in April 2019 and will operate as a three partner model Regional Service from April 2024.</p> <ul style="list-style-type: none"> <li>• A report recommending the Authority's continued participation in the RIAS with a formal review every 5 years, was approved at Cabinet on 20<sup>th</sup> March 2024.</li> <li>• The RIAS is compliant with the Public Sector Internal Audit Standards (PSIAS). During the period February 2023 to May 2023 the RIAS was subject to a comprehensive, formal external peer review. The outcome of this review was that the RIAS is currently conforming to all 305 of the PSIAS requirements.</li> <li>• The Annual Internal Audit Report for the financial year 2023/24 incorporating the Head of the Regional Internal Audit Service opinion was reported to the Council's Governance and Audit Committee on the 3rd June 2024.</li> </ul>

	<p><b>Internal Audit</b></p> <ul style="list-style-type: none"><li>• Governance &amp; Audit Committee, CMT and other key Councillors and officers are consulted on areas of audit for inclusion in the annual plan.</li><li>• Performance of the Internal Audit team and the assurance opinions issued for each audit review are reported into Governance &amp; Audit Committee and CMT on a quarterly basis.</li></ul>
--	---

#### 4. REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

A review of the effectiveness and annual assessment of application of the principles contained within the Governance Framework is undertaken and involves a number of key officers and members of Corporate Management Team (CMT) including the Chief Executive, Monitoring Officer, Section 151 Officer, and also Councillors via the Governance and Audit Committee.

The assessment process involves comparing existing arrangements within the Council against the checklist published by the Chartered Institute of Public Finance and Accountancy (CIPFA)/the Society of Local Authority Chief Executives and Senior Managers (SOLACE). This checklist is updated by key officers, evidence is provided to support checklist comments and then the checklist and evaluations and evidence is independently evaluated by the Regional Internal Audit Service. The draft version of the Statement is reviewed and evaluated by CMT and the Governance and Audit Committee, as well as Audit Wales.

In compiling the AGS and ensuring its effectiveness, the RIAS have ensured the AGS complies with CIPFA/SOLACE guidance with no areas of non-compliance identified.

Throughout 2023/24 the Council has maintained and reviewed its system of internal control in a number of ways. The RIAS has undertaken planned reviews of internal control procedures, risk management and governance arrangements across departments and across a range of functions within the Council. Reports were published upon completion of assignments and circulated to management. All Internal Audit recommendations are subject to a regular follow up process, with any *Limited Assurance* or *No Assurance* opinions being subject to a follow up audit review within a 12 month period.

Audits have been conducted during 2023/24 using a hybrid approach of on-site visits (where necessary), remotely using video conferencing (e.g. Microsoft Teams) and digital solution as a basis for meetings and sharing documentation.

Minutes and agenda papers of Governance and Audit Committee demonstrate that both internal audit, external audit (Audit Wales) and other external inspection/regulation agencies reports have been reported to the Committee and also that officers have been called to the Governance and Audit Committee to discuss their respective reports and action plans and to subsequently provide further updates on progress at future Governance and Audit Committee meetings. This demonstrates senior managers are being held to account for the services they provide.

The Annual Internal Audit Report for the financial year 2023/24 incorporating the Head of Regional Internal Audit's Annual opinion was reported to the Council's Governance and Audit Committee on 3<sup>rd</sup> June 2024.

Taking into account the results of internal audit work completed for the financial year 2023/24 governance, internal controls and risk management were found to be *Reasonable Assurance*. The audit assurance category codes can be identified in Appendix 2.

Given the progress made in addressing previous concerns around governance the Head of Internal Audit's overall annual opinion on governance is also *Reasonable Assurance*. Therefore, the Head of Internal Audit's annual opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control for 2023/24 is:

***Reasonable Assurance***

The Scrutiny committees have examined a number of issues as part of their work programme in 2023/24. These were reported in the Annual Report to Full Council in July 2024.

Information taken into consideration for producing the Annual Governance Statement includes performance management information, work completed by the Regional Internal Audit Service, work completed by the External Auditor and other external inspection agencies, Scrutiny work, Risk Management and the Internal Control Framework including procedures, codes of conduct and policies and financial management controls as outlined in the CIPFA/SOLACE guidance.

CIPFA launched the Financial Management Code of Practice (FM Code) in November 2019. The FM Code was developed in the context of increasing concerns about the financial resilience and sustainability of local authorities. The FM Code sets out the principles by which authorities should be guided in managing their finances and the specific standards that they should, as a minimum, seek to achieve. It clarifies how Chief Finance Officers should satisfy their statutory responsibility for good financial administration as required in section 151 of the Local Government Act 1972 and emphasises the collective financial responsibility of the whole leadership including the relevant elected members.

By complying with the principles and standards within the FM Code authorities will be able to demonstrate their financial sustainability. Whilst the FM Code is designed to be flexible to the nature, needs and circumstances of individual authorities, it is up to each authority to determine the extent to which it complies with the FM Code and to identify what action it may wish to take to better meet the standards that the FM Code sets out.

The Council has made an assessment of its current compliance with the six principles (leadership, accountability, transparency, standards, assurance and sustainability) and the 17 Standards outlined in the FM Code. The assessment has identified that the Council can demonstrate compliance with all of the Standards, but it is recognised that further improvements can be made to enhance compliance during 2024/25.

The Significant Governance Issues identified for 2023/24 are shown in section 5 and take into account the definition identified in Appendix 1.

The Significant Governance Issues identified in 2022/23 together with the updated current position regarding their status is included in section 6.

## 5. SIGNIFICANT GOVERNANCE ISSUES 2023/24

Issues	2023/24 AGS Position & Action Taken/Planned
<b>Ffos y fran Open Cast Mine</b>	<p>Following the formal cessation of coaling at the site in November 2023 there has been an increase in public interest in the ongoing issue of restoration. There are residual matters to be resolved that are not in the direct control of the Local Authority.</p> <p>In the context of the mine the primary responsibility of the Local Authority is in respect of being the Local Planning Authority for Ffos-y- Fran. In the case of potential abandonment, we would expect a multi-agency and multi-disciplinary response from the relevant organisations, such as the Coal Authority, Welsh Government and Natural Resources Wales. In the case of abandonment, the land ownership issues are complex but ultimately the land would not fall to the Local Authority. Our involvement initially would be on securing the site. At present the developer is working towards submitting a revised restoration strategy to the local authority.</p>
<b>Merthyr Tydfil Leisure Trust (MTLT)</b>	<p>The ending of the contract with MTLT and the ongoing transfer of services, including the community centre at Aberfan, has received significant public interest. For this reason, it is prudent to recognise as a Significant Governance Issue. With the termination of the contract, the Council can accommodate and has the skills to absorb Library and Museum Services, but not Leisure. To address the Leisure services requirements an Interim Contract has been put in place with Halo Leisure to run Leisure service functions within the County Borough.</p>
<b>Pontsarn Landslip</b>	<p>The issue has resulted in a need to seek additional funding of £2.3m from WG to allow it to be resolved. In the interest of public safety, we cannot reopen Vaynor Road until the recent landslip is addressed. Vaynor Road is an essential access route for residents and businesses as the only alternative access is via a height restricted bridge. Pontsticill is also a tourist destination with numerous farms in the area where large delivery lorries, caravans, tractors, coaches etc. rely on Vaynor Road. However, the most significant issue relates to the Dwr Cymru Welsh Water treatment works that supplies 90,000 customers including essential services such as Prince Charles Hospital. Vaynor Road is the primary route for deliveries to the treatment works and they require weekly deliveries of essential supplies.</p> <p>Capacity issues in the department following a period of long-term sickness and subsequent retirement resulted in significant backlog of processing invoices. The impact is some significant late payments. Recruitment has been completed recently</p>

Issues	2023/24 AGS Position & Action Taken/Planned
<b>Payments Department Capacity</b>	and the department will be at full capacity from the 8th of July 2024. In addition to the core team, one additional staff member has been secured through external funding until 31 <sup>st</sup> of March 2025. The backlog will be resolved as soon as possible with the required capacity now in place.

## 6. SIGNIFICANT GOVERNANCE ISSUES 2022/23

Issues	2022/23 AGS Position & Action Taken/Planned
<p><b>Financial Pressures: Limited financial resources versus increasing demand for services and capital projects causes budget pressures which impact upon the delivery of public services.</b></p> <p><b>E.g. Reduction in funding from the Welsh Government, lack of investment income, capital receipts, costly care packages, reductions in grant funding.</b></p>	<p>The Medium Term Financial Plan (MTFP) 2022/23 to 2025/26 was approved by Council of 2nd March 2022 and indicated a revised estimated budget deficit of £16.4 million over the 4 year period 2022/23 to 2025/26. The MTFP 2023/24 to 2026/27 was presented for approval to Council on 8th March 2023 and indicated an estimated cumulative budget deficit of circa £23.3 million over the period based on assumptions contained within the MTFP.</p> <p>Although the Council aligns the MTFP with its priorities determined by its wellbeing objectives, it must be appreciated that a MTFP is a rolling programme continuously updated for changing circumstances, new developments and priorities. Consequently, it was recognised that a significant amount of work was still required to fully align spending requirements to Corporate Wellbeing Objectives and available finance. The Council's Operating Model Design defines how the Council is to carry out its business and supports the Council's Corporate Strategy, Wellbeing Objectives and Chief Officer's 'Strategies on a Page'. The Commercial Board will monitor achievement against the measures of success and desired outcomes. In addition, financial sustainability and resilience of the Council is monitored by the Chief Finance Officer.</p> <p>It is proposed that General Reserves will be set at a minimum of £5.723 million for the duration of the MTFP 2023/24 to 2026/27. This would allow the Council the flexibility to adequately respond to the risk of potential budget overspends in volatile service budgets whilst addressing the financial implications of demographic pressures. It is not considered prudent for the Council to further utilise general reserves to support its future revenue budget plans owing to the unacceptable risk and exposure to the Council of an inadequate level of reserves to address potential future revenue budget overspends. In addition, the level and adequacy of Council general reserves is also subject to scrutiny by external regulators.</p>

Issues	2022/23 AGS Position & Action Taken/Planned																								
	<p>Following the +7% settlement increase for 2023/24, Welsh Government has provided an indicative settlement of +3.1% for 2024/25. Owing to the cost of living crisis with spiralling inflation, increasing bank rates, recovering from the covid pandemic, pay increases and additional new demands, the Council is faced with significant financial challenges resulting from additional costs, loss of income and supporting the local economy and the council tax payers.</p> <p><b>Updated comments received from Chief Finance Officer/Section 151 Officer:</b></p> <p><i>"Local Government continues to face unprecedented financial challenges with inflation outstripping the levels of funding settlements provided. This has resulted in higher than anticipated borrowing costs, energy costs and cost of living pay awards for staff. With a revenue settlement of 3.9% for 2024/25, the Council had an initial funding gap of £12m.</i></p> <p><i>To support the setting of a balanced budget for 2024/25, directorates were given budgetary targets to work to, based on a number of service prioritisation factors as set out below:</i></p> <ul style="list-style-type: none"> <li><i>• The amount of statutory services in that directorate</i></li> <li><i>• The amount of uncontrollable costs vs discretionary spend</i></li> <li><i>• The demand levels within the directorate</i></li> <li><i>• The priority of that directorate in achieving the Council's Vision</i></li> </ul> <p><i>This process resulted in the setting of a balanced budget with a budget requirement of £160.8m, as outlined below.</i></p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><b>Directorate</b></th> <th style="text-align: right;"><b>£m</b></th> <th style="text-align: right;"><b>%</b></th> </tr> </thead> <tbody> <tr> <td>Education</td> <td style="text-align: right;">62.8</td> <td style="text-align: right;">39.1</td> </tr> <tr> <td>Social Services</td> <td style="text-align: right;">48.2</td> <td style="text-align: right;">30.0</td> </tr> <tr> <td>Economy &amp; Public Protection</td> <td style="text-align: right;">9.6</td> <td style="text-align: right;">6.0</td> </tr> <tr> <td>Neighbourhood Services</td> <td style="text-align: right;">12.1</td> <td style="text-align: right;">7.5</td> </tr> <tr> <td>Governance &amp; Resources</td> <td style="text-align: right;">8.7</td> <td style="text-align: right;">5.4</td> </tr> <tr> <td>Corporate Costs</td> <td style="text-align: right;">19.4</td> <td style="text-align: right;">12.0</td> </tr> <tr> <td><b>Net Expenditure</b></td> <td style="text-align: right;"><b>160.8</b></td> <td style="text-align: right;"><b>100.0</b></td> </tr> </tbody> </table> <p><i>This year's budget setting process was incredibly challenging and it is forecast that this will continue to be the case in the medium-term. Whilst this level of service prioritisation will continue over the course of the Corporate Plan, it is evident that to deliver long-term financial sustainability, a transformational approach is</i></p>	<b>Directorate</b>	<b>£m</b>	<b>%</b>	Education	62.8	39.1	Social Services	48.2	30.0	Economy & Public Protection	9.6	6.0	Neighbourhood Services	12.1	7.5	Governance & Resources	8.7	5.4	Corporate Costs	19.4	12.0	<b>Net Expenditure</b>	<b>160.8</b>	<b>100.0</b>
<b>Directorate</b>	<b>£m</b>	<b>%</b>																							
Education	62.8	39.1																							
Social Services	48.2	30.0																							
Economy & Public Protection	9.6	6.0																							
Neighbourhood Services	12.1	7.5																							
Governance & Resources	8.7	5.4																							
Corporate Costs	19.4	12.0																							
<b>Net Expenditure</b>	<b>160.8</b>	<b>100.0</b>																							

Issues	2022/23 AGS Position & Action Taken/Planned
<p><b>Capacity Issues for the Council</b></p>	<p><i>required. Further work will be carried out throughout 2024/25 to develop that longer-term approach.</i></p> <p><i>No utilisation of general fund balances was proposed for 2024/25 with general fund balances remaining at £5.723m in line with the Council's reserves policy. This allows the Council the flexibility to adequately respond to the risk of potential budget overspends in volatile service budgets whilst addressing the financial implications of demographic pressures.</i></p> <p>With the current budget constraints and the need to reduce expenditure, capacity issues for the council remain a risk. We will continue to work with departments to look at workforce planning to ensure any capacity changes consider the service or organisational impacts. Loss of staff with experience and skills could lead to adverse delivery of services, failure to meet Council well-being objectives or budgetary increase should the need arise to buy in expertise.</p> <p><b>Updated comments received from the Head of Strategic HR &amp; Organisational Development:</b></p> <p><i>"Since the 2023/24 budget setting, departmental workforce planning activities have been undertaken as part of wider service reviews in line with delivering service provisions. As part of this exercise, we continued to support departments with considering any service or organisation impact with any capacity changes specifically updating organisational hierarchal structures, discussing succession planning by utilising the apprenticeship levy and a piece of work around benchmarking hard to appoint job positions. Further plans to work with SLT and CMT on developing a departmental workforce plan to roll out to Heads of Service.</i></p>
<p><b>Educational Attainment</b></p>	<p><i>It is, however, recognised that the budgetary pressures faced will continue to lead to unavoidable capacity pressures for the Council".</i></p> <p>The Raising Aspirations, Raising Standards policy remains the driver for school improvement across all schools, there have been a number of workshops this year to consider the commitments within this strategy and whether they continue to be relevant. A revised strategy will be presented to Council in January 2024. The new curriculum brings about challenges in relation to accountability measures and work continues to ensure the LA is aware of the progress of all learners.</p> <p><b>Updated comments received from the Director of Education:</b></p>



<b>Issues</b>	<b>2022/23 AGS Position &amp; Action Taken/Planned</b>
<p><b>Strengthen scrutiny arrangements</b></p>	<p><i>The Council has identified gaps (and is actively addressing these) as part of internal and external audits. The issue has led to the reallocation of resources in the short term and has resulted in the Council building additional resource into its staffing budgets and structure (action taken by the Chief Executive through formal processes). If unaddressed, there is a risk that this could negatively impact on future peer assessments, potentially leading to regulator intervention and negative public opinion.</i></p> <p><i>The Council has produced a gap analysis and is working to update and improve its performance management and quality assurance framework. This forms part of a wider programme of improvement regarding performance management and how this integrates with other key elements of the Councils governance (e.g. risk, HR and finance)".</i></p> <p>Following analysis of a self-evaluation survey (carried out with all those involved in the scrutiny function) and several workshops with Members, the Council has further strengthened its scrutiny improvement plans. The Council has continued to engage, and work with, the WLGA on this. The Council has also worked with independent support provided through the WLGA (a member of the Improvement and Assurance Board that was in place within the Council). Peers from other Councils have provided feedback on key elements of the improvement plans to ensure continuous improvement and challenge is built in.</p> <p>Work programmes have been developed, led by Members, and are being implemented. This has strengthened integration across the delivery of strategies and the forward plans for scrutiny. Further developments to the forward work programmes are in place with a framework for Chairs to use to ensure the right issues are scrutinised. This forms part of the scrutiny improvement plan through a '4 R's' approach i.e. the Right Issues being scrutinised in the Right Way at the Right Time and in the Right Place. As such a focus is being placed on different ways of delivering scrutiny, e.g. pre-decision scrutiny, enquiry days, task and finish groups. Ways to engage the public in the scrutiny process is also being developed and being built into the work programmes.</p> <p>A practical guide to scrutiny has been developed and shared with all Members to support them in their roles. Training is being delivered, focusing on adding value and the role of scrutiny (in line with the WLGA's 'Improvement Programme – Training Material Overview'). The Council is also making use of on-line material and e-learning training developed by the WLGA. Specific training workshops are being delivered by the WLGA (e.g. Scrutiny Charing). More practical changes are</p>

Issues	2022/23 AGS Position & Action Taken/Planned
	<p>also being implemented such as earlier pre-meetings to enable additional information to be provided or a greater chance to develop questions and lines of enquiry. Quarterly Technical Meetings and Scrutiny Surgeries have been developed to allow scrutineers to gain a better understanding of issues to improve the level of scrutiny.</p> <p>An overarching aim of 'making a difference together' is being tested with Members to form the basis of a strategy on a page for scrutiny. This will help assess the impact of scrutiny.</p> <p><b>Updated comments received from the Head of Democratic Services:</b>  <i>"Prior to the WLGA review, it was agreed that a report/document would not be produced, and the session would be used as an opportunity to reflect scrutiny practices and evaluate overall scrutiny performance and individual committee practices. The Performance and Scrutiny Support Team used this an opportunity to identify good practice and actions for improvements. One action that was implemented was to add an 'Impact/Outcome' column on the Scrutiny Forward Work Programme which allows Members to clearly state the key impacts/outcomes for each Scrutiny Report. To date, this is working as intended.</i></p> <p><i>Scrutiny Self-Evaluation was reintroduced in the 2023/24 cycle. The analysis of responses is currently being undertaken and feedback will be provided early in the 2024/25 cycle via a workshop with Members, allowing an opportunity to discuss the key findings, strengths and areas for development. An improvement action plan will be developed during the Workshop to address the areas for development; enabling them to identify whether the actions they are making are having the desired impact</i></p> <p><i>Training for Scrutiny Members continues to be developed and Members attended an interactive session on 'Questioning' which was delivered in conjunction with WLGA in April 2024 . The training developed Members understanding and confidence on questioning techniques and the impact Members can have by asking the right questions in the right way.</i></p> <p><i>Reviewing methods of public engagement continues to be an area where improvements could be made and members continue to explore this.</i></p> <p><i>Overall, the ambition is to sustain the current level set following the improvement programme and also continue to liaise with relevant partners and stakeholders to identify other examples of good practice which could potentially be implemented to further strengthen scrutiny. However, a recent restructure within the corporate centre has led to a reduction in resources within the Performance and Scrutiny</i></p>

<b>Issues</b>	<b>2022/23 AGS Position &amp; Action Taken/Planned</b>
	<i>Team, so there will be a requirement to manage expectations around what can be realistically achieved with less resource in place".</i>

## Approval of the Annual Governance Statement 2023/24

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

**From the review, assessment and on-going monitoring work undertaken we have reached the opinion that there is general compliance with existing governance arrangements, but there are a number of improvements identified as set out in Sections 5 & 6 above that need to be implemented to strengthen arrangements.**

**We can confirm to the best of our knowledge and belief, this statement provides an accurate and fair view.**



**Councillor Brent Carter  
Leader of the Council**



**Ellis Cooper  
Chief Executive**

**Appendix 1****Determining a Significant Governance Issue**

In determining what may constitute a significant governance issue, the following was taken into consideration:

A single definition of a significant governance issue is not possible. Councils need to exercise judgement in deciding whether or not a particular issue should be regarded as falling into this category, but factors that may be helpful in exercising that judgement include:

- The issue has seriously prejudiced or prevented achievement of a principal objective.
- The issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business.
- The issue has led to a material impact on the accounts.
- The Governance and Audit committee, or equivalent, has advised that it should be considered significant for this purpose.
- The Head of Regional Internal Audit Service has reported on it as significant, for this purpose, in the annual opinion on the internal control environment.
- The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation.
- The issue has resulted in formal action being taken by the Head of Finance and/or the Monitoring Officer.

**Appendix 2****Internal Audit Assurance Opinion Definition**

<b>Audit Assurance Category Code</b>	
<b>Substantial</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No Assurance</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

## **The report of the Auditor General for Wales to the members of Merthyr Tydfil County Borough Council**

### **Opinion on financial statements**

I have audited the financial statements of Merthyr Tydfil County Borough Council for the year ended 31 March 2024 under the Public Audit (Wales) Act 2004.

Merthyr Tydfil County Borough Council's financial statements comprise the Expenditure and Funding Analysis, the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes, including the material accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the financial position of Merthyr Tydfil County Borough Council as at 31 March 2024 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024.

### **Basis of opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report.

My staff and I are independent of Merthyr Tydfil County Borough Council in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Merthyr Tydfil County Borough Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

### **Other Information**

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

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

### **Opinion on other matters**

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024; and
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with guidance.

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

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

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

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

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages 12 to 13 the responsible financial officer is responsible for:

- the preparation of the statement of accounts which give a true and fair view and comply with proper practices;
- maintaining proper accounting records;
- internal controls as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error;
- assessing the Merthyr Tydfil County Borough Council's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible financial officer anticipates that the services provided by the Merthyr Tydfil County Borough Council will not continue to be provided in the future.

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

My responsibility is to audit the financial statements in accordance with the Public Audit (Wales) Act 2004.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management, Merthyr Tydfil County Borough Council's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Merthyr Tydfil County Borough Council's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud.
- Obtaining an understanding of Merthyr Tydfil County Borough Council's framework of authority as well as other legal and regulatory frameworks that Merthyr Tydfil County Borough Council

operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Merthyr Tydfil County Borough Council.

- Obtaining an understanding of related party relationships.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and those charged with governance about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of Merthyr Tydfil County Borough Council's controls, and the nature, timing and extent of the audit procedures performed.

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

### **Other auditor's responsibilities**

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### **Certificate of completion of audit**

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



Adrian Crompton  
Auditor General for Wales  
Date: 12 June 2025

1 Capital Quarter  
Tyndall Street  
Cardiff, CF10 4BZ

*The maintenance and integrity of the Merthyr Tydfil County Borough Council website is the responsibility of the Council. The work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Statement of Accounts since they were initially presented on the web site.*