

MERTHYR TYDFIL COUNTY BOROUGH COUNCIL

MERTHYR TYDFIL
County Borough Council
Cyngor Bwrdeistref Sirol
MERTHYR TUDFUL

**MYNEGIAD CYFRIFON AM Y FLWYDDYN
YN DIWEDDU 31 MAWRTH 2016**

**STATEMENT OF ACCOUNTS FOR
YEAR ENDED 31 MARCH 2016**

**D5 Jones CPFA
Chief Finance Officer
Prif Swyddog Cyllid**

**MERTHYR TYDFIL COUNTY BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2016**

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NARRATIVE REPORT

This Narrative Report provides a brief explanation of the financial aspects of the Authority's activities and draws attention to the main characteristics of the Authority's financial position.

The Authority's Accounts for the financial year ended 31st March 2016 are set out on pages 7 to 96. The accounts include the Statement of Accounting Policies, Statement of Accounts and Notes to the Statement of Accounts. The Statement of Accounts consist of the following, with explanations taken from the Chartered Institute of Public Finance and Accountancy's "Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves', those that can be applied to fund expenditure or reduce local taxation, and other 'unusable reserves'. The 'Surplus or Deficit on the Provision of Services' shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The 'Net Increase/Decrease before Transfers to Earmarked Reserves' shows the statutory General Fund Balance before any discretionary transfers to or from Earmarked Reserves undertaken by the Authority.

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 of the local authority's functions. It shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

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.

Operating 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 – these 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.

Financing Activities - cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (borrowing) to the Authority.

Revenue Outturn to Budget

The General Fund Revenue outturn to budget for 2015/16 is as follows.

| Summary | Budget | Outturn | Variance |
|--|------------------|----------------|---------------|
| | 2015/16 £'000 | | |
| People and Performance | | | |
| Social Services, Chief Officer Social Services | 27,793 | 26,181 | -1,612 |
| Learning, Chief Officer Education | 42,187 | 42,123 | -64 |
| Legal | 1,441 | 1,418 | -23 |
| Human Resources & Organisational Development | 715 | 701 | -14 |
| Performance | 304 | 308 | 4 |
| Total | 72,440 | 70,731 | -1,709 |
| Place and Transformation | | | |
| Director of Place & Transformation | 2,133 | 2,043 | -90 |
| Community Regeneration | 3,630 | 3,319 | -311 |
| Neighbourhood Services | 10,382 | 10,268 | -114 |
| Corporate Services | 4,148 | 4,099 | -49 |
| Finance | 1,280 | 1,153 | -127 |
| Total | 21,573 | 20,882 | -691 |
| Corporate Costs | | | |
| Corporate Management - Executive | 418 | 406 | -12 |
| Corporate Authority | 19,509 | 19,026 | -483 |
| Total | 19,927 | 19,432 | -495 |
| Contributions / Recharges | | | |
| Non General Fund Allocations | -1,342 | -966 | 376 |
| Collection Fund Surplus | -600 | -910 | -310 |
| Corporate Vacancy Factor | 822 | 0 | -822 |
| Net Severance Costs/Savings "Slippage" | 757 | 359 | -398 |
| Contribution from Earmarked Reserves | -412 | -412 | 0 |
| In Year Efficiency Projects | 100 | 0 | -100 |
| Transfer to Earmarked Reserves | 0 | 4,047 | 4,047 |
| Total | -675 | 2,118 | 2,793 |
| Net Expenditure | 113,265 | 113,163 | -102 |

A £102,000 net revenue expenditure surplus is reported for the year. The surplus position results from the following initiatives:

- o Moratorium on non-essential expenditure
- o Improving departmental budget management
- o Change Management Board and Steering Group challenge
- o Budget Board challenge
- o Amendment to the Minimum Revenue Provision policy
- o Introduction of the principles of service outcome focused redesign

The reported provisional surplus is net of £4.047 million contributions to corporate earmarked reserves as detailed below:

- o Living Wage Reserve – a contribution of £1.34 million is earmarked to finance the Authority's corporate Foundation Living Wage commitment for the period 2016/17 to 2019/20
- o Corporate Risk Reserve – a contribution of £1.2 million is earmarked to support, for the 2016/17 and 2017/18 financial years, addressing unavoidable in-year budget pressures and required investment in innovative projects with longer term benefits
- o Employee Severance Reserve – a contribution of £371,000 is earmarked to assist with future costs associated with employee severance and redundancy resulting from the Authority's transformation programme
- o Efficiencies Reserve – a contribution of £318,000 is earmarked to assist with any potential future budget pressures

Circa £2.5 million of the savings arising from the budget reduction initiatives are recurring in nature and as such are reflected as budget reductions within the Medium Term Financial Plan 2016/17 to 2019/20.

A review of Balance Sheet codes specifically grant creditor and debtor balances was undertaken during 2015/16. The review resulted in £2.9 million being re-classified to Earmarked Reserves. A further review and rationalisation of Earmarked Reserves is to be carried out during the 2016/17 financial year.

Capital

In 2015/16, the Authority spent **£26.3 million** on capital projects compared to the planned Capital Programme of £25.9 million. The Authority experienced overspends on Regeneration Projects.

Capital expenditure for the year was financed as follows.

| Financing Category | £'000 |
|---|---------------|
| Borrowing | 8,983 |
| Capital Grants and Contributions | 15,517 |
| Merthyr Tydfil County Borough Council's own Resources | 1,784 |
| Total | 26,284 |

Financial Health

At 31st March 2016 the Authority's general balances and reserves not earmarked for any specific purpose totals £4.627 million (31st March 2015 - £4.525 million), equating to 4% of the Authority's Budgeted Net Revenue Expenditure for 2016/17. As per the Terms of Reference of the Budget Board the overarching aim is:

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

For the 2016/17 financial year, the Authority budgeted for a reduction of 0.73% from the 2015/16 budget {adjusted for Welsh Government net transfers in to the Local Government Settlement) as a result of reduced Welsh Government Funding. The Authority's Medium Term Financial Plan 2016/17 to 2019/20 clearly outlines the financial challenges faced by the Authority over the medium term.

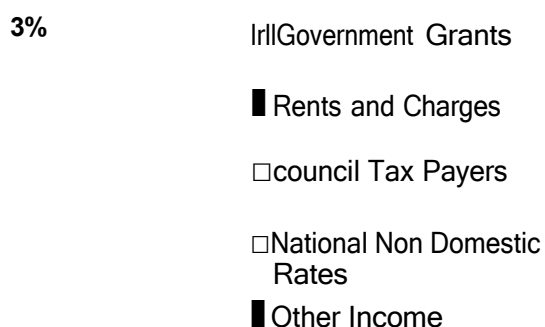
Revenue Activities

The following illustrations show, in broad terms, the Authority's revenue activities for the financial year ended 31st March 2016, that is, where the money comes from and what it is spent on.

Where the Money Comes From

| Description | £'000 | % |
|-----------------------------|----------------|------------|
| Government Grants | 110,612 | 65 |
| Rents and Charges | 11,911 | 7 |
| Council Tax Payers | 24,907 | 15 |
| National Non Domestic Rates | 16,864 | 10 |
| Other Income | 5,340 | 3 |
| Total | 169,634 | 100 |

The largest single item is Government Grants which provides 65% of the total, whereas 7% comes from the services provided through rents, fees and charges. Council Tax income accounts for only 15% of the total income.



What the Money is Spent On

| Description | £'000 | % |
|-------------------------|----------------|------------|
| Employee Costs | 69,402 | 41 |
| Running Expenses | 89,798 | 53 |
| Capital Financing Costs | 7,529 | 4 |
| Levies | 2,905 | 2 |
| Total | 169,634 | 100 |

m Employee Costs

lll Running Expenses

□ Capital Financing Costs

□ Levies

Running expenses such as maintaining buildings, operating vehicles and purchases of supplies and services comprises 53% of the total expenditure, whilst expenditure attributable to employees totals 41%.

The Services Provided

| Description | £'000 | % |
|--|----------------|------------|
| Central Services | 22,507 | 13 |
| Cultural, Environmental, Regulatory and Planning | 23,711 | 14 |
| Education and Children's Services | 61,589 | 36 |
| Highways and Transport | 10,067 | 6c |
| Housing Services | 23,415 | 14 |
| Adult Social Care | 28,345 | 17 |
| Total | 169,634 | 100 |

m Central Services

■ ***Cultural, Environmental
& Planning***

- Education & Children's Services
- Highways & Transport

111 Housing Services

aAdult Social Care

The £169.634 million total expenditure and income is derived from the Comprehensive Income and Expenditure Statement after taking into account adjustments for appropriations of trading accounts and International Accounting Standard 19 pension costs implications.

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 2015/16 Statement of Accounts, borrowing to support capital expenditure fell within authorised borrowing limits approved by a full Council meetings of elected members on 25th March 2015.

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 2015/16 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 purpose 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 £167.1 million (£181.2 million as at 31st March 2015). The Authority is being charged stepped employer contributions in order to redress the deficit of the pension fund.

Further details are included in Note 22 to the Statement of Accounting Policies and Notes 41 - 43 to the Statement of Accounts.

Changes to Accounting Policies

IFRS 13

IFRS13 Fair Values was implemented in financial year 2015/16. The asset classes that were affected by the introduction of the standard were investment properties and surplus assets; the impact of IFRS 13 on these assets is not significant. The accounting policy also impacts on financial instruments, and fair value of these are disclosed in Note 20 of the Statement of Accounts, although there is no impact on the balance sheet from these valuations.

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 2015/16 accounts in moving towards a more prudent provision than previously calculated:

- o Historic debt liability at 31st March 2007—charged to revenue over 44 years by the straight line method rather than 4% reducing balance method
- o Post 1st April 2007 debt – charged to revenue over the life of the asset, for 2015/16 infrastructure assets charged to revenue over a maximum of 40 years rather than a maximum of 30 years.

Joint Committees

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity, with the accounts of the Joint Committees being consolidated into the Authority's financial statements on a line-by-line basis, calculated using a reasonable apportionment methodology. For 2015/16 the Authority has reflected 46.6% of the transactions of the Llwydcoed Crematorium Joint Committee and 6.68% of the transaction of the Central South Consortium Joint Committee into the Authority's Accounts on a line-by-line basis, whereas previously only the Llwydcoed Crematorium transactions were reflected in the accounts.

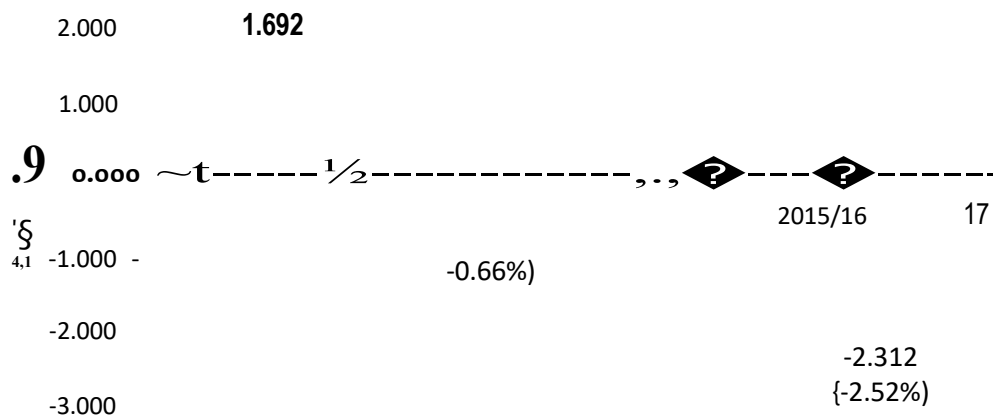
Future Change in Accounting Policy

The 2016/17 Code of Practice will require all Authorities to reclassify its transport infrastructure assets, and create a new asset category on the face of the Balance Sheet - the Highways Network Asset (HNA). Importantly, the valuation basis will change from historic cost to depreciated replacement cost. This change is expected to result in a significant increase in the value of these assets as the new valuation will reflect the current cost of replacement rather than the original cost of the work. It will be applied prospectively from 1 April 2016 rather than requiring a full retrospective restatement as would usually be required for a change of accounting policy

Financial Climate

Central Government's proposals to tackle the national public sector borrowing deficit resulting from the global financial crisis has resulted in reduced financial settlements for the public sector for the medium to long term.

The Authority's revenue settlements for the period 2010/11 to 2016/17, focusing on cash impact, are outlined below. It should be noted that the Council Tax Reduction Scheme grant impact is excluded for 2013/14 to enable a more equitable funding comparison.



Since 2011/12 the Authority has entered a period of unprecedented funding reductions, as Central Government continues its policy of financial austerity. More efficient working practices have evolved in delivering services within the affordable financial envelope. This has included the continuation of the corporate voluntary early retirement and voluntary redundancy policies in streamlining the organisation to meet the demands of the future.

It is clear that in an age of austerity transforming the Authority in ensuring it is fit for purpose to meet financial challenges for the future is critical. This involves aligning scarce resources to corporate priorities ensuring effective and efficient service delivery is both maintained and further developed and improved.

The Authority's Medium Term Financial Plan 2016/17 to 2019/20 currently states that the Authority is faced with identifying and delivering £4.671 million budget reductions for 2017/18 and £15.260 million for the period 2017/18 to 2019/20. Budget savings are currently being identified through the Authority's Change Management Programme incorporating the following transformational work streams:

- Customer Services
- Outcome Focused Redesign of frontline services
- Social Care Strategic Review
- Back Office Costs including potential for collaboration and joint working
- Procurement of goods and services

The Provisional Local Government Settlement for 2017/18 is scheduled to be announced on 19th October 2016 and is anticipated will have a significant bearing on the currently projected budget reduction requirements over the medium term.

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 in the local press.

STATEMENT OF ACCOUNTING POLICIES

1. General

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year-end of 31st March 2016. 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 2015/16 and the Service Reporting Code of Practice 2015/16, 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. Accounting policies have been applied consistently other than where new policies have been adopted.

2. Accounting Concepts and Principles

The International Accounting Standards Board (IASB) Framework indicates that the objective of the statement of accounts is the provision of "information about the financial position, performance and changes in financial position of an entity that is useful to a wide range of users". The Authority in preparing its annual accounts has complied with the Framework as the Authority's financial position, performance and cash flows show the results of the stewardship and accountability of management (including its elected members) for the resources entrusted to them.

The following underlying assumptions within the Code of Practice have been followed:

- Accruals Basis - defines precisely when assets and liabilities and other elements of the Statement of Accounts such as income, expenses and reserves, should be recognised
- Going Concern - assumes that an Authority, its functions and services will continue in operational existence for the foreseeable future

Qualitative characteristics are the attributes that make the information provided in the statement of accounts useful to users. The IASB Framework sets out the five principal characteristics of statement of accounts that have been adopted by the Code:

- Understandability - an essential quality of information provided in the statement of accounts is that it is readily understood by users
- Relevance - to be useful information must be relevant to the decision making needs of users
- Materiality - statement of accounts often cannot be precisely accurate but this need not detract from their ability to present a true and fair view
- Reliability - financial information has the quality of reliability when it can be depended upon to represent faithfully what it either purports to represent or could reasonably be expected to represent; it is free from bias; it is free from material error; it is complete within the bounds of materiality and cost; and under conditions of uncertainty it has been prudently prepared

- Comparability - the ability to compare an authority's performance between financial years and with other organisations

3. The Prudential Code for Capital Finance in Local Authorities

The Prudential Code was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) as a professional code of practice to support local authorities in taking their capital investment decisions. Local authorities are required by Regulation to have regard to the Prudential Code when undertaking their duties in England and Wales under Part 1 of the Local Government Act 2003, effective from 1st April 2004.

A key objective of the Prudential Code is to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. To demonstrate that local authorities have fulfilled this objective, the Prudential Code sets out Prudential Indicators that must be used, for example to set an authorised limit for borrowing to finance capital expenditure.

4. Property, Plant and Equipment Non-Current Assets

Valuation

Property, Plant and Equipment non-Current Assets are valued on the basis set out by the Code of Practice, supported by IFRS, and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Land and Properties are valued by independent valuers as detailed below.

Classification

The non-Current Assets are classified into the categories required by the 2015/16 Code of Practice on Local Authority Accounting, as follows:

- Land and Buildings
- Vehicles, Plant, Furniture and Equipment
- Infrastructure Assets
- Community Assets
- Surplus Assets
- Assets under Construction

Property, Plant and Equipment assets are valued on the following basis:

- Land is shown at market value
- Operational properties are shown at depreciated replacement cost where there is no market based evidence of fair value
- Land and Buildings componentised assets such as hardstanding and boilers are shown at depreciated replacement cost
- Vehicles, plant, furniture and equipment are shown at depreciated historical cost
- Infrastructure assets are shown at depreciated historical cost
- Community assets are shown at depreciated historical cost unless the valuation option has been exercised and then the assets are shown at current value
- Surplus assets are shown at fair value
- Assets under Construction are shown at historical cost
- Finance leases are shown at the lower of net present value and fair value depreciated over the term of the lease
- Intangible Assets are shown at amortised historical cost

Fair Value

The Authority's independent valuer has used valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. Local Authorities are required to follow the fair value hierarchy to increase consistency and comparability in fair value measurements. The hierarchy categorises into three levels the input to valuation techniques used to measure fair value, these include:

- 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.

The majority of the Authority's assets valued at fair value have been valued at level 2 Inputs.

Re-valuation

Land and buildings are to be re-valued every five years as a minimum in order that the assets are carried at their fair value. Revaluations shall then be made with sufficient regularity to ensure that the carrying amount of the assets does not differ materially from that which would be determined using fair value. The whole of the Authority's portfolio was valued by Bilfinger GVA, the Authority's independent valuers as at 31st March 2013. A revaluation of land and property is to be undertaken annually thereafter on the basis of a sample of assets. It is intended that 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. Bilfinger GVA 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.

The Chief Financial Officer in tandem with the Estates Department agreed the following component categories with Bilfinger GVA:

- Individual Buildings
- Hardstanding
- Plant such as boilers

Identification of asset components is necessary to reflect the different economic lives of components resulting in increased accuracy of depreciation charges assuring a fairer reflection of the value of non-current assets in the Balance Sheet. The Code of Practice stipulates that componentisation for depreciation purposes should only be applied to enhancement and acquisition expenditure incurred from 1st April 2010 and to revaluations carried out from that date.

The results of the formal independent valuation are updated within the balance sheet by management with appropriate knowledge and experience in order to ensure the reasonableness of the valuation.

De Minimis Limit

The Authority operates a Non-Current Asset de minimis limit of £1 0,000. This means that expenditure on non-current assets is capitalised, provided that the asset yields benefits to the Authority, the services it provides are for a period of more than one year, is above the de minimis limit of £1 0,000 and is compliant with the requirements of the Code of Practice. 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 £1 0,000 are not to be treated as capital receipts.

Revaluation Reserve

The Revaluation Reserve records the accumulated gains on individual non-current assets held by the Authority arising from increases in value, as a result of inflation or other factors, to the extent that these gains have not been consumed by subsequent downward movements in value. The Revaluation Reserve will thus record the net gain, if any, from revaluations made after 1st April 2007 (the date of its creation).

In complying with the Code of Practice requirements, Non-Current Assets are recorded in the Fixed Asset Register at both historical cost and current value to enable revaluation gains to be recognised and accounted for in the Revaluation Reserve.

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.

Donated Assets

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.

5. Depreciation

Depreciation is provided on the Current Value of Non-current Assets using the straight-line method. This means that the value of the assets is written off over their estimated useful lives as follows:

- | | |
|---|-----------------|
| • Infrastructure assets - Roads, bridges and culverts | up to 40 years |
| • Infrastructure assets - Street Furniture | 5-10 years |
| • Vehicles, Plant, Furniture and Equipment | 5-10 years |
| • Operational properties | up to 100 years |
| • Finance Leases | Term of lease |
| • Surplus Assets | Asset life |

Land is not depreciated and non-operational properties re-valued at Market Value are not depreciated. In addition community assets and assets under construction are not depreciated.

Depreciation is charged to the Comprehensive Income and Expenditure Statement before being reversed out to the Capital Adjustment Account through the Movement in Reserves Statement. This is done to comply with the statutory requirement when determining the movement on the Council Fund balance for the year.

Under the Code of Practice historical cost depreciation is also calculated and an annual transfer of the difference between current cost depreciation and historical cost depreciation is taken to the Revaluation Reserve.

6. 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 5 above, 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 15th February 2012. The Authority's internal expert the Museum Curator has reviewed the valuation and assessed that it was still appropriate at the Balance Sheet date.

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.

7. **Investment Properties**

Investment Properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Rentals received in relation to investment properties are credited to the Comprehensive Income and Expenditure Statement.

8. **Assets Held for Sale**

Assets are defined as held for sale if all of the following criteria are met:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets
- The sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated
- The asset must be actively marketed for a sale at a price that is reasonable in relation to the current value
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn

Where one or more of the above criteria are not met, the assets are accounted for as Property, Plant and Equipment or Intangible Assets.

There are two stages in the initial measurement of an asset as held for sale, revaluing the asset before it is reclassified and comparing the revalued carrying amount with fair value less costs to sell. Assets moving out of Property, Plant and Equipment are valued using the fair value measure appropriate to the class in which they were held when the Assets Held for Sale criteria were satisfied.

9. **Revenue Expenditure Funded from Capital Under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the Council Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

10. **Basis of Charges for Capital**

Capital Financing costs (Minimum Revenue Provision and Interest Charge) are charged to the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement.

For 2015/16 the Minimum Revenue Provision also includes a proportion for Operating Leases re-evaluated as Finance Leases under the Code of Practice.

The Minimum Revenue Provision is described in Note 11 to the Accounting Policies.

11. **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.

For the financial year 2007/08 and subsequent financial years, under the Local Authorities (Capital Finance and Accounting) (Amendment) (Wales) Regulations 2008, the detailed calculation has been 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 options for prudent provision are as follows:

- Regulatory Method – MRP is equal to the amount determined in accordance with the former 2003 Regulations as if it had not been revoked by the 2008 Regulations.
- Capital Financing Requirement (CFR) Method - MRP is equal to 4% of the non-housing CFR at the end of the preceding financial year.
- Asset Life Method – where capital expenditure on an asset is financed wholly or partly by borrowing, MRP is to be made in equal annual instalments over the life of the asset. Where capital expenditure is not incurred in the creation of an asset, MRP is to be made in equal annual instalments over a period reasonably reflecting the benefit arising from the expenditure.
- Depreciation Method - MRP is to be equal to the depreciation of that proportion of the asset on which expenditure has been financed by borrowing.

The following has been applied for the 2015/16 accounts in moving towards a more prudent provision than previously calculated:

- Historic debt liability at 31st March 2007 – charged to revenue over 44 years by the straight line method rather than 4% reducing balance method
- Post 1st April 2007 debt – charged to revenue over the life of the asset, for 2015/16 infrastructure assets charged to revenue over a maximum of 40 years rather than a maximum of 30 years.

The MRP also includes an element for the repayment of the long-term liability recognised on the Balance Sheet on re-evaluation of operating leases to finance leases. The long-term liability is repaid and MRP charged to revenue over the term of the lease based on the implicit interest rate in the lease.

12. **Receivables and Payables**

In respect of Revenue Account transactions, the Authority operates a system of receipts and payments which is converted to a sales/purchases basis at the end of the year. This is done by listing outstanding items of income/ expenditure which have not been received/paid by 31st March, adjusting individual items (using the best estimate where actual figures are not available) to the appropriate Revenue Account headings. Individual spending departments are responsible for ensuring that their lists of outstanding income/expenditure are completed accurately.

In respect of capital transactions, accounts are maintained on a receipts/payments basis with a provision bringing in outstanding sales/purchases as at 31st March. All Capital Grants and Subsidies are converted to a due/received basis at the end of the year. Accounts for recoverable items of income are rendered as and when necessary and, consequently, some unpaid items appear in the Short term Debtors balance.

13. **Inventories**

Inventories held at the Authority's Central Stores and Sub Depots, based on the last actual purchase price known. There are no other significant Inventories holdings for which provision is made. 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.

14. **Receipts Arising from the Sale of Non-Current Assets**

A capital receipt is received on the sale of a Non-Current Asset and is transferred to the Comprehensive Income and Expenditure Statement before being posted to the Capital Receipts Reserve through the Movement in Reserves Statement.

15. **Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another.

The Code's accounting requirements derive from the following International Financial Reporting and Accounting Standards:

- IAS 39 Financial Instruments: Recognition and Measurement
- IAS 32 Financial Instruments: Presentation
- IFRS 7 Financial Instruments: Disclosure

The term financial instrument covers both financial assets and financial liabilities and are initially measured at fair value and amortised. Usually the best evidence of the fair value of a financial instrument on initial recognition is the transaction price and this should be the value used.

Financial Liabilities

These include short term creditors and other payables, borrowings and financial guarantees. Financial liabilities are initially measured at fair value and amortised. For trade payables and other payables transaction cost is taken as fair value. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument. For the majority of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement. The exception is the Authority's stepped interest rate market loans where the amount presented in the Balance Sheet is the amortised cost.

Financial Assets

These include bank deposits, short term debtors, loans receivable, other receivables and investments. For the majority of financial assets transaction price is taken for fair value. Loans receivable or investments are initially measured at fair value and amortised. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all the loans the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Financial Instruments Adjustment Account

This account provides a balancing mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised and are required by statute to be met from the General Fund.

Soft Loans

If the Authority is in receipt of a Loan that is interest free or at less than prevailing rates, the effective interest rate of the loan is calculated. This represents a gain to the Authority and the gain is calculated by working out the present value of all future payments using the prevailing borrowing rate for a similar loan taken out by the Authority. This will result in a lower figure for the fair value of the loan than the amount received, the difference being expected to be accounted for as a government grant i.e. recognised in the Comprehensive Income and Expenditure Statement. The gain is reversed out through the Movement in Reserves Statement to the Financial Instruments Adjustment Account. Subsequent treatment is for a debit to the Comprehensive Income and Expenditure Statement each year for the interest payable based on the higher effective interest rate and the difference between the interest debited to the Comprehensive Income and Expenditure Statement under the loan agreement being reversed out to the Financial Instruments Adjustment Account and reported in the Movement in Reserves Statement.

16. Grants

The majority of grants received by the Authority are from Government Departments to be offset against the Authority's revenue and capital expenditure, depending on the nature of the grant.

Local authorities are required to account for and provide disclosures in relation to capital grants and contributions in accordance with IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance'. The following have been noted in producing the Statement of Accounts for 2015/16:

- *Grants and contributions for capital purposes are recognised immediately in the Comprehensive Income and Expenditure Statement if no outstanding grant conditions exist – there is no government grants deferred approach.*
 1. *If expenditure is incurred then the grant is transferred to the Capital Adjustment Account through the Movement in Reserves Statement*
 2. *If expenditure is not incurred then the grant is transferred to the Capital Grants Unapplied Account through the Movement in Reserves Statement and then transferred to the Capital Adjustment Account when the grant is applied*
- *Grants and contributions must be shown as liabilities on the Balance Sheet until outstanding conditions are satisfied*
- *Where assets are transferred for £nil consideration or less than fair value, that is donated assets, and any conditions of the transfer have not been met, the shortfall of any consideration given against fair value is required to be credited to a Donated Assets Account (otherwise the credit goes to the Comprehensive Income and Expenditure Statement).*

17. Allocation of Central Establishment Expenses

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- *Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.*
- *Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.*

These two cost categories are defined in the SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

18. Value Added Tax

The Authority is reimbursed for VAT incurred and the income and expenditure reported in the accounts, therefore, have been reported exclusive of this tax.

19. Insurance

The Authority has to pay an excess on the majority of its insurance claims and, as such, has made provision in its accounts to meet these outstanding liabilities. As at 31st March 2016, included in the Balance Sheet are an Insurance Provision for £1,030,000 (£1,185,000 at 31st March 2015) and an Insurance Reserve for £2,031,000 (£1,667,000 at 31st March 2015).

20. Employee Benefits

The accounting treatment of employee benefits, included within the Statement of Accounts, governed by the Code of Practice and supported by IFRS is based on International Accounting Standard 19 (IAS 19) 'Employee Benefits'.

IAS 19 is based on the principle that an organisation should account for employment and post employment benefits when employees earn them and the Authority is committed to providing them, even if the actual provision might be many years into the

future. The IAS 19 principles give a better reflection of the economic reality of the relationship between an employer and their employees (and with pension funds) than might be expected from cash flows.

IAS 19 applies to all types of employee benefits paid by local authorities, defined in the Code of Practice as "all forms of consideration given by an entity in exchange for service rendered by employees". Employee benefits therefore include the following categories, each of which have different characteristics and separate accounting requirements:

- Short-term benefits such as wages, salaries, holiday pay, sick leave and bonuses payable within twelve months of the Balance Sheet date
- Long-term benefits, long-service awards and bonuses payable more than 12 months after the Balance Sheet date, such as long-service leave or jubilee payments and long-term disability benefits
- Termination benefits such as redundancy payments, payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits. They are often lump-sum payments, but also include enhancement of retirement benefits, and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the entity
- Post-employment benefits such as pensions and post-retirement medical insurance

Non-Teaching Staff

In collating information in respect of short-term benefits, all Departments of the Authority were requested to complete a schedule detailing all untaken leave and accumulated flexible working hours and time-off-in lieu for all employees. This information has been used as the basis of the accrual at 31st March 2016.

Teaching Staff

Teaching staff are subject to a different accrual calculation owing to the fact that leave is earned on a term by term basis rather than on an annual basis and therefore the accrual rate varies from term to term depending on the number of days in the term and the number of days leave to which working during the term gives entitlement. Bank holidays are included in the leave entitlement.

The Conditions of Service for School Teachers in England and Wales (the Burgundy Book) cover teachers' pay but do not specifically refer to holiday pay. However, they have a number of terms that are relevant to estimating the accrual. The basic principle is that teachers should receive not less than one-third of a year's salary for each full term's service. For the purpose of these arrangements the three terms in each year are constituted as follows:

- The Summer Term from May 1st to August 31st
- The Autumn Term from September 1st to December 31st
- The Spring Term from January 1st to April 30th

Other relevant conditions are that teachers taking up work on first appointment, or on re-appointment, or on transfer from another employer during the school term will be paid salary from the first school day worked by the teacher. However, those taking up work at the commencement of a school term will be paid salary on the following terms:

- After the Summer vacation, from September 1; or from the first school day of the Autumn Term if this shall be earlier than September 1st

- After the Christmas vacation, from January 1st
- After the Easter vacation, from May 1st; or from the first school day of the Summer Term if this be earlier than May 1st

21. **Local Government Pension Scheme (LGPS)**

The statements of accounts are prepared in accordance with IAS 19 post-employment benefits.

The Authority participates in two different pension schemes, which meet the needs of employees in particular services. All the schemes provide members with defined benefits related to pay and service.

Teachers

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 technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. There are no assets relating to the Teachers Pension Scheme as this is an unfunded pension scheme and the liability for payment of these pensions rests ultimately with the Department for Education.

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.

Other Employees

The Local Government Scheme is accounted for as a defined benefits scheme. This pension fund is administered by Rhondda Cynon Taf County Borough Council. The liabilities of the Rhondda Cynon Taf pension scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – 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.

The change in the net pensions liability is analysed into the following components:

Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked;

Past service cost – the increase in liabilities arising from current year decisions of which the effect relates to years of service earned in earlier years – debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

Gains/losses on settlements - the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

Interest expense of the defined benefit obligation/asset – the interest expense on the present values of liabilities/assets and interest on the net changes in those liabilities/assets over the period, calculated using the net discount rate at the start of the period – included within Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement

Return on plan assets – the difference between the actual return and interest income on the Fund assets. This figure may be large because the actual return and interest income can be significantly different to the discount rate used for calculating the interest income – included within Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement

Actuarial gains and losses due to liability experience – this shows the impact of actual experience differing from the accounting assumptions, such as pension increases and salary increases differing to those assumed, and unexpected membership movement - included within Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement

Actuarial gains and losses on liabilities – this shows the impact on the liabilities due to both experience (see above) and assumptions. The changes due to assumptions can be split into financial and demographic assumptions - included within Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement

Contributions paid to the Rhondda Cynon Taf pension fund - cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the Council Fund balance to be charged with the amount payable by the Authority to the pension fund in the year, In the Movement in Reserves Statement this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Current Service Costs and Pension Costs Payable under IAS 19 have been apportioned to the Comprehensive Income and Expenditure Statement Cost of Services based on respective Employer's Superannuation contributions to the Pension Fund.

22a. **International Accounting Standard 19 (Employee Benefits) – LGPS Funded Benefits**

Introduction

Disclosures in note 43 relate to the funded liabilities within the Rhondda Cynon Taf County Borough Council Pension Fund (the Fund) which is part of the Local Government Pension Scheme (LGPS). The funded nature of the LGPS requires Merthyr Tydfil County Borough Council and its employees to pay contributions into the Fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Merthyr Tydfil County Borough Council recognises gains and losses in full, immediately through Other Comprehensive Income and Expenditure.

The latest actuarial valuation of Merthyr Tydfil County Borough Council's liabilities took place as at 31st March 2013. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS19 purposes are detailed in note 43d.

22b. **International Accounting Standard 19 (Employee Benefits) —LGPS Unfunded Benefits**

Introduction

Disclosures in note relate to unfunded pension arrangements established by Merthyr Tydfil County Borough Council. These are termination benefits made on a discretionary basis upon early retirement in respect of members of the LGPS.

Merthyr Tydfil County Borough Council recognises gains and losses in full, immediately through Other Comprehensive Income and Expenditure.

In accordance with International Financial Reporting Standards, disclosure of certain information concerning assets, liabilities, income and expenditure relating to pension schemes is required.

Assumptions

The latest actuarial valuation of unfunded LGPS benefits took place as at 31st March 2013. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for IAS 19 purposes are detailed in note 43d.

23. **Reserves**

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.

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. Refer to Note 30 to the Statement of Accounts.

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. Refer to Note 32 to the Statement of Accounts.

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. Refer to Note 33 to the Statement of Accounts.

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. Refer to Note 35 to the Statement of Accounts.

Other Earmarked Balances represent monies set aside or relating to a specific purpose and are not available to finance general unspecified expenditure. Refer to Note 36 to the Statement of Accounts.

The **Council 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 and Note 34 to the Statement of Accounts.

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. Refer to Note 34 to the Statement of Accounts.

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. Refer to Note 34 to the Statement of Accounts.

Unusable Reserves disclosed in the Balance Sheet are as follows:

The **Revaluation Reserve** records unrealised revaluation gains/losses arising (since 1 April 2007) from holding non-current assets. Refer to Note 37 to the Statement of Accounts.

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. Refer to Note 38 to the Statement of Accounts.

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. Refer to Note 39 to the Statement of Accounts.

The **Accumulating Absences Adjustment Account** represents the Employee Benefits accrual calculated in compliance with IAS 19. Refer to Note 40 to the Statement of Accounts.

The **Pensions Reserve** represents an assessment of the pension liability in respect of retirement benefits earned to date by employees. Refer to Note 41 to the Statement of Accounts.

24. **Restructuring of Long-term Debt**

The Authority, when interest rate conditions are favourable and when acting on the advice of its Treasury Management Consultants, may restructure part of its long-term debt portfolio by replacing older high interest rate loans with newer lower interest rate loans. The writing down of the resulting net premium payment to the appropriate revenue account is based on the following accounting practice:

In the case of a premium the appropriate proportion is written down to revenue over the life of the replacement loans whereas in the case of a discount the appropriate proportion is written down to revenue either over the life of the replacement loans or a maximum of 10 years, whichever is the earliest.

Under the Code of Practice premiums and discounts on restructuring of debt should form part of the effective interest rate calculation when determining the amortised cost of borrowing outstanding. When, however, the replacement loan no longer exists, the

premium and discount is termed over-hanging and taken to the Financial Instruments Adjustment Account in the Balance Sheet.

No new debt-restructuring occurred during the financial year ended 31st March 2016.

25. Leases

There are two types of leasing arrangements entered into by Local Authorities, namely Finance Leases and Operating Leases. Generally, a finance lease transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee, whilst with an operating lease the risks and rewards are not transferred to the lessee.

Following the requirements of International Accounting Standard 17 (IAS 17) 'Leases', leases are required to be accounted for in the Comprehensive Income and Expenditure Statement and the Balance Sheet as finance or operating leases. Any adjusting reconciliations between the accounting treatment and the statutory capital controls regime is managed through the Capital Adjustment Account.

Under the Code of Practice, lease classification is made at the inception of the lease and the Code of Practice provides a number of primary indicators which either collectively or individually provide evidence of a finance lease. These indicators are as follows:

- The lease transfers ownership of the asset to the lessee by the end of the lease term
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain the option will be exercised
- The lease term is for the major part of the economic life of the asset
- The present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications

If the analysis is still not clear after considering the above, there are further indicators which either individually or collectively could also lead to a lease being classified as a finance lease:

- If the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee
- Gains or losses from the fluctuation in fair value of the leased asset's residual interest accrue to the lessee
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent

The Authority evaluates all of its leases with an annual rental payment above the Authority's de minimis level of £10,000, the Authority has applied the above principles in determining whether a lease is evaluated as finance or operating lease.

When evaluating a lease as a finance lease, the net present value of the minimum lease payments is taken as the fair value of the lease and included on the Balance Sheet under Non-Current Assets Property, Plant and Equipment. At the same time a long-term liability is recognised on the Balance Sheet. The Non-Current Asset is depreciated over the term of the lease with the depreciation charged to the Comprehensive Income and Expenditure Statement before being reversed out to the Capital Adjustment Account through the Movement in Reserves Statement. The annual

lease payment is split between a finance and interest element by applying the implied interest rate in the lease, with the finance (minimum revenue provision) element also writing down the long-term liability in the Balance Sheet. The Capital Adjustment Account reflects the differences between the depreciation and minimum revenue provision charges.

26. 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, taking into account relevant risks and uncertainties.

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

The nature of each provision is disclosed in Note 26 to the Statement of Accounts.

27. Revenue Recognition

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
- 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.

28. **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.

29. **Interests in Companies and Other entities**

Jointly Controlled operations

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers' that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The accounts of the Joint Committees have been consolidated into the Authority's financial statements on a line-by-line basis, calculated using a reasonable apportionment methodology. For 2014/15 the Llwydcoed Crematorium Joint Committee was included within the Authorities financial statements. For 2015/16 Central South Consortium has also been included. Therefore the Authority has reflected its share, 46.6% of the transactions of the Llwydcoed Crematorium Joint Committee and 6.68% of the transaction of the Central South Consortium Joint Committee into the Authority's Accounts on a line-by-line basis.

A description of the Jointly controlled operations is contained in Note 44 to the Statement of Accounts.

The accounting policies of the consolidated jointly controlled operation are in line with those of the Authority.

Associates

Capita Glamorgan Consultancy Ltd meets the criteria of an associated company. However the Authority does not have significant control over the company and in accordance with the code, Group Accounts are not prepared. For further details see Note 44.

30. **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.

31. **Changes to Accounting Policies**

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an Authority in preparing and presenting statement of accounts. Where a change in Accounting Policies is required, the Authority should disclose the nature of the change in Accounting policy. It should also disclose for the current period and each prior period, to the extent practicable, the amount of the adjustment for each financial statement line item affected.

The 2015/16 statement of accounts include the following changes to Accounting Policies

- IFRS 13 Fair Value Measurement
- Annual Improvements to IFRS 2011-13 cycle
- IFRIC 21 Levies
- Minimum Revenue Provision Policy

The adoption of the above accounting policies per the code of practice are not changes of accounting policy that will require the publication of a third balance sheet.

Movement in Reserves Statement for the Year Ended 31st March 2016

| Description | (Note 34) General Fund Balance £'000 | (Note 33) Insurance Fund Balance £'000 | (Note 35) LMS Balances £'000 | (Note 36) Other Earmarked Balances £'000 | (Note 32) Capital Grants Unapplied Account £'000 | (Note 30) Capital Receipts Reserve £'000 | Total Usable Reserves £'000 | (Notes 37 to 41) Total Unusable Reserves £'000 | Total Authority Reserves £'000 |
|--|--|--|---------------------------------------|--|---|--|--------------------------------------|---|---|
| Balance at 31st March 2015 | 5,214 | 1,667 | 206 | 5,972 | 1,214 | 1,119 | 15,392 | (16,030) | (638) |
| <u>Movement in Reserves during 2015/16</u> | | | | | | | | | |
| Surplus or (deficit) on the Provision of Services | (1,148) | 0 | 0 | 0 | 0 | 0 | (1,148) | 0 | (1,148) |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 18,371 | 18,371 |
| Total Comprehensive Income and Expenditure | (1,148) | 0 | 0 | 0 | 0 | 0 | (1,148) | 18,371 | 17,223 |
| Adjustments between accounting basis and funding basis under regulations (Note 12) | 8,345 | 0 | 0 | 0 | 159 | (572) | 7,932 | (7,932) | 0 |
| Net Increase/Decrease before Transfers to Earmarked Reserves | 7,197 | 0 | 0 | 0 | 159 | (572) | 6,784 | 10,439 | 17,223 |
| Transfers to/from Earmarked Reserves | (7,402) | 364 | 573 | 6,465 | 0 | 0 | 0 | 0 | 0 |
| Increase/Decrease in Year | (205) | 364 | 573 | 6,465 | 159 | (572) | 6,784 | 10,439 | 17,223 |
| *Central South Consortium Adjustment | 4 | | | 29 | | | 33 | (69) | (36) |
| Balance at 31st March 2016 | 5,013 | 2,031 | 779 | 12,466 | 1,373 | 547 | 22,209 | (5,660) | 16,549 |

* Central South Consortium has been consolidated into the Council's Statement of Accounts for 2015/16 and therefore an adjustment to reflect opening Central South Consortium balances is necessary.

* The Council Fund Balance of £5.013 million comprises the Council's General Fund Balance of £4.627 million, the Consolidated Llwydcoed Crematorium reserve of £0.377 million and the Consolidated Central South Consortium reserve of £0.009 million. Refer to Note 34

Movement in Reserves Statement for the Year Ended 31st March 2015

| Description | (Note 34) General Fund Balance £'000 | (Note 33) Insurance Fund Balance £'000 | (Note 35) LMS Balances £'000 | (Note 36) Other Earmarked Balances £'000 | (Note 32) Capital Grants Unapplied Account £'000 | (Note 30) Capital Receipts Reserve £'000 | Total Usable Reserves £'000 | (Notes 37 to 41) Total Unusable Reserves £'000 | Total Authority Reserves £'000 |
|--|--|--|---------------------------------------|--|---|--|--------------------------------------|---|---|
| Balance at 31st March 2014 | 5,055 | 1,420 | 358 | 3,476 | 1,405 | 334 | 12,048 | (1,605) | 443 |
| <u>Movement in Reserves during 2014/15</u> | | | | | | | | | |
| Surplus or (deficit) on the Provision of Services | 4,670 | 0 | 0 | 0 | 0 | 0 | 4,670 | 0 | 4,670 |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (5,751) | (5,751) |
| Total Comprehensive Income and Expenditure | 4,670 | 0 | 0 | 0 | 0 | 0 | 4,670 | (5,751) | (1,081) |
| Adjustments between accounting basis and funding basis under regulations (Note 12) | (2,602) | 0 | 0 | 0 | 491 | 785 | (1,326) | 1,326 | 0 |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | 2,068 | 0 | 0 | 0 | 491 | 785 | 3,344 | (4,425) | (1,081) |
| Transfers to/(from) Earmarked Reserves | (1,909) | 247 | (152) | 1,814 | 0 | 0 | 0 | 0 | 0 |
| Transfers between Earmarked Reserves | 0 | 0 | 0 | 682 | (682) | 0 | 0 | 0 | 0 |
| Increase/(Decrease) in Year | 159 | 247 | (152) | 2,496 | (191) | 785 | 3,344 | (4,425) | (1,081) |
| Balance at 31st March 2015 | 5,214 | 1,667 | 206 | 5,972 | 1,214 | 1,119 | 15,392 | (1,603) | (638) |

* The Council Fund Balance of £5.214 million comprises the Council's General Fund Balance of £4.525 million and the Consolidated Llwydcoed Crematorium reserve of £0.689 million. Refer to Note 34

Comprehensive Income and Expenditure Statement for the Year Ended 31st March 2016

| Gross Expenditure 2014115 £'000 | Gross Income 2014115 £'000 | Net Expenditure 2014115 £'000 | Description | Gross Expenditure 2015116 £'000 | Gross Income 2015116 £'000 | Net Expenditure 2015116 £'000 |
|--|---|--|---|--|---|--|
| 6,332 | 4,783 | 1,549 | Central Services to the Public | 8,851 | 6,676 | 2,175 |
| 5,325 | 1,663 | 3,662 | Cultural and Related Services | 10,088 | 806 | 9,282 |
| 22,708 | 7,150 | 15,558 | Environmental and Regulatory Services | 16,446 | 6,835 | 9,611 |
| 885 | 150 | 735 | Planning Services | 854 | 628 | 226 |
| 64,668 | 11,684 | 52,984 | Education and Children's Services | 65,576 | 14,241 | 51,335 |
| 18,676 | 5,679 | 12,997 | Highways, Roads and Transport Services | 15,884 | 5,504 | 10,380 |
| 24,435 | 21,520 | 2,915 | Other Housing Services | 27,027 | 21,777 | 5,250 |
| 29,076 | 9,226 | 19,850 | Adult Social Care | 26,869 | 8,508 | 18,361 |
| 941 | 21 | 920 | Democratic Representation and Management | 951 | 5 | 946 |
| 1,204 | 0 | 1,204 | Corporate Management | 2,174 | 0 | 2,174 |
| 1,194 | 0 | 1,194 | Non Distributed Cost | 2,077 | 0 | 2,077 |
| 175,444 | 61,876 | 113,568 | Cost of Services | 176,797 | 64,980 | 111,817 |
| | | 1,184 | (Gain)/Loss on the Disposal of Fixed Assets | | | (225) |
| | | 19 | Precepts paid to Bedlinog Community Council | | | 20 |
| | | 3,356 | Precepts paid to South Wales Police Authority | | | 3,542 |
| | | 2,936 | Levies paid (Note 3) | | | 2,905 |
| | | 7,495 | Other Operating Expenditure | | | 6,242 |
| | | 5,019 | Interest Payable and Similar Charges | | | 5,109 |
| | | (48) | Interest and Investment Income | | | (56) |
| | | 6,697 | Net Interest on the net defined benefit liability (asset) | | | 5,578 |
| | | 11,668 | Financing and Investment Income and Expenditure | | | 10,631 |
| | | (72,880) | Revenue Support Grant | | | (72,424) |
| | | (21,089) | Net Proceeds from Council Tax (Note 10) | | | (22,578) |
| | | (18,402) | Net Proceeds from Non-Domestic Rates (Note 11) | | | (16,864) |
| | | 125,030 | Capital Grants and Contributions | | | 15,676 |
| | | (137,401) | Taxation and Non-Specific Grant Income | | | (127,542) |
| | | (4,670) | (Surplus)/Deficit on the Provision of Services | | | 1,148 |
| | | (7,971) | Surplus or Deficit on Revaluation of Non-Current Assets | | | (258) |
| | | 13,722 | Remeasurements of the net defined liability (asset) | | | (18,113) |
| | | 5,751 | Other Comprehensive Income and Expenditure | | | (18,371) |
| | | 1,081 | Total Comprehensive Income and Expenditure | | | (17,223) |

The Balance Sheet for the Year Ended 31st March 2016

| 31/03/2016 £'000 | | 31/03/2016 £'000 |
|---------------------|---|---------------------|
| 249,917 | Non-Current Assets (Note 14) | 251,461 |
| 3,726 | Heritage Assets (Note 15) | 5,226 |
| 834 | Investment Property (Note 18) | 834 |
| 0 | Intangible Assets | 0 |
| 13 | Long Term Investments | 10 |
| 1,024 | Long Term Debtors (Note 19) | 949 |
| 255,514 | Long-term Assets | 258,480 |
| 5,801 | Short-term Investments (Note 20) | 3,001 |
| 574 | Assets Held for Sale (Note 21) | 319 |
| 114 | Inventories (Note 22) | 162 |
| 22,909 | Short-term Debtors (Note 23) | 21,595 |
| 1,310 | Cash and Cash Equivalents (Note 24) | 2,196 |
| 30,708 | Current Assets | 27,273 |
| (755) | Cash and Cash Equivalents (Note 24) | 0 |
| (13,953) | Short-term Borrowing (Note 20) | (19,821) |
| (18,229) | Short-term Creditors (Note 25) | (12,002) |
| (40) | Other Current Liabilities | (43) |
| 0 | Short-term Provisions (Note 26) | (1,391) |
| (32,977) | Current Liabilities | (33,257) |
| (1,836) | Long Term Provisions (Note 26) | (288) |
| (70,510) | Long-term Borrowing (Note 20) | (68,561) |
| (181,200) | Defined Benefit Pension Scheme Liability (Note 41) | (167,050) |
| (58) | Other Long-term Liabilities | (48) |
| (279) | Capital Grants Receipts in Advance (Note 29) | 0 |
| (253,883) | Long-term Liabilities | (235,947) |
| (638) | Net Assets | 16,549 |
| 1,119 | Capital Receipts Reserve (Note 30) | 547 |
| 1,214 | Capital Grants Unapplied Account (Note 32) | 1,373 |
| 1,667 | Insurance Fund Balance (Note 33) | 2,031 |
| 206 | Local Management of Schools Balances (Note 35) | 779 |
| 5,972 | Other Earmarked Balances (Note 36) | 12,466 |
| 4,525 | Council Fund Balance (Note 34) | 4,627 |
| 689 | Consolidated Lwydcoed Crematorium Reserve (Note 34) | 377 |
| 0 | Consolidated Central South Consortium Reserve (Note 34) | 9 |
| 15,392 | Usable Reserves | 22,209 |
| 32,925 | Revaluation Reserve (Note 37) | 32,275 |
| 136,601 | Capital Adjustment Account (Note 38) | 133,055 |
| (2,790) | Financial Instruments Adjustment Account (Note 39) | (2,705) |
| (1,566) | Accumulating Absences Adjustment Account (Note 40) | (1,235) |
| (181,200) | Pensions Reserve (Note 41) | (167,050) |
| (16,030) | Unusable Reserves | (5,660) |
| (638) | Total Reserves | 16,549 |

The Cashflow statement for the year ended 31st March 2016

| 2014/15 £'000 | Description | 2015/16 £'000 |
|------------------|--|------------------|
| | <u>Operating Activities</u> | |
| 198 | Rents (after rebates) | 189 |
| 17,458 | Council Tax receipts | 22,483 |
| 18,402 | National non-domestic rate receipts from national pool | 16,864 |
| 72,880 | Revenue Support Grant | 72,424 |
| 19,724 | DSS grants for benefits | 20,244 |
| 23,405 | Other government grants | 14,737 |
| 15 | Interest received | 14 |
| 12,755 | Cash received for goods and services | 16,992 |
| 4,512 | Other operating cash receipts | 6,531 |
| 169,349 | Cash Inflows Generated from Operating Activities | 170,478 |
| (71,892) | Cash paid to and on behalf of employees | (68,565) |
| (63,733) | Other operating cash payments | (64,507) |
| (5,014) | Interest paid | (5,111) |
| (20,703) | Housing Benefit paid out | (20,645) |
| (2,936) | Levies paid | (2,905) |
| | Precepts Paid | (3,562) |
| (164,278) | Cash Outflows Generated from Operating Activities | (165,295) |
| 5,071 | Net Cash Flows from Operating Activities (Note 45) | 5,183 |
| | <u>Investing Activities</u> | |
| (23,007) | Purchase of Property, Plant and Equipment | (17,757) |
| (9,059) | Other capital cash payments | (8,717) |
| (74,000) | New Short term investments made | (62,600) |
| 68,500 | Repayments of investments | 65,400 |
| 1,056 | Sale of fixed assets (Note 31) | 771 |
| 20,012 | Capital grants received (Note 48) | 15,375 |
| 0 | Other capital cash receipts | 0 |
| (16,498) | Net Cash Flows from Investing Activities | (7,528) |
| | <u>Financing Activities</u> | |
| 4,476 | New long-term loans raised | 1,028 |
| 80,820 | New short-term loans raised | 92,550 |
| (73,143) | Repayments of amounts borrowed | (89,592) |
| 12,153 | Net Cash Flows from Financing Activities | 3,986 |
| 726 | Net (Increase)/Decrease in Cash and Cash Equivalents | 1,641 |
| (171) | Cash and Cash Equivalents at the Beginning of the Reporting Period (Note 24) | 555 |
| 555 | Cash and Cash Equivalents at the End of the Reporting Period | 2,196 |

NOTES TO THE STATEMENT OF ACCOUNTS

1. Operating Leases - Lessee

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

2015/16

| Description | Vehicles £'000 | Equipment £'000 | Land and Buildings £'000 | Total £'000 |
|---|-------------------|--------------------|--------------------------------|----------------|
| Not later than one year | 172 | 91 | 111 | 374 |
| Later than one year and not later than five years | 177 | 167 | 277 | 621 |
| Later than five years | 0 | 0 | 110 | 110 |
| Total | 349 | 258 | 498 | 1,105 |

2014/15

| Description | Vehicles £'000 | Equipment £'000 | Land and Buildings £'000 | Total £'000 |
|---|-------------------|--------------------|--------------------------------|----------------|
| Not later than one year | 171 | 68 | 74 | 313 |
| Later than one year and not later than five years | 194 | 128 | 246 | 568 |
| Later than five years | 0 | 0 | 168 | 168 |
| Total | 365 | 196 | 488 | 1,049 |

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

2015/16

| Description | Vehicles £'000 | Equipment £'000 | Land and Buildings £'000 | Total £'000 |
|----------------|-------------------|--------------------|--------------------------------|----------------|
| Lease payments | 306 | 74 | 282 | 662 |
| Total | 306 | 74 | 282 | 662 |

2014/15

| Description | Vehicles £'000 | Equipment £'000 | Land and Buildings £'000 | Total £'000 |
|----------------|-------------------|--------------------|--------------------------------|----------------|
| Lease payments | 314 | 81 | 168 | 563 |
| Total | 314 | 81 | 168 | 563 |

Operating Leases - Lessor

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:

2015/16

| Description | Vehicles £'000 | Equipment £'000 | Land and Buildings £'000 | Total £'000 |
|---|-------------------|--------------------|--------------------------------|----------------|
| Not later than one year | 0 | 0 | 143 | 143 |
| Later than one year and not later than five years | 0 | 0 | 31 | 31 |
| Later than five years | 0 | 0 | 115 | 115 |
| Total | 0 | 0 | 289 | 289 |

2014/15

| Description | Vehicles £'000 | Equipment £'000 | Land and Buildings £'000 | Total £'000 |
|---|-------------------|--------------------|--------------------------------|----------------|
| Not later than one year | 0 | 0 | 121 | 121 |
| Later than one year and not later than five years | 0 | 0 | 126 | 126 |
| Later than five years | 0 | 0 | 117 | 117 |
| Total | 0 | 0 | 364 | 364 |

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

2015/16

| Description | Vehicles £'000 | Equipment £'000 | Land and Buildings £'000 | Total £'000 |
|----------------|-------------------|--------------------|--------------------------------|----------------|
| Lease payments | 0 | 0 | 185 | 185 |
| Total | 0 | 0 | 185 | 185 |

2014/15

| Description | Vehicles £'000 | Equipment £'000 | Land and Buildings £'000 | Total £'000 |
|----------------|-------------------|--------------------|--------------------------------|----------------|
| Lease payments | 0 | 0 | 165 | 165 |
| Total | 0 | 0 | 165 | 165 |

£35,000 income was received in 2015/16 from lease agreements in respect of Investment Properties.

2. Finance Leases

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

| 2014/15 £'000 | Asset Type | 2015/16 £'000 |
|------------------|--|------------------|
| 73 | Land and Buildings | 64 |
| 53 | Vehicles, Plant, Furniture and Equipment | 88 |
| 126 | Total | 152 |

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.

| 2014/15 £'000 | Asset Type | 2015/16 £'000 |
|------------------|--|------------------|
| | Finance lease liabilities (net present value of minimum lease payments): | |
| (40) | Current | (43) |
| (61) | Non-current | (51) |
| 3 | Finance costs payable in future years | 3 |
| (98) | Minimum Lease Payments | 91 |

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

| Description | Minimum lease payments | | Finance lease liabilities | |
|---|------------------------|------------------|---------------------------|------------------|
| | 2015/16 £'000 | 2014/15 £'000 | 2015/16 £'000 | 2014/15 £'000 |
| Not later than one year | (43) | (40) | 43 | 40 |
| Later than one year and not later than five years | (50) | (61) | 48 | 58 |
| Total | (93) | (101) | 91 | 98 |

3. Levies

During the year the Authority paid levies totalling £2,905,000 to a number of bodies. The net expenditure breakdown is as follows:

| 2014/15 £'000 | Description | 2015/16 £'000 |
|--------------------------|------------------------------|--------------------------|
| 2,770 | Fire Service | 2,725 |
| 84 | Coroners Service | 99 |
| 41 | Glamorgan Archives | 41 |
| 41 | Brecon Beacons National Park | 40 |
| 2,936 | Total | 2,905 |

4. Minimum Revenue Provision (MRP)

As disclosed in Note 11 of the Statement of Accounting Policies, the Authority must set aside a minimum revenue provision for the repayment of external loans and the writing down of the long-term liabilities arising from finance leases. The value for 2015/16 is £2,040, 000 (£2,863, 000 for 2014/15) and is derived as follows.

Repayment of Borrowing to Finance Capital Expenditure

| Total 2014/15 £'000 | Description | Total 2015/16 £'000 |
|------------------------------------|---|------------------------------------|
| 82,576 (153) | Capital Financing Requirement 1 st April Credit Ceiling Adjustment | 85,427 0 |
| 2,755 | Minimum Revenue Provision | 1,993 |
| 85,427 | Capital Financing Requirement 31 st March | 92,418 |

Writing Down of Finance Leases Long-term Liabilities

| Total 2014/15 £'000 | Description | Total 2015/16 £'000 |
|------------------------------------|----------------------------------|------------------------------------|
| 108 | In Year Finance Charge | 47 |
| 108 | Minimum Revenue Provision | 47 |

5. **Remuneration of Employees**

The number of employees, excluding employer's pension contributions, whose remuneration was £60,000 or more in bands of £5,000 during the year ended 31st March 2016 is as follows:

| Restated Employees 2014/15 | Banding | Employees 2015/16 |
|---|-----------------------------------|------------------------------|
| 11 | £60,000 to £64,999 | 11 |
| 10 | £65,000 to £69,999 | 6 |
| 2 | £70,000 to £74,999 | 6 |
| 1 | £75,000 to £79,999 | 1 |
| 2 | £80,000 to £84,999 | 0 |
| 1 | £85,000 to £89,999 | 1 |
| 1 | £90,000 to £94,999 | 2 |
| 0 | £95,000 to £99,999 | 1 |
| 0 | £100,000 to £104,999 | 0 |
| 0 | £105,000 to £109,999 | 0 |
| 0 | £110,000 to £114,999 | 1 |
| 1 | £115,000 to £119,999 | 0 |
| 29 | Total in excess of £60,000 | 29 |

The table above includes disclosures for Senior Officers that are also disclosed within note 6.

6. **Disclosure of Remuneration for Senior Officers**

The following tables set out the remuneration disclosures for Senior Officers whose salary is equal to or more than £60,000 per year

2015/16

| Post Title | Salary £ | Benefits £ | Compensation Payments £ | Total Remuneration Excluding Pension Contributions 2015/16 £ | Pension Contributions £ | Total Remuneration Including Pension Contributions 2015/16 £ |
|--|------------------|---------------|-------------------------------|--|-------------------------------|--|
| Chief Executive | 114,227 | | | 114,227 | 28,442 | 142,669 |
| Corporate Director People & Performance | 90,246 | | | 90,246 | 22,471 | 112,717 |
| Corporate Director Places & Transformation | 90,246 | | | 90,246 | 22,471 | 112,717 |
| Engineering Manager Customer Services* | 33,046 | | 42,697 | 75,743 | 8,163 | 83,906 |
| Chief Officer Learning | 70,714 | | | 70,714 | 17,608 | 88,322 |
| Chief Officer Social Services | 70,442 | | | 70,442 | 17,540 | 87,982 |
| Head Of Finance | 69,681 | | | 69,681 | 17,351 | 87,032 |
| Head Of Legal & Governance | 69,681 | | | 69,681 | 17,351 | 87,032 |
| Chief Officer Community Regeneration | 67,714 | | | 67,714 | 16,861 | 84,575 |
| Chief Officer Neighbourhood Services | 67,714 | | | 67,714 | 16,861 | 84,575 |
| Head Of Corporate Services | 66,681 | | | 66,681 | 16,604 | 83,285 |
| Head Of Public Protection & Housing | 60,488 | | | 60,488 | 15,062 | 75,550 |
| Head Of Adult Social Services | 60,488 | | | 60,488 | 15,062 | 75,550 |
| Head of Children Services* | 58,475 | | | 58,475 | 14,560 | 73,035 |
| Head of Prevention and Early Intervention* | 34,841 | | 2,302 | 37,143 | 8,675 | 45,818 |
| Total | 1,024,684 | 0 | 44,999 | 1,069,683 | 255,082 | 1,324,765 |

The highest paid employee during 15/16 was the Chief Executive, whose remuneration of £142,669 including pension contributions was 5.64 times the median remuneration of the workforce of £25,296.

* The following positions were employed for part of the year as follows:
 Engineering Manager Customer Services - Employment Ceased on 27th September 2015
 Head of Children Services - Employment started in this position on 1st June 2015
 Head of Prevention and Early Intervention - Employment Ceased on 30th September 2015

6. **Disclosure of Remuneration for Senior Employees**

The following tables set out the remuneration disclosures for Senior Officers whose salary is equal to or more than £60,000 per year

2014/15

| <i>Post Title</i> | <i>Salary £</i> | <i>Benefits £</i> | <i>Compensation Payments £</i> | <i>Total Remuneration Excluding Pension Contributions 2014/15 £</i> | <i>Pension Contributions £</i> | <i>Total Remuneration Including Pension Contributions 2014/15 £</i> |
|---|---------------------|-----------------------|--|---|--|---|
| <i>Chief Executive</i> | 11,5192 | | | 11,5192 | 27,877 | 143,069 |
| <i>Director of Customer Services</i> | 88,578 | 195 | | 88,773 | 21,436 | 110,209 |
| <i>Head of Human Resources</i> | 43,135 | | 39,702 | 82,837 | 10,439 | 93,276 |
| <i>Head of School Support</i> | 75,714 | | | 75,714 | 18,323 | 94,037 |
| <i>Head of Legal</i> | 68,605 | | | 68,605 | 16,602 | 85,207 |
| <i>Senior Manager (Community Services)</i> | 68,605 | | | 68,605 | 16,602 | 85,207 |
| <i>Chief Finance Officer</i> | 68,342 | | | 68,342 | 16,539 | 84,881 |
| <i>Assistant Director Chief Executives</i> | 68,208 | | | 68,208 | 16,506 | 84,714 |
| <i>Head of Leisure, Culture and Environment</i> | 66,319 | | | 66,319 | 16,049 | 82,368 |
| <i>Head of Children Services</i> | 65,605 | | | 65,605 | 15,876 | 81,481 |
| <i>Engineering Manager Customer Services</i> | 63,331 | | | 63,331 | 15,326 | 78,657 |
| <i>Head of Community Development</i> | 63,331 | 175 | | 63,506 | 15,326 | 78,832 |
| <i>Head of Property and Estates</i> | 63,331 | | | 63,331 | 15,326 | 78,657 |
| Total | 918,296 | 370 | 39,702 | 958,368 | 222,227 | 1,180,595 |

The highest paid employee during 2014/15 was the Chief Executive, whose remuneration of £143,069 including pension contributions, was 5.69 times the median remuneration of the workforce of £25,154.

7. **Exit Packages**

A total of 34 exit packages were agreed during 2015/16. The costs include Voluntary redundancy payments, Payment in Lieu of Notice and the strain to the pension fund.

| Number of exit packages agreed 2014/15 | Value of exit packages agreed 2014/15 £'000 | Banding | Number of exit packages agreed 2015/16 | Value of exit Packages Agreed 2015/16 £'000 |
|--|---|----------------------|--|---|
| 45 | 335 | £0 to £19,999 | 21 | 171 |
| 6 | 154 | £20,000 to £39,999 | 10 | 284 |
| 5 | 234 | £40,000 to £59,999 | 1 | 56 |
| 1 | 79 | £60,000 to £79,999 | 1 | 66 |
| 0 | 0 | £80,000 to £99,999 | 0 | 0 |
| 0 | 0 | £100,000 to £149,999 | 0 | 0 |
| | | £150,000 to £199,999 | 0 | 0 |
| | | £200,000 to £249,999 | 1 | 238 |
| 57 | 802 | Total | 34 | 815 |

8. **Members' Allowances**

In 2015/16 the Authority incurred the following costs in relation to Members:

| Total 2014/15 £'000 | Description | Total 2015/16 £'000 |
|---------------------|----------------------------------|---------------------|
| 594 | Salaries and Allowances | 593 |
| 80 | Pension Contributions | 79 |
| 42 | National Insurance Contributions | 42 |
| 5 | Expenses | 4 |
| 721 | Total | 718 |

9. **Audit Costs**

In 2015/16 the Authority incurred the following fees relating to external audit and inspection:

| 2014/15 £'000 | Description | 2015/16 £'000 |
|---------------|---|---------------|
| 160 | Fees payable with regard to external audit services carried out by the appointed auditors | 160 |
| 117 | Fees payable in respect of statutory inspection | 117 |
| 68 | Fees payable for the certification of grant claims and returns | 71 |
| 345 | Total | 348 |

10 **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 2015/16 was 26,874 (2014/15 – 26,781).

The net proceeds from Council Tax are calculated as follows:

| 2014/15 £'000 | Description | 2015/16 £'000 |
|--------------------------|--|--------------------------|
| | Income | |
| (21,331) | Council Taxes (net of Council Tax Benefits) | (22,868) |
| (5,954) | Council Tax Benefit Payments | (5,872) |
| | Expenditure | |
| | Precepts Payable | |
| 3,356 | - South Wales Police Precept | 3,542 |
| 19 | - Community Council | 20 |
| 22,820 | - Merthyr Tydfil County Borough Council Fund requirement | 23,977 |
| 242 | Council Tax written off and provided for | 290 |
| (848) | Net surplus for the year | (911) |

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

| Chargeable Dwellings 2014/15 | Valuation Band | Valuation Range | Chargeable Dwellings 2015/16 |
|---|-----------------------|-------------------------------|---|
| 13,970 | A | Not exceeding £44,000 | 13,991 |
| 6,622 | B | Between £44,000 and £65,000 | 6,637 |
| 2,130 | C | Between £65,000 and £91,000 | 2,135 |
| 2,064 | D | Between £91,000 and £123,000 | 2,076 |
| 1,314 | E | Between £123,000 and £162,000 | 1,346 |
| 529 | F | Between £162,000 and £223,000 | 535 |
| 138 | G | Between £223,000 and £324,000 | 140 |
| 4 | H | Between £324,000 and £424,000 | 4 |
| 10 | I | Exceeding £424,000 | 10 |
| 26,781 | | | 26,874 |

| | Dwellings 2015/16 | Tax Base 2015/16 | Dwellings 2014/15 | Tax Base 2014/15 |
|--|----------------------|---------------------|----------------------|---------------------|
| Total Number of Properties on valuation | 26,874 | 26,874 | 26,781 | 26,781 |
| Less Exempt Properties 100% | 916 | (916) | 956 | (956) |
| Less Single Discounts 25% | 9,169 | (2,292) | 9,160 | (2,290) |
| Less Multiple Discounts 50% | 685 | (343) | 584 | (292) |
| Band D Conversion | | (4,859) | | (4,879) |
| Losses on Collection | | (739) | | (735) |
| Tax Base | | 17,725 | | 17,629 |
| Council Tax requirement | | 27,352,194 | | 26,381,291 |
| Less Payable to South Wales Police | | (3,355,513) | | (3,542,493) |
| Less Payable to Community Council | | (19,500) | | (18,500) |
| Net requirement for Merthyr Tydfil County Borough Council | | 23,977,181 | | 22,820,298 |
| Band D tax for the year | | 1,352.72 | | 1,294.47 |

Losses on collection have been calculated at 4% for 2015/16 and 2014/15

The basic amount of £1,352.72 for a Band D property (£1,294.47 in 2014/15) is multiplied by the proportion specified for the particular band to give the individual amount due:

| Band | A* | A | B | C | D | E | F | G | H | I |
|------------|-----|-----|-----|-----|---|------|------|------|------|------|
| Multiplier | 5/9 | 6/9 | 7/9 | 8/9 | 1 | 11/9 | 13/9 | 15/9 | 18/9 | 21/9 |

11. 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 31st March 2016 was £43,019,628 with the Non-Domestic Rate Multiplier being £0.482 (48.2 pence) in the pound. The total number of chargeable properties for 2015/16 was 1,747 (2014/15 – 1,716). The net proceeds from Non-Domestic Rates in 2015/16 was £16,863,943 (2014/15 – £18,402,000).

12. **Adjustments between Accounting Basis and Funding Basis Under Regulations**

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

2015/16

| Adjustments involving the Capital Adjustment Account, Capital Grants Unapplied Account and Capital Receipts Reserve | Usable Reserves | | | Movement Unusable Reserves £'000 |
|--|-----------------------|-----------------------------------|-----------------------------------|-------------------------------------|
| | General Fund £'000 | Capital Grants Unapplied £'000 | Capital Receipts Reserve £'000 | |
| <i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | | |
| Charges for depreciation and impairment of non-current assets and movements in the market value of investment properties | 14,977 | | | (14,977) |
| Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement | (15,676) | 414 | | 15,263 |
| Revenue Expenditure Funded from Capital Under Statute | 8,717 | | | (8,717) |
| Proceeds of Sale of Non-Current Assets | (771) | | 771 | 0 |
| Current Value of Non-Current Assets sold | 545 | | | (545) |
| <i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | | |
| Statutory provision for repayment of debt | (2,083) | | | 2,083 |
| Revenue Contribution to Capital Outlay | (358) | | | 358 |
| Utilisation of capital receipts to finance capital expenditure | | | (1,343) | 1,343 |
| Capital grants applied to finance capital expenditure | | (254) | | 254 |
| Other | (484) | | | 484 |
| Total Movement | 4,867 | 159 | (572) | (4,454) |

| <i>Adjustments involving the Financial Instruments Adjustment Account</i> | <i>Usable Reserves</i> | | | <i>Movement Unusable Reserves £'000</i> |
|--|---------------------------|---------------------------------------|---------------------------------------|---|
| | <i>General Fund £'000</i> | <i>Capital Grants Unapplied £'000</i> | <i>Capital Receipts Reserve £'000</i> | |
| <i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | | |
| <i>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</i> | (44) | | | 44 |
| <i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | | |
| <i>Amortised premiums and discounts arising from long-term borrowing rescheduling</i> | (41) | | | 41 |
| <i>Total Movement</i> | (85) | 0 | 0 | 85 |

| <i>Adjustments involving the Accumulating Absences Adjustment Account</i> | <i>Usable Reserves</i> | | | <i>Movement Unusable Reserves £'000</i> |
|--|---------------------------|---------------------------------------|---------------------------------------|---|
| | <i>General Fund £'000</i> | <i>Capital Grants Unapplied £'000</i> | <i>Capital Receipts Reserve £'000</i> | |
| <i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | | |
| <i>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</i> | (335) | | | 335 |
| <i>Total Movement</i> | (335) | 0 | 0 | 335 |

| <i>Adjustments involving the Pensions Reserve</i> | <i>Usable Reserves</i> | | | <i>Movement Unusable Reserves £'000</i> |
|--|---------------------------|---------------------------------------|---------------------------------------|---|
| | <i>General Fund £'000</i> | <i>Capital Grants Unapplied £'000</i> | <i>Capital Receipts Reserve £'000</i> | |
| <i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | | |
| <i>Net charges made for retirement benefits</i> | 13,238 | | | (13,238) |
| <i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | | |
| <i>Employers' contributions payable to the pension fund and retirement benefits payable directly to pensioners</i> | (9,340) | | | 9,340 |
| <i>Total Movement</i> | 3,898 | 0 | 0 | (3,989} |

| <i>Net Movement</i> | <i>General Fund £'000</i> | <i>Capital Grants Unapplied £'000</i> | <i>Capital Receipts Reserve £'000</i> | <i>Movement Unusable Reserves £'000</i> |
|---|---------------------------|---------------------------------------|---------------------------------------|---|
| <i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i> | 20,651 | 413 | 771 | (21,835) |
| <i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i> | (12,306) | (254) | (1,343) | 13,903 |
| <i>Total Movement</i> | 8,345 | 159 | (572} | (7,932) |

2014/15

| <i>Adjustments involving the Capital Adjustment Account, Capital Grants Unapplied Account and Capital Receipts Reserve</i> | <i>Usable Reserves</i> | | | <i>Movement Unusable Reserves £'000</i> |
|---|-------------------------------|---|---|---|
| | <i>General Fund £'000</i> | <i>Capital Grants Unapplied £'000</i> | <i>Capital Receipts Reserve £'000</i> | |
| <i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | | |
| <i>Charges for depreciation and impairment of non-current assets and movements in the market value of investment properties</i> | 11,815 | | | (11,815) |
| <i>Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement</i> | (25,030) | 974 | | 24,056 |
| <i>Revenue Expenditure Funded from Capital Under Statute</i> | 9,059 | | | (9,059) |
| <i>Proceeds of Sale of Non-Current Assets</i> | (1,056) | | 1056 | |
| <i>Current Value of Non-Current Assets sold</i> | 2,240 | | | (2,240) |
| <i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | | |
| <i>Statutory provision for repayment of debt</i> | (2,863) | | | 2,863 |
| <i>Revenue Contribution to Capital Outlay</i> | (330) | | | 330 |
| <i>Utilisation of capital receipts to finance capital expenditure</i> | | | (271) | 271 |
| <i>Capital grants applied to finance capital expenditure</i> | | (483) | | 483 |
| <i>Other</i> | (130) | | | 130 |
| <i>Total Movement</i> | <i>(6,295)</i> | <i>491</i> | <i>785</i> | <i>5,019</i> |

| Adjustments involving the Financial Instruments Adjustment Account | Usable Reserves | | | Movement Unusable Reserves £'000 |
|---|--------------------|--------------------------------|--------------------------------|----------------------------------|
| | General Fund £'000 | Capital Grants Unapplied £'000 | Capital Receipts Reserve £'000 | |
| <i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | | |
| 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 | (81) | | | 81 |
| <i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | | |
| Amortised premiums and discounts arising from long-term borrowing rescheduling | (39) | | | 39 |
| Total Movement | (120) | 0 | 0 | 120 |

| Adjustments involving the Accumulating Absences Adjustment Account | Usable Reserves | | | Movement Unusable Reserves £'000 |
|---|--------------------|--------------------------------|--------------------------------|----------------------------------|
| | General Fund £'000 | Capital Grants Unapplied £'000 | Capital Receipts Reserve £'000 | |
| <i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | | |
| 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 | (370) | | | 370 |
| Total Movement | (370) | 0 | 0 | 370 |

| <i>Adjustments involving the Pensions Reserve</i> | <i>Usable Reserves</i> | | | <i>Movement Unusable Reserves £'000</i> |
|--|-------------------------------|---|---|---|
| | <i>General Fund £'000</i> | <i>Capital Grants Unapplied £'000</i> | <i>Capital Receipts Reserve £'000</i> | |
| <i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | | |
| <i>Net charges made for retirement benefits</i> | 13,805 | | | (13,805) |
| <i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i> | | | | |
| <i>Employers' contributions payable to the pension fund and retirement benefits payable directly to pensioners</i> | (9,622) | | | 9,622 |
| <i>Net Figure</i> | | | | |
| <i>Total Movement</i> | 4,183 | 0 | 0 | (4,183) |

| <i>Net Movement</i> | <i>General Fund £'000</i> | <i>Capital Grants Unapplied £'000</i> | <i>Capital Receipts Reserve £'000</i> | <i>Movement Unusable Reserves £'000</i> |
|---|-------------------------------|---|---|---|
| <i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i> | 10,382 | 974 | 1,056 | (12,412) |
| <i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</i> | (12,984) | (483) | (271) | 13,738 |
| <i>Total Movement</i> | (2,602) | 491 | 785 | 1,326 |

Additional notes reconciling in-year movements for each usable and unusable reserve are included in Notes 30, 33, 34 and 41 to the Statement of Accounts.

13. 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 (e.g. housing benefits). Grants received from government departments are set out in the subjective analysis in note 52 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2016 are shown in note 23.

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in note 8. Members' interests in other organisations have been identified by an inspection of the Members' and Officers' Declaration of Interest Register. During 2015/16, expenditure to the value of £34,865 was incurred with companies in which members had an interest; in the same period income to the value of £970. During 2015/16, expenditure to the value of £271,459 was incurred with voluntary organisations in which members had an interest; in the same period income to the value of £7,787 was received from these organisations.

Other Public Bodies – one Member of the Authority is also an Independent Member of Cwm Taff Local Health Board. During 2015/16, the Authority incurred expenditure to the value of £1,260,480 with the health board, and received income to the value of £1,007,776. The wife of a Chief Officer of the Authority is a Chief Officer for South Wales Fire and Rescue Service. During 2015/16, the Authority incurred expenditure to the value of £6,923 with the body, and received income to the value of £34,302.

Officers - details of Officers' emoluments are shown in note 6 to the Core Financial Statements. In 2015/16, no goods and services were commissioned from companies in which Chief Officers had an interest.

Jointly Controlled Operations - The Authority is involved in a number of jointly controlled operations, the details of which are shown in note 44. The Authority has recognised its share of the transactions and balances from these arrangements in its financial statements.

Capita Glamorgan Consultancy – during 2015/16, the Authority incurred expenditure to the value of £401,523 with Capita Glamorgan Consultancy. The Authority is represented on the Board.

Merthyr Valleys Homes - during 2015/16, the Authority incurred expenditure to the value of £515,076 with Merthyr Valleys Homes, and received income to the value of £603,286. The Authority is represented on the Board.

Merthyr Tydfil Leisure Trust - during 2015/16, the Authority incurred expenditure to the value of £2,854,480 with Merthyr Valleys Homes, and received income to the value of £588,710. The Authority is represented on the Board.

Levies—details of precepts collected on behalf of other organisations and an analysis of amounts levied on the Authority by other bodies can be found in note 3 to the Core Financial Statements.

South Wales Police Authority – the precept paid to the South Wales Police Authority during 2015/16 is detailed on the face of the Comprehensive Income and Expenditure Statement.

Bedlinog and Trelewis Community Council – the precept paid to the Bedlinog and Trelewis Community Council during 2015/16 is detailed on the face of the Comprehensive Income and Expenditure Statement.

Related Party Transactions

Transactions and balances with related parties are detailed below:

| Description | In-year Transactions | | Balances at 31 March 2016 | |
|--|--|---------------------------------------|--|--------------------------------------|
| | Expenditure Incurred by Authority £'000 | Income Received by Authority £'000 | Owed by Authority (Creditors) £'000 | Owed to Authority (Debtors) £'000 |
| Companies in which Members' Interests Declared | 35 | (1) | 0 | 0 |
| Voluntary Organisations in which Members' Interests Declared | 271 | (8) | (89) | 0 |
| Cwm Taff LHB | 1,260 | (1,008) | (44) | 311 |
| South Wales Fire and Rescue Service | 7 | (4) | 0 | 0 |
| Capita Glamorgan Consultancy | 401 | 0 | (147) | 0 |
| Merthyr Valleys Homes | 515 | (603) | 0 | 11 |
| Merthyr Tydfil Leisure Trust | 2,854 | (589) | 0 | 135 |

14. **Non-Current Assets**

Capital Expenditure on Property, Plant and Equipment

Capital expenditure for 2015/16 was incurred on the following types of Non-Current Assets.

| 2014/15 £'000 | Asset Type | 2015/16 £'000 |
|--------------------------|--|--------------------------|
| 3,073 | Schools | 5,691 |
| 593 | Leisure, Culture and Heritage | 1,094 |
| 13,467 | Regeneration, Environmental Improvements and Landscaping | 8,944 |
| 3,797 | Highways, Transport, Culverts and Bridges Works | 2,016 |
| 248 | Care Homes | (82) |
| 545 | Corporate Buildings | 390 |
| 210,723 | Total | 18,053 |

The Authority is committed to further capital expenditure in 2016/17 to 2018/19 on Non-Current Assets of £4,244,000 relating to on-going 2015/16 schemes. £4,003,000 of this value is in relation to Education projects for refurbishment and reconfiguration of existing school buildings.

Analysis of Non-Current Assets Held

The total of Non-Current Assets owned by the Authority includes the following.

| 31/03/2015 | Asset | 31/03/2016 |
|-------------------|-----------------------------------|-------------------|
| 7 | Town Hall and Other Offices | 7 |
| 1 | Sports Centres and Swimming Pools | 1 |
| 6 | Libraries and Museum | 6 |
| 22 | Stores and Depots | 22 |
| 12 | Surface Car Parks | 12 |
| 6 | Cemeteries and Crematorium | 6 |
| 4 | Community Centre | 4 |
| 39 | Schools and Education Buildings | 39 |
| 16 | Social Services Buildings | 16 |
| 0 | Fire Stations | 0 |
| 1,649 | Parks and Open Spaces (acres) | 1,649 |
| 701 | Strategic Land Holdings (acres) | 701 |

Movement in Non-Current Assets 2015/16

| Description | Land and Buildings £'000 | Vehicles, Plant, Furniture and Equipment £'000 | Infrastructure Assets £'000 | Community Assets £'000 | Surplus Assets £'000 | Assets Under Construction £'000 | Total Property, Plant and Equipment £'000 |
|--|-----------------------------|---|--------------------------------|---------------------------|-------------------------|------------------------------------|--|
| Cost or Valuation | | | | | | | |
| At 1 st April 2015 | 144,080 | 5,673 | 124,814 | 1,563 | 6,476 | 5,648 | 288,254 |
| Acquisitions/Additions | 8,369 | 251 | 3,559 | 65 | 1,450 | 3,960 | 17,654 |
| Newly identified Assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation Increases/Decreases to RR | (1,214) | 0 | 0 | 0 | 198 | 0 | (1,016) |
| Revaluation Increases/Decreases to Surplus/Deficit on the Provision of Services | (2,633) | 0 | 0 | (1,926) | (2,092) | 0 | (6,651) |
| Derecognition - Disposals | (244) | (469) | 0 | 0 | (73) | 0 | (786) |
| Derecognition - Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassification and Transfers | (1,504) | 0 | 0 | 539 | (235) | (141) | (1,341) |
| At 31st March 2016 | 146,854 | 5,455 | 128,373 | 241 | 5,724 | 9,467 | 296,114 |
| Accumulated Deereciation and Impairment | | | | | | | |
| As 1 st April 2015 | 2,553 | 3,042 | 32,197 | 14 | 26 | 505 | 38,337 |
| Depreciation Charge | 2,544 | 716 | 4,508 | 0 | 30 | 0 | 7,798 |
| Depreciation written out of the RR | (1,137) | 0 | 0 | 0 | (3) | 0 | (1,140) |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | (802) | 0 | 0 | 0 | (2) | 0 | (804) |
| Impairment losses/(reversals) recognised in the RR | 23 | 0 | 0 | 0 | 0 | 0 | 23 |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | 351 | 39 | 393 | (14) | (15) | 297 | 1,051 |
| Derecognition - Disposals | (132) | (434) | 0 | 0 | (2) | 0 | (568) |
| Derecognition - Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassification and Transfers | (38) | 0 | 0 | 0 | (6) | 0 | (44) |
| At 31st March 2016 | 3,362 | 3,363 | 37,098 | 0 | 28 | 802 | 44,653 |
| Net Book Value | | | | | | | |
| At 31st March 2016 | 143,492 | 2,092 | 91,275 | 241 | 5,696 | 8,665 | 251,461 |
| At 31st March 2015 | 141,527 | 2,631 | 92,617 | 1,549 | 6,450 | 5,143 | 249,917 |

Movement in Non-Current Assets 2014/15

| Description | Land and Buildings £'000 | Vehicles, Plant, Furniture and Equipment £'000 | Infrastructure Assets £'000 | Community Assets £'000 | Surplus Assets £'000 | Assets Under Construction £'000 | Total Property, Plant and Equipment £'000 |
|--|-----------------------------|---|-----------------------------------|------------------------------|----------------------------|--|---|
| <u>Cost or Valuation</u> | | | | | | | |
| At 1 st April 2014 | 143,351 | 5,133 | 11,672 | 869 | 0 | 748 | 266,823 |
| Acquisitions/Additions | 6,190 | 1,580 | 8,212 | 694 | 0 | 4,900 | 21,576 |
| Newly identified Assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation Increases/Decreases to RR | 6,550 | 0 | 0 | 0 | 0 | 0 | 6,550 |
| Revaluation Increases/Decreases to Surplus/Deficit on the Provision of Services | (2,022) | 0 | 0 | 0 | 0 | 0 | (2,022) |
| Derecognition - Disposals | (431) | (1,040) | (120) | 0 | 0 | 0 | (1,591) |
| Derecognition - Other | (1,187) | 0 | 0 | 0 | 0 | 0 | (1,187) |
| Reclassification and Transfers | (8,371) | 0 | 0 | 0 | 6,476 | 0 | (1,895) |
| At 31st March 2015 | 144,080 | 5,673 | 124,814 | 1,563 | 6,476 | 5,648 | 288,254 |
| <u>Accumulated Depreciation and Impairment</u> | | | | | | | |
| As 1 st April 2014 | 2,359 | 3,422 | 26,876 | 13 | 0 | 159 | 32,829 |
| Depreciation Charge | 2,451 | 609 | 4,192 | 0 | 0 | 0 | 7,252 |
| Depreciation written out of the RR | (2,161) | 0 | 0 | 0 | 0 | 0 | (2,161) |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | (409) | 0 | 0 | 0 | 0 | 0 | (409) |
| Impairment losses/(reversals) recognised in the RR | 243 | 0 | 0 | 0 | 0 | 0 | 243 |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | 147 | 51 | 1,249 | 1 | 0 | 346 | 1,794 |
| Derecognition - Disposals | (27) | (1,040) | (120) | 0 | 0 | 0 | (1,187) |
| Derecognition - Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassification and Transfers | (50) | 0 | 0 | 0 | 26 | 0 | (24) |
| At 31st March 2015 | 2,553 | 3,042 | 32,197 | 14 | 26 | 505 | 38,337 |
| <u>Net Book Value</u> | | | | | | | |
| At 31st March 2015 | 141,527 | 2,631 | 92,617 | 1,549 | 6,450 | 5,143 | 249,917 |
| At 31st March 2014 | 140,992 | 1,711 | 89,846 | 856 | 0 | 589 | 233,994 |

15 Heritage Assets

A Reconciliation of the Carrying value of Heritage Assets held by the Authority at the beginning of the financial period and at the Balance Sheet date is as follows:

201e5/1e6

| Description | Museum Collection £'000 | Civic Regalia £'000 | Historic Buildings £'000 | Monuments £'000 | Total Heritage Assets £'000 |
|--|-------------------------------|---------------------------|--------------------------------|--------------------|--------------------------------------|
| <u>Cost or Valuation</u> | | | | | |
| At 1 st April 201e5 | 3,105 | 82 | 567 | 0 | 3,754 |
| Acquisitions/Additions | 0 | 0 | 399 | 0 | 399 |
| Revaluation Increases/Decreases to RR | 0 | 0 | 143 | 0 | 143 |
| Revaluation Increases/Decreases to Surplus/Deficit on the Provision of Services | (27) | 0 | 11 | 0 | (16) |
| Derecognition - Disposals | 0 | 0 | 0 | 0 | 0 |
| Derecognition - Other | 0 | 0 | 0 | 0 | 0 |
| Reclassification and Transfers | 0 | 0 | 1,226 | 0 | 1,226 |
| At 31st March 2016 | 3,078 | 82 | 2,346 | 0 | 5,506 |
| <u>Accumulated Deereciation and Imeairment</u> | | | | | |
| As at 1 st April 2015 | 1 | 0 | 27 | 0 | 28 |
| Depreciation Charge | 0 | 0 | 0 | 0 | 0 |
| Depreciation written out of the RR | 0 | 0 | (40) | 0 | (40) |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 |
| Impairment losses/(reversals) recognised in the RR | 0 | 0 | 0 | 0 | 0 |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | (1e) | 0 | 253 | 0 | 252 |
| Derecognition - Disposals | 0 | 0 | 0 | 0 | 0 |
| Derecognition - Other | 0 | 0 | 0 | 0 | 0 |
| Reclassification and Transfers | 0 | 0 | 40 | 0 | 40 |
| At 31st March 2016 | 0 | 0 | 280 | 0 | 280 |
| <u>Net Book Value</u> | | | | | |
| At 31st March 2016 | 3,078 | 82 | 2,066 | 0 | 5,226 |
| At 31st March 2015 | 3,104 | 82 | 540 | 0 | 3,726 |

Heritage Assets

A Reconciliation of the Carrying value of Heritage Assets held by the Authority at the beginning of the financial period and at the Balance Sheet date is as follows:

2014/15

| Description | Museum Collection £'000 | Civic Regalia £'000 | Historic Buildings £'000 | Monuments £'000 | Total Heritage Assets £'000 |
|--|-------------------------------|---------------------------|--------------------------------|--------------------|--------------------------------------|
| <u>Cost or Valuation</u> | | | | | |
| At 1 st April 2014 | 3,070 | 82 | 420 | 0 | 3,572 |
| Acquisitions/Additions | 27 | 0 | 250 | 0 | 277 |
| Revaluation Increases/Decreases to RR | 8 | 0 | (81e) | 0 | (73) |
| Revaluation Increases/Decreases to Surplus/Deficit on the Provision of Services | 0 | 0 | (22) | 0 | (22) |
| Derecognition - Disposals | 0 | 0 | 0 | 0 | 0 |
| Derecognition - Other | 0 | 0 | 0 | 0 | 0 |
| Reclassification and Transfers | 0 | 0 | 0 | 0 | 0 |
| At 31st March 2015 | 3,105 | 82 | 567 | 0 | 3,754 |
| <u>Accumulated Depreciation and Impairment</u> | | | | | |
| As at 1 st April 2014 | 0 | 0 | 23 | 0 | 23 |
| Depreciation Charge | 0 | 0 | 0 | 0 | 0 |
| Depreciation written out of the RR | 0 | 0 | 0 | 0 | 0 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 |
| Impairment losses/(reversals) recognised in the RR | 0 | 0 | 0 | 0 | 0 |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | 1 | 0 | 4 | 0 | 5 |
| Derecognition - Disposals | 0 | 0 | 0 | 0 | 0 |
| Derecognition - Other | 0 | 0 | 0 | 0 | 0 |
| Reclassification and Transfers | 0 | 0 | 0 | 0 | 0 |
| At 31st March 2015 | 1 | 0 | 27 | 0 | 28 |
| <u>Net Book Value</u> | | | | | |
| At 31st March 2015 | 3,104 | 82 | 540 | 0 | 3,726 |
| At 31st March 2014 | 3,070 | 82 | 397 | 0 | 3,549 |

16. **Revenue Expenditure Funded from Capital Under Statute**

This relates to expenditure incurred capitalised under statutory provisions but does not result in the creation of a non-current asset. The expenditure has been charged to the relevant service area within the Comprehensive Income and Expenditure Statement and reversed out to the Capital Adjustment Account through the Movement in Reserves Statement. The total expenditure incurred in 2015/16 of £8,716,000 is detailed as follows.

| Total 2014/15 £'000 | Description | Total 2015/16 £'000 |
|------------------------------------|------------------------------|------------------------------------|
| 164 | Education Grants | 31 |
| 1,805 | Home Improvement Grants | 4,336 |
| 5,885 | Regeneration Grants | 2,042 |
| 456 | Business Development Grants | 79 |
| 129 | Buildings | 873 |
| 620 | Infrastructure/Environmental | 73 |
| 0 | Other | 1,282 |
| 9,059 | Total | 8,716 |

17. **Financing of Capital Expenditure**

Capital expenditure of £26.284 million incurred during the year was financed as follows.

| 2014/15 £'000 | Capital Expenditure | 2015/16 £'000 |
|--------------------------|--|--------------------------|
| 21,723 | Non-Current Assets | 17,568 |
| 9,059 | Revenue Expenditure Funded from Capital Under Statute | 8,716 |
| 30,782 | Total | 26,284 |

| 2014/15 £'000 | Financed by | 2015/16 £'000 |
|--------------------------|----------------------------------|--------------------------|
| 5,606 | Borrowing | 8,983 |
| 24,539 | Capital Grants and Contributions | 15,517 |
| 271 | Capital Receipts | 1,343 |
| 366 | Revenue Contribution | 441 |
| 30,782 | Total | 26,284 |

18. **Investment Property**

The following item of income has been accounted for in the Comprehensive Income and Expenditure Statement. Expenditure of less than £1,000 has been incurred on Investment Properties:

| 2014/15 £'000 | Description | 2015/16 £'000 |
|--------------------------|--|--------------------------|
| (36) | Rental Income from Investment Property | (35) |

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties.

| 2014/15 £'000 | Description | 2015/16 £'000 |
|--------------------------|---|--------------------------|
| 828 | Balance at 1 st April | 834 |
| 0 | Transfers | 0 |
| 12 | Revaluation Increases | 0 |
| 0 | Impairment losses | 0 |
| (6) | Disposals | 0 |
| 834 | Balance at 31st March | 834 |

Investment properties are measured at level 2 inputs: quoted prices for similar assets or liabilities in active markets at the valuation date.

19. **Long-term Debtors**

The breakdown of long-term debtors (debts payable in excess of 1 year) at 31st March 2016 is as follows.

| 31/03/15 £'000 | Description | 31/03/16 £'000 |
|---------------------------|----------------------------------|---------------------------|
| 496 | Welsh Water Loan | 417 |
| 38 | Car Loans Purchase Account | 21 |
| 490 | Gellideg Co-operative Loan | 454 |
| | Central South Consortium Debtors | 57 |
| 1,024 | Total | 949 |

The Welsh Water Loan relates to the outstanding loan debt in respect of the water and sewerage services taken over in April 1974 by Welsh Water. The debt remains as part of the Loans Pool debt outstanding with annual repayments of principal, interest and debt management expenses made to the Authority.

20. **Financial Instruments (Borrowing and Investments)**

Introduction

The 2015/16 Code of Practice requires the fair value of each class of financial asset and liability to be disclosed in these Notes to the Core Statement of Accounts to enable it to be compared to its carrying amount. The purpose of this valuation is to enable the user to evaluate quantitatively the Authority's financial position and performance with regard to each class of financial instrument, and also to indicate the extent of the Authority's risk exposure arising as a result of these transactions. Fair Value is defined as ".....the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price".

Methodology

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 31st March 2016, 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.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- No early repayment or impairment is recognised for any financial instrument.
- Public Works Loan Board short term instruments have been shown at fair value, at level 2 inputs. For other short term instruments, including trade payables and receivables, the fair value is assumed to approximate to the carrying amount.

Fair values are 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, e.g. bond prices
- 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

The Authority's long term loans have been valued at Level 2 Inputs.

Assumptions

It is noted that the following assumptions do not have a material effect on the fair value of the instrument:

- Interest is calculated using the most common market convention ACT/365 (366 days in a leap year with the exception of PWLB)
- Interest is not paid/received on the start date of an instrument, but is paid/received on the maturity date
- Where a relevant date occurs on a non working day, the interest value and date have not been adjusted

Short-term Investments

The carrying amount at 31st March 2016 of lending to other bodies repayable within a year is £3,001,000 and is shown below. Accrued investment income at 31st March 2016 is included in the carrying amount of the investments.

| Carrying Amount 31/03/15 £'000 | Description | Average Interest Rate % | Principal Owing 31/03/16 £'000 | Accrued Income £'000 | Carrying Amount 31/03/16 £'000 |
|--------------------------------------|----------------------------|----------------------------|--------------------------------------|-------------------------|--------------------------------------|
| 5,801 | UK Building Societies | 0.45 | 3,000 | 1 | 3,001 |
| 0 | Other UK Local Authorities | 0 | 0 | 0 | 0 |
| 5,801 | Total | 0.45 | 3,000 | 1 | 3,001 |

The fair value of the investments outstanding at 31st March 2016 calculated using the defined methodology is as follows:

| Fair Value 31/03/15 £'000 | Description | Fair Value 31/03/16 £'000 |
|---------------------------------|----------------------------|---------------------------------|
| 5,801 | UK Building Societies | 3,001 |
| 0 | Other UK Local Authorities | 0 |
| 5,801 | Total | 3,001 |

Short-term Borrowing

The carrying amount at 31st March 2016 of borrowing from other bodies on a short-term basis, that is less than 1 year, is £19,821,000 and is shown below. IFRS requires accrued interest at 31st March 2016 to be included in the carrying amount of the borrowing outstanding.

| Carrying Amount 31/03/15 £'000 | Source of Loan | Average Interest Rate % | Principal Owed 31/03/16 £'000 | Accrued Interest £'000 | Carrying Amount 31/03/16 £'000 |
|--------------------------------------|----------------------------|----------------------------|-------------------------------------|---------------------------|--------------------------------------|
| (3,013) | Public Works Loan Board | 9.09 | (2,550) | (457) | (3,007) |
| 0 | UK Building Societies | 0 | 0 | 0 | 0 |
| (10,803) | Other UK Local Authorities | 0.52 | (16,500) | (3) | (16,503) |
| (137) | Other | 0 | (311) | 0 | (311) |
| (13,953) | Total | 1.64 | (19,361) | (460) | (19,821) |

The fair value of the short-term borrowing outstanding at 31st March 2016 calculated using the defined methodology is as follows:

| Fair Value 31/03/15 £'000 | Description | Fair Value 31/03/16 £'000 |
|---------------------------------|----------------------------|---------------------------------|
| (2,760) | Public Works Loan Board | (2,710) |
| 0 | UK Building Societies | 0 |
| (10,767) | Other UK Local Authorities | (16,500) |
| (137) | Other | (311) |
| (13,664) | Total | (19,521) |

Long-term Borrowing

The Authority's long-term debt outstanding (in excess of 1 year) is detailed below:

Public Works Loan Board

| Principal Owed 31/03/15 £'000 | Public Works Loan Board | Average Interest Rate % | Principal Owed 31/03/16 £'000 |
|--|--------------------------------|------------------------------------|--|
| (2,550) | Maturing in: 1 - 2 years | 9.594 | (2,550) |
| (8,924) | 2 - 5 years | 8.983 | (9,561) |
| (14,660) | 5 - 10 years | 9.384 | (14,003) |
| (31,101) | more than 10 years | 5.801 | (28,570) |
| (57,235) | Total | 7.45 | (54,684) |

The fair value of the Public Works Loan Board long-term borrowing outstanding at 31st March 2016 calculated using the defined methodology is as follows.

| Fair Value 31/03/15 £'000 | Description | Fair Value 31/03/16 £'000 |
|--|--|--|
| (2,896) | PWLB Loans Maturing in: 1 - 2 years | (2,959) |
| (11,500) | 2 - 5 years | (12,243) |
| (21,769) | 5 - 10 years | (21,436) |
| (44,658) | more than 10 years | (40,967) |
| (80,823) | Total | (77,605) |

The fair value of the Public Works Loan Board liabilities is £22.921 million higher than the carrying amount of these liabilities. The reason for this is that the loans were taken out when the interest rates were higher than they are at present. The implication is that if the same loans were arranged as at the balance sheet date, the Authority would pay £22.921 million less in interest over the term of the loans.

EuroHypo Bank

| Carrying Amount 31/03/15 £'000 | EuroHypo Bank | Principal Owed 31/03/16 £'000 | Amortised Cost Loan Re-Statement as at 2007 £'000 | Cumulative Amortised Cost from 1st April 2007 £'000 | Carrying Amount 31/03/16 £'000 |
|---|--|--|--|---|---|
| (12,241) | Maturing in: more than 10 years 4.5% Interest Rate | (12,000) | (238) | (1) | (12,239) |
| (12,241) | Total | (12,000) | (238) | (1) | (12,239) |

The fair value of the EuroHypo Bank long-term borrowing outstanding at 31st March 2016 calculated using the defined methodology is as follows.

| Fair Value 31/03/15 £'000 | Description | Fair Value 31/03/16 £'000 |
|--|--|--|
| (15,379) | Maturing in: more than 10 years 4.5% Interest Rate | (17,286) |
| (15,379) | Total | (17,286) |

The Authority in partnership with its Treasury Management Consultants, is constantly monitoring its long-term debt portfolio to identify potential opportunities for either debt restructuring or early redemption of long-term debt when market conditions are favourable.

Other Loans

| Carrying Amount 31/03/15 £'000 | loan | Carrying Amount 31/03/16 £'000 |
|---|---------------------------|---|
| (886) | Salix Loan | (1,490) |
| (123) | Home Improvement Loans | (123) |
| (25) | Empty Homes Loans | (25) |
| (1,034) | Total | (1,638) |

The fair value of Other loans are not significantly different to amortised cost and are shown in the balance sheet at carrying value..

21. Assets Held for Sale

The breakdown of assets held for sale at 31st March 2016 is as follows.

| 2014/15 £'000 | Description | 2015/16 £'000 |
|--------------------------|--|--------------------------|
| 911 | Balance at 1 April | 574 |
| 1,871 | Assets newly classified as held for sale | 113 |
| (1,565) | Revaluation losses/gains | (32) |
| 0 | Impairment losses | 0 |
| (643) | Assets sold | (336) |
| 574 | Balance at 31 March | 319 |

Assets held for sale at 31st March 2016 comprise of land and buildings as follows:

- Various pieces of land which are surplus to requirement.
- Buildings now surplus to requirement including, Lloyds Building Post Office Lane and Gellideg Family Centre.

22. **Inventories**

The breakdown of Inventories at 31st March 2016 is as follows.

| 31/03/15 £'000 | Description | 31/03/16 £'000 |
|---------------------------|---|---------------------------|
| 51 | Highways Inventories | 116 |
| 1 | Aberfan Bar | 0 |
| 32 | Fuels Materials | 17 |
| 4 | Rhydycar Cate and Bar | 0 |
| 22 | Catering | 25 |
| 4 | Crematorium Materials | 4 |
| 114 | Balance at 31st March | 162 |

23. **Short-term Debtors**

The breakdown of Debtors at 31st March 2016 is as follows.

| 31/03/15 £'000 | Description | 31/03/16 £'000 |
|---------------------------|---|---------------------------|
| 14,979 | Central Government Bodies | 13,461 |
| 640 | Other Local Authorities | 1,189 |
| 427 | NHS Bodies | 375 |
| 5,848 | Other Entities and Individuals | 5,603 |
| 1,015 | Prepayments | 967 |
| 22,909 | Balance at 31st March | 21,595 |

The Provision for Bad and Doubtful Debts included in the above is as follows.

| 31/03/15 £'000 | Description | 31/03/16 £'000 |
|---------------------------|---|---------------------------|
| (687) | General Fund | (700) |
| (77) | Former Housing Revenue Account | (77) |
| (1,272) | Council Tax | (1,364) |
| (2,036) | Balance at 31st March | (2,141) |

24. **Cash and Cash Equivalents**

This balance recognises the net cash position of the Authority in providing its services to the public. The balance at 31st March 2016 is as follows:

| 31/03/15 £'000 | Description | 31/03/16 £'000 |
|---------------------------|---|---------------------------|
| 555 | Balance at 31st March | 2,196 |

25. **Short-term Creditors**

The breakdown of Creditors at 31st March 2016 is as follows.

| 31/03/15 £'000 | Description | 31/03/16 £'000 |
|-------------------|---|-------------------|
| (3,784) | Central Government Bodies | (61e8) |
| (3) | Other Local Authorities | (7) |
| (7) | NHS Bodies | (44) |
| (1e,574) | Other Entities and Individuals | (10,101) |
| (1,861) | Accumulated Absences Accrual | (1e232) |
| (1e,229) | Balance at 31st March | (12,002) |

26. **Provisions**

The balance on provisions at 31st March 2016 is derived as follows:

| 31/03/15 £'000 | Description | Appropriations | | | 31/03/16 £'000 |
|-------------------|--|---|---|--|-------------------|
| | | Additional Provisions Made in the Year £'000 | Amounts Utilised During The Year £'000 | Unused amounts reversed during the period £'000 | |
| (526) | Cost of Early Retirement/Redundancy | 0 | 31e | 212 | (0) |
| (1,1e5) | Insurance Claims | (21e) | 373 | 0 | (1e30) |
| (1e5) | Employee Provision | 0 | 0 | 125 | 0 |
| 0 | Strategic Transformation Provision | (649) | 0 | 0 | (649) |
| (1,836) | Balance as at 31st March | (867) | 687 | 337 | (1,679) |

The Authority expects that the provisions recognised at 31st March 2016 will substantially be utilised within 12 months of that date, the split of short and long term provisions is as follows:

| 31/03/15 £'000 | Description | Short term provision £'000 | Long term provision £'000 | 31/03/16 £'000 |
|-------------------|--|-------------------------------|------------------------------|-------------------|
| (1,1e5) | Insurance Claims | (742) | (288) | (1e030) |
| 0 | Strategic Transformation Provision | (649) | 0 | (649) |
| (1,836) | Balance as at 31st March | (1,391) | (288) | (1,679) |

Cost of Early Retirement/Redundancy

This provision reflects the committed future costs (Redundancy and Payments in lieu of notice) associated with the approved employee voluntary early retirements as at 31st March 2016, as part of the Authority's efficiency programme objective of ensuring the future sustainability of the organisation. Future pension strain costs have been accounted for within the pension liability, refer to note 41. As the timing and amounts of

the payments are known these amounts have been reclassified and included within creditors in 2015/16.

Insurance Claims Provision

This provision reflects the Authority's outstanding insurance claims obligations at 31st March 2016. 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.

Employee Provision

This provision reflected future obligations in respect of unpaid employee related costs as at 31st March 2015. The provision is no longer required and has been released.

Strategic Transformation Provision

This provision consists monies set aside to support a comprehensive review of Authority Services as part of the Authority's continuing transformation programme. The timing of these payments are certain as they have been agreed against set milestones.

27. **Contingent Liabilities**

Merthyr Tydfil County Borough Council currently has within assets held for sale some 5.5 acres of land at Pengarnddu, Merthyr Tydfil, to be disposed of via e-auction. The land, although currently vacant, contains several thousand tonnes of residual waste resulting from the previous occupiers. A survey of the site is to be commissioned to establish the potential cost of the removal of this waste to enable its inclusion within the contract of sale by means of a cash deposit returnable on completion of waste removal. If a sale is unsuccessful then the cost of removal of the waste will be borne by the Authority.

Merthyr Tydfil Leisure Trust has been 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. This is a standard request by administering Authorities, however the likelihood of default is remote. In order to mitigate this risk further, the Merthyr Tydfil County Borough Council has included a clause within the Services and Finance Management Agreement to reduce management fee payments to the Trust if the situation occurs.

In addition 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. However it is not possible to reliably measure the value of this contingent liability.

28. **Trust Funds**

The Authority administers trust funds on behalf of various bodies, since they are not the Authority's property they are not shown in the Balance Sheet.

All Trust Funds are registered with the Charities Commission and the accounting requirements of the Charities Commission Statement of recommended Practice are followed where appropriate.

The funds in question are as follows:

2015/16

| Fund | Income £'000 | Expend. £'000 | Assets £'000 | Liabilities £'000 |
|-----------------------|-------------------------|--------------------------|-------------------------|------------------------------|
| Education Trust Funds | 1 | 0 | 107 | 0 |
| Merthyr Tydfil Prize | 0 | 0 | 4 | 0 |
| Total | 1 | 0 | 111 | 0 |

2014/15

| Fund | Income £'000 | Expend. £'000 | Assets £'000 | Liabilities £'000 |
|-----------------------|-------------------------|--------------------------|-------------------------|------------------------------|
| Aberfan Disaster Fund | 7 | 1 | 1,655 | 0 |
| Education Trust Funds | 2 | 0 | 103 | 0 |
| Merthyr Tydfil Prize | 0 | 0 | 4 | 0 |
| Total | 9 | 1 | 1,762 | 0 |

Aberfan Disaster Fund

The Fund consists of monies invested for the benefit of the people of Aberfan and Merthyr Vale after the Aberfan Disaster of October 1966.

On 1 June 1988, the Authority became Trustees of the Aberfan Disaster Fund and Centre and is responsible for the running of the Centre. The Aberfan Disaster Fund and the Centre was transferred from the Authority to Merthyr Tydfil Leisure Trust on 1st October 2015.

Education Trust Funds

This consists of donations for various educational purposes utilised to encourage further improvement in educational attainment.

The balance disclosed above is the total of 12 separate Trust Funds. Two of the largest donations are as follows:

David Jones Trust Fund –Balance of £54,000 as at 31st March 2016

This fund is to support the provision / purchase of resources for the hearing impaired children at four schools.

Merthyr Tydfil Further Education Trust Fund - Balance of £27,000 as at 31st March 2016

This fund is to benefit those who have for not less than two years at any time attended a County Secondary School in the area of the former County Borough of Merthyr Tydfil (prior to 1974). Awards are available in the form of:

1. Grants for those attending approved course outside the normal awards scheme, including professional and technical courses and;
2. Financial assistance towards the purchase of outfits, clothing, tools, instruments or books for this leaving school or college to assist their entry into a profession, trade or calling.

Merthyr Tydfil Prize

This Prize has the objectives of the relief of poverty, sickness, distress and helping the aged in the County Borough of Merthyr Tydfil. The award is made to a person who, in the opinion of the trustees, has made a significant contribution to achieving these objectives.

29. **Capital Grants Receipts in Advance**

Capital Grants Receipts in Advance consists of capital grants and contributions received by the Authority, where the terms and conditions of the grant have not initially been met. The Authority had included in this account, those grants and contributions having no movement for more than two years. A review of the balances in this account has been undertaken and the balance has been released.

| 2014/15 £'000 | Description | 2015/16 £'000 |
|--------------------------|---|--------------------------|
| (279) | Balance at 1 st April and 31 st March | 0 |

30. **Capital Receipts Reserve**

This note relates to the amount of capital receipts available to finance future capital expenditure. The balance at 31st March 2016 is derived as follows:

| 2014/15 £'000 | Description | 2015/16 £'000 |
|--------------------------|---|--------------------------|
| 334 | Balance at 1 st April | 1,119 |
| 1,056 | In Year Capital Receipts | 771 |
| (271) | Capital Receipts Utilised | (1,343) |
| 1,119 | Balance at 31st March | 547 |

31. **Capital Receipts**

The analysis of in-year capital receipts for 2015/16 is as follows:

| 2014/15 £'000 | Description | 2015/16 £'000 |
|--------------------------|-----------------------------|--------------------------|
| 1,056 | Sales of Land and Buildings | 771 |
| 1,056 | Total | 771 |

32. **Capital Grants Unapplied Account**

The Capital Grants Unapplied Account is a Usable Reserve and consists of capital grants and contributions received by the Authority, where the terms and conditions of the grant have been met but expenditure has not been incurred. The balance at 31st March 2016 is derived as follows:

| 2014/15 £'000 | Description | 2015/16 £'000 |
|--------------------------|---|--------------------------|
| 1,405 | Balance at 1 st April | 1,214 |
| (681) | Reclassified | 0 |
| 973 | Grants Received In Year but not used | 413 |
| (483) | Grants Applied received in previous years | (254) |
| 1,214 | Balance at 31st March | 1,373 |

33. **Insurance Fund Balance**

The balance on the Insurance Fund at 31st March 2016 is derived as follows:

| 2014/15 £'000 | Description | 2015/16 £'000 |
|--------------------------|---|--------------------------|
| 1,420 | Balance at 1 st April | 1,667 |
| 565 | Insurance Fund Injection | 576 |
| (455) | Insurance Premium Payment | (503) |
| 450 | Insurance Premium Contribution | 503 |
| 5 | Transfer of Premium Balance to Revenue | 0 |
| (490) | Insurance Claims Payments | (368) |
| 13 | Miscellaneous | 1 |
| 159 | Transfer from/(to) Insurance Provision | 155 |
| 1,667 | Balance at 31st March | 2,031 |

34. **Council Fund Balance**

The Council Fund Balance at 31st March 2016 is derived as follows:

| 31/03/15 £'000 | Description | 31/03/16 £'000 |
|---------------------------|--|---------------------------|
| 4,411 | Balance at 1 April | 4,525 |
| 114 | Net Surplus on Provision of Services after In Year Surplus/(Deficit) | 102 |
| 4,525 | Balance at 31st March | 4,627 |

The Consolidated Llwydcoed Crematorium Reserve and Central South Consortium Reserves represent Merthyr Tydfil County Borough Council's share of the distributable revenue reserve of the Joint arrangements:

| 31/03/15 £'000 | Description | 31/03/16 £'000 |
|---------------------------|----------------------------------|---------------------------|
| 689 | Llwydcoed Crematorium Reserve | 377 |
| 0 | Central South Consortium Reserve | 9 |

35 **Local Management of Schools Balances**

The breakdown of Local Management of Schools Balances as at 31st March 2016 is as follows. All balances are committed to be incurred on the education service.

| 31/03/15 £'000 | Description | Appropriations | | 31/03/16 £'000 |
|-------------------|----------------------------------|------------------------|--------------------------|-------------------|
| | | To Reserve £'000 | From Reserve £'000 | |
| (32) | Abercanaid Primary School | 37 | 0 | 5 |
| 10 | Bedlinog Primary School | 14 | 0 | 24 |
| (16) | Caedraw Primary School | 29 | 0 | 13 |
| 35 | Cyfarthfa Park Primary | 0 | (12) | 23 |
| (18) | Edwardsville Primary School | 38 | 0 | 20 |
| 81 | Gellifaelog Primary School | 3 | 0 | 84 |
| 12 | Gwaunfarren Primary School | 15 | 0 | 27 |
| 34 | Heolgerrig Primary School | 19 | 0 | 53 |
| (35) | Pantysgallog Primary School | 77 | 0 | 42 |
| (15) | Trelewis Primary School | 57 | 0 | 42 |
| 71 | Ynysowen Primary School | 0 | (31) | 40 |
| 10 | Ysgol Y Graig Primary School | 25 | 0 | 35 |
| 12 | Ysgol Gymraeg Rhyd-Y-Grug | 0 | (3) | 9 |
| 43 | Ysgol Gynradd Coed Y Dderwen | 0 | (14) | 29 |
| 2 | Ysgol Santes Tudful | 76 | 0 | 78 |
| 24 | St. Illtyd's R.C. Primary School | 0 | (16) | 8 |
| (22) | St. Aloysius R.C. Primary School | 46 | 0 | 24 |
| 10 | St. Mary's R.C. Primary School | 68 | 0 | 78 |
| 24 | Twynyrodyn Community School | 0 | (3) | 21 |
| (19) | Goetre Primary School | 35 | 0 | 16 |
| (342) | Afan Taf High Comprehensive | 114 | 0 | (228) |
| 90 | Cyfarthfa High Comprehensive | 0 | (73) | 17 |
| 116 | Pen-Y-Dre High Comprehensive | 0 | (42) | 74 |
| 71 | Bishop Hedley R.C. High | 0 | (43) | 28 |
| 19 | Greenfield Special School | 39 | 0 | 58 |
| (8) | Gurnos Nursery School | 77 | 0 | 69 |
| 22 | Troedyrhiw Community Primary | 28 | 0 | 50 |
| 27 | Dowlais Primary School | 13 | 0 | 40 |
| 206 | Total | 810 | (237) | 779 |

Of the Authority's 28 schools, there is one school in deficit at 31st March 2016 (9 as at 31st March 2015) with a deficit balance of £228k (£507k as at 31st March 2015).

The Authority has adopted new policies effective for 2016-17 that aim to improve the Authority's monitoring and scrutiny of school budgets and the level and use of balances. The policies aim to ensure that all schools undertake effective financial management and that the Authority provides appropriate challenge and support.

36. **Other Earmarked Balances**

The breakdown of Other Earmarked Balances at 31st March 2016 is as follows.

| 31/03/15 £'000 | Description | Appropriations I | | 31/03/16 £'000 |
|-------------------|---------------------------------------|------------------------|--------------------------|-------------------|
| | | To Reserve £'000 | From Reserve £'000 | |
| 46 | Cultural Funds | 0 | (45) | 1 |
| 55 | LMS Contingencies | 0 | 0 | 55 |
| (34) | General Education Balances | 294 | (134) | 126 |
| 35 | ISB Allocation Surplus | 262 | (338) | (41) |
| 294 | Biffa Profit Sharing Account | 191 | (107) | 378 |
| 32 | Agresso FMS Development Fund | 0 | 0 | 32 |
| 88 | General Planning Fund | 0 | (24) | 64 |
| 82 | General Legal and Regulatory Fund | 46 | (15) | 113 |
| 268 | Grant Agency Fees | 86 | (100) | 254 |
| 80 | Asset Management Reserve | 0 | (27) | 53 |
| 5 | Listed Buildings Reserve | 0 | 0 | 5 |
| 80 | Social Services Fund | 63 | (36) | 107 |
| 1,266 | Ffos-Y-Fran Reserve | 868 | (611) | 1,523 |
| 2 | Flexible Retirement Reserve | 0 | (2) | 0 |
| 11 | Rights of Way | 48 | (13) | 46 |
| 1,365 | Efficiencies and Improvement | 790 | (747) | 1,408 |
| 293 | Care Fees Provision | 263 | (25) | 531 |
| 652 | Renewal Areas Tenants Contributions | 4 | (11) | 645 |
| 480 | Strategic Transformation Reserve | 0 | (479) | 1 |
| 129 | Redundancy Cost Reserve | 371 | 0 | 500 |
| 120 | Street Cleansing & Christmas Lighting | 0 | (12) | 108 |
| 204 | Outcome agreement reserve | 606 | (176) | 634 |
| 0 | Corporate Risk Fund Reserve | 1,200 | 0 | 1,200 |
| 0 | Living Wage Reserve | 1,340 | 0 | 1,340 |
| 0 | Employee Cost Reserve | 125 | 0 | 125 |
| 0 | Community Infrastructure Levy | 124 | 0 | 124 |
| 419 | Miscellaneous | 670 | (388) | 701 |
| 0 | Revenue Grants reserve | 2,414 | 0 | 2,414 |
| 0 | Central South Consortium Adjustment | 19 | 0 | 19 |
| 5,972 | Total Council | 9,784 | {3,290} | 12,466 |

A brief description of each earmarked balance is included below:

Cultural Funds

This reserve is earmarked for libraries and museums.

Local Management of Schools Contingencies

This consists of monies specifically set aside to assist schools under the Authority's statutory Local Management of Schools scheme.

General Education Balances

This reserve is earmarked for specific educational purposes.

Individual Schools Budget Allocation Surplus

This consists of the difference between budgeted and outturn Individual Schools Budget Allocation which is carried forward into the following year's calculation.

Biffa Profit Sharing Account

This consists of monies received from Biffa Waste under the profit sharing agreement at Trecatti Tip. The reserve is to be utilised on projects throughout the County Borough.

Agresso FMS Development Fund

This consists of monies set aside to finance future developments and enhancements of the Authority's Agresso Financial Management System.

General Planning Fund

This is earmarked for specific Planning purposes.

General Legal and Regulatory Balances

This is earmarked for specific legal and regulatory functions.

Grant Agency Fees

This consists of monies received from the Grant Agency's clients for administrative work undertaken on their behalf. The monies are earmarked to meet future service demands.

Asset Management Reserve

This consists of monies set aside to develop the Authority's Asset Management Plan including costs of IT system implementation.

Listed Buildings Reserve

This consists of monies set aside to finance repairs and maintenance works carried out on listed buildings within the County Borough.

Social Services Fund

This reserve is earmarked for specific social services purposes.

Ffos-Y-Fran Reserve

This consists of monies received from Miller Argent (South Wales) Limited to a Community Fund as part of the approval for the land reclamation scheme at Ffos-y-Fran. The figure shown is the net receipts from Miller Argent (South Wales) Limited since a proportion of the monies due to the Authority are retained by Miller Argent (South Wales) Limited to offset costs incurred as per the agreement between the Authority and Miller Argent (South Wales) Limited. Actual royalty payments to 31st March 2016 total £5.323 million. The monies are Earmarked for Community Projects throughout the borough as approved by the Ffos – Y- Fran Panel.

Rights of Way

This consists of monies for the development of the Rights of Way Improvement Plan and for schools' football initiatives.

Efficiencies and Improvement Reserve

This reserve was created to assist the Authority with its forward financial planning in both financing future costs of retirement and enabling investment to improve projects generating future efficiency gains.

Care Fees Provision

This reserve contains monies set aside for Residential places within the Borough.

Renewal Area Tenants Contributions

This reserve contains tenants contributions towards work carried out on their properties as part of the renewals programme.

Strategic Transformation Reserve

This reserve was created to assist the Authority with Transformational change as part of future budget setting processes.

Redundancy Cost Reserve

This consists of monies set aside to fund the costs of future redundancies.

Street Cleansing and Christmas Lighting Reserve

This consists of monies set aside to provide services for street cleansing of the Town Centre and to be able to provide Christmas Lighting.

Outcome Agreement Reserve

Monies in this reserve will be utilised to assist the Authority with its Transformation programme.

Corporate Risk Fund Reserve

Monies set aside for the 2016/17 and 2017/18 financial years, to address unavoidable in-year budget pressures and to invest in innovative projects with longer term benefits.

Living wage Reserve

Monies set aside to finance the Authority's corporate Foundation Living Wage commitment for the period 2016/17 to 2019/20.

Employee Cost Reserve

This consists monies set aside in respect of unpaid employee related costs.

Community Infrastructure Levy (CIL)

The Community Infrastructure Levy is a planning charge, to be used to help deliver infrastructure to support the development of the area. Monies generated from the CIL will be used to secure infrastructure that is required to support development in accordance with the Merthyr Tydfil County Borough Council Local Development Plan."

Miscellaneous Balances

This consists of miscellaneous historical reserves. It is considered that further analysis of these balances is required with a view to writing to revenue where appropriate.

Revenue Grants Reserve

The Authority carried out a review of grant creditor balances during 2015/16. The result is a re-classification of £2.414 million from creditors to Earmarked Reserves. A further review of these balances is to take place during the next financial year.

37. **Revaluation Reserve**

This account records the net gain from revaluations of individual non-current assets made after 1st April 2007. The revaluation reserve is as follows:

| 31/03/15 £'000 | Description | 31/03/16 £'000 |
|---------------------------|--|---------------------------|
| 26,177 | Balance at 1 st April | 32,925 |
| 9,574 | Upward Revaluations | 2,781 |
| (1,603) | Downward Revaluations | (2,522) |
| (597) | Depreciation of Revaluations | (765) |
| (626) | Accumulated gains on Assets sold or scrapped | (144) |
| 32,925 | Balance at 31st March | 32,275 |

38. **Capital Adjustment Account**

This account consists of the financing of capital expenditure, capital receipts set aside for the repayment of external loans and non-revaluation movements on Property, Plant and Equipment Assets.

| 31/03/15 £'000 | Description | 31/03/16 £'000 |
|---------------------------|--|---------------------------|
| 130,359 | Balance at 1 st April | 136,601 |
| 24,539 | Capital Grants Utilised to Finance Capital Expenditure | 15,517 |
| 271 | Capital Receipts Utilised to Finance Capital Expenditure | 1,343 |
| (2,240) | Writing Out of Asset Disposals at Carrying Amount in the Balance Sheet | (561) |
| 626 | Writing Down Disposed Assets Previous Revaluation Gain | 158 |
| (9,059) | Revenue Expenditure funded from Capital under Statute | (8,717) |
| 2,863 | Minimum Revenue Provision | 2,083 |
| 330 | Revenue Contribution to Capital Outlay | 844 |
| 597 | Historic Cost Adjustment | 765 |
| (7,252) | Depreciation of Non-Current Assets | (7,798) |
| (4,574) | Impairment of Non-Current Assets | (7,180) |
| 11 | Revaluation of Non-Current Assets | 0 |
| 130 | Other Adjustments | 0 |
| 136,601 | Balance at 31st March | 133,055 |

39. **Financial Instruments Adjustment Account**

This account provides a balancing mechanism between the different rates at which gains and losses are recognised under IFRS and are required by statute to be met from the Council Fund. The balance at 31st March 2016 is derived as follows:

| 31/03/15 £'000 | Description | 31/03/16 £'000 |
|---------------------------|---|---------------------------|
| (2,910) | Balance at 1 st April | (2,790) |
| 39 | In Year Net Premium Write Down to Revenue | 41 |
| 81 | Amortised Loans Interest Transactions | 44 |
| (2,790) | Balance at 31st March | (2,705) |

40. **Accumulating Absences Adjustment Account**

The Accumulating Absences Adjustment Account is an Unusable Reserve and consists of in-year employee benefit accruals (under IAS19) for untaken leave and accumulation of unpaid flexible working hours and time-off-in-lieu. The balance at 31st March 2016 is as follows.

| 31/03/15 £'000 | Description | 31/03/16 £'000 |
|---------------------------|---|---------------------------|
| (1,566) | Current Year's Accrual | (1,235) |
| (1,566) | Balance at 31st March | (1,235) |

41. **Pensions Reserve / Defined Pension Scheme Liability**

| 31/03/15 £'000 | Description | 31/03/16 £'000 |
|---------------------------|--|---------------------------|
| 163,295 | Opening balance at 1st April | 181,200 |
| 0 | Adjustment for Opening balance of Central South Consortium Joint arrangement | 64 |
| 13,722 | Actuarial (gains)/losses on pensions assets/liabilities | (18,113) |
| 4,791 | 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 | 5,343 |
| (608) | Net adjustments to Pension Strain | (1,444) |
| 181,200 | Balance at 31st March | 167,050 |

42. **Pension Costs**

Teachers

The Teachers' Pension Scheme is an unfunded defined benefit scheme administered by the Teachers' Pension Agency. It is not possible to attribute a share of the Scheme's liabilities to individual authorities. For the purposes of the Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2015/16 the Authority paid £2,870,000 to the Department for Education and Employment (£2,651,000 in 2014/15) in respect of teachers' pension costs, which represents 15.48% of teachers' pay. In addition, the Authority is responsible for all pension payments relating to added-years it has awarded, together with the related increases.

Other Employees

In 2015/16, the Authority paid an employer's contribution of £8,261,000 representing 24.90% of employees' pensionable pay (£8,137,000 in 2014/15). The Pension Fund administered by Rhondda Cynon Taf County Borough Council provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. The last review relevant to the 2015/16 accounts was carried out at 31st March 2013, with the required rates for the 3 years commencing 1st April 2014 set at 24.2%, 24.9% and 25.5%. Under the Local Government Pension Scheme Regulations, the contribution rate is set to meet 100% of the overall liabilities of the Fund.

In addition, the Authority is responsible for all pension payments relating to added-years benefits it has awarded, together with the related increases.

Further information can be found in the Rhondda Cynon Taf Pension Fund's Annual Report which is available upon request from Rhondda Cynon Taf County Borough Council, Bronwydd House, Porth, Rhondda CF39 9DL.

43. **International Accounting Standard 19 - Employee Benefits**

43a. **Reconciliation of Pension liabilities to the Balance Sheet**

| 31/03/15 £m | Description | 31/03/16 £m |
|------------------------|--|------------------------|
| (163.64) | Net pension liability-funded liabilities | (151.42) |
| (15.70) | Net pension liability-unfunded liabilities | (15.21) |
| (1.86) | Pension strain liability | (0.420) |
| (181.20) | Net pension liability | (167.050) |

Assets and Liabilities in respect of Funded Scheme

| 31/03/14 £m | 31/03/15 £m | Description | 31/03/16 £m |
|------------------------|------------------------|------------------------------|------------------------|
| 166.10 | 189.21 | Fair value of assets | 195.67 |
| (312.18) | (352.85) | Present value of liabilities | (347.09) |
| (146.08) | (163.64) | Net pension liability | (151.42) |

Liabilities in respect of Unfunded Scheme

| 31/03/14 £m | 31/03/15 £m | Description | 31/03/16 £m |
|------------------------|------------------------|------------------------------|------------------------|
| (14.74) | (15.70) | Present value of liabilities | (15.21) |
| (14.74) | (15.70) | Net pension liability | (15.21) |

43b. Changes to the Present Value of Funded Liabilities during the Accounting Period

| 31/03/15 £m | Description | 31/03/16 £m |
|------------------------|--|------------------------|
| 312.18 | Opening present value of liabilities | 352.85 |
| 0 | Adjustment for Opening balance of Central South Consortium Joint arrangement | 0.73 |
| 6.82 | Current service cost | 7.31 |
| 13.22 | Interest Expense on defined benefit obligation | 11.17 |
| 2.12 | Contributions by participants | 1.97 |
| 31.81 | Actuarial (gains)/losses on liabilities*- Financial Assumptions | (13.17) |
| 0.00 | Actuarial (gains)/losses on liabilities*- Demographic Assumptions | 0 |
| (2.06) | Actuarial (gains)/losses on liabilities*- Experience | (3.44) |
| (12.14) | Net benefits paid out # | (11.21) |
| 0.90 | Past service cost | 0.89 |
| 352.85 | Closing present value of liabilities | 347.09 |

* Includes changes to the actuarial assumptions.

Consists of net cashflow out of the Fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums and Fund administration expenses.

Changes to the Present Value of Unfunded Liabilities during the Accounting Period

| 31/03/15 £m | Description | 31/03/16 £m |
|----------------|---|----------------|
| 14.74 | Opening present value of liabilities | 15.70 |
| 0.60 | Interest Expense on defined benefit obligation | 0.48 |
| 1.27 | Actuarial (gains)/losses on liabilities - Financial Assumptions | (0.57) |
| 0.00 | Actuarial (gains)/losses on liabilities - Demographic Assumptions | 0 |
| (0.14) | Actuarial (gains)/losses on liabilities - Experience | (0.28) |
| (0.77) | Net benefits paid out | (1.03) |
| 0.00 | Past service cost | 0.91 |
| 15.70 | Closing present value of liabilities | 15.21 |

43c. Changes to the Fair Value of Funded Assets during the Accounting Period

| 31/03/15 £m | Description | 31/03/16 £m |
|----------------|--|----------------|
| 166.10 | Opening fair value of assets | 189.21 |
| 0 | Adjustment for Opening balance of Central South Consortium Joint arrangement | 0.67 |
| 7.12 | Interest income on assets | 6.07 |
| 17.16 | Remeasurement gains/(losses) on assets | 0.65 |
| 8.85 | Contributions by the employer | 8.31 |
| 2.12 | Contributions by participants | 1.97 |
| (12.14) | Net benefits paid out # | (11.21) |
| 189.21 | Closing fair value of assets | 195.67 |

Consists of net cash flow out of the Fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums.

Changes to the Fair Value of Unfunded Assets during the Accounting Period

| 31/03/15 £m | Description | 31/03/16 £m |
|----------------|-------------------------------------|----------------|
| 0.00 | Opening fair value of assets | 0.00 |
| 0.77 | Contributions by the employer | 1.03 |
| (0.77) | Net benefits paid out # | (1.03) |
| 0.00 | Closing fair value of assets | 0.00 |

This item consists of gains/(losses) in respect of liability experience only- and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

43d. Estimated Surplus or Deficit on the Provision of Services in Future Periods - Funded Benefits

| Principal Financial Assumptions | %pa |
|--|------------|
| Discount Rate | 3.4 |
| Pension Increases | 1.8 |
| Pension accounts revaluation rate | 1.8 |
| Salary increases | 3.3 |

Estimated Surplus or Deficit on the Provision of Services in Future Periods - Unfunded Benefits

| Principal Financial Assumptions | %pa |
|--|------------|
| Discount Rate | 3.4 |
| Pension Increases | 1.8 |

43e. Asset Allocation (for period ending 31st March 2016)

The approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below.

| Description | Total% |
|--------------------|---------------|
| Equities | 70.1 |
| Property | 6.4 |
| Government Bonds | 9.2 |
| Corporate Bonds | 10.6 |
| Cash | 3.7 |
| Total | 100 |

43f. Estimated Pension expense in future periods

The Employer's regular contributions to the Fund for the accounting period ending 31st March 2017 and March 2018 are as follows:

| Funded Benefits | Period Ending 31/03/17 £m | Period Ending 31/03/18 £m |
|---|----------------------------------|----------------------------------|
| Projected service cost | 7.02 | 7.25 |
| Interest on the net defined benefit liability/(asset) | 5.00 | 5.13 |
| Total | 12.02 | 12.38 |
| | Period | Period |

| Unfunded Benefits | Ending 31/03/17 £m | Ending 31/03/108 £m |
|---|-----------------------------------|------------------------------------|
| Interest on the net defined benefit liability/(asset) | 0.50 | 0.49 |
| Total | 0.50 | 0.49 |

43g. Sensitivity Analysis

The IAS 19 results included within the statement of accounts are sensitive to the assumptions used.

The approximate impact if changing key assumptions on the present value of the funded defined benefit obligation as at 31st March 2016 and the projected service cost for the year ending 31st March 2017 is set out below.

In each case only the assumption mentioned is altered; all other assumptions remain the same.

The sensitivity of unfunded benefits has not been included on materiality grounds.

Discount rate assumptions

| Adjustment to discount rate | +0.1% p.a. | -0.1% p.a. |
|--|-------------------|-------------------|
| Present value of total obligation (£M's) | 339.08 | 352.28 |
| % change in present value of total obligation | -1.9% | 1.9% |
| Projected service cost (£M's) | 6.77 | 7.28 |
| Approximate % change in projected service cost | -3.6% | 3.7% |

Rate of general increase in salaries

| Adjustment to salary increase rate | +0.1% p.a. | -0.1% p.a. |
|--|-------------------|-------------------|
| Present value of total obligation (£M's) | 346.96 | 344.29 |
| % change in present value of total obligation | 0.4% | -0.4% |
| Projected service cost (£M's) | 7.02 | 7.02 |
| Approximate % change in projected service cost | 0.0% | 0.0% |

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

| Adjustment to pension increase rate | +0.1% p.a. | -0.1% p.a. |
|--|-------------------|-------------------|
| Present value of total obligation (£M's) | 350.93 | 340.40 |
| % change in present value of total obligation | 1.5% | -1.5% |
| Projected service cost (£M's) | 7.28 | 6.77 |
| Approximate % change in projected service cost | 3.7% | -3.6% |

Post retirement mortality assumption,

| Adjustment to mortality age rating assumption* | -1 year | +1 year |
|---|----------------|----------------|
| Present value of total obligation (£M's) | 354.4 | 336.82 |
| % change in present value of total obligation | 2.5% | -2.5% |
| Projected service cost (£M's) | 7.25 | 6.79 |
| Approximate % change in projected service cost | 3.3% | -3.3% |

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

44. **Interests in other entities**

(i) Associates

Capita Glamorgan Consultancy 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.

An extract from the latest available financial statements as at 31st December 2014 is detailed below. There is a nine month window for auditing the financial statements and the 2015 financial statements are expected in October 2016:

| | 31 st December 2014 £000 |
|--|---|
| Expenditure | |
| Cost of sales | 2,157.00 |
| Administrative Expenses | 694.00 |
| Total Expenditure | 2,851 .00 |
| Income | |
| Turnover | (2968) |
| Total Income | (2968) |
| Net Expenditure/(Income) | (11 7) |
| Interest Payable and Similar Charges | 0.00 |
| Tax on loss/profit ordinary activites | 23.00 |
| (Profit) or loss for the year | (94) |

| | 31st December 2014 £000 |
|--------------------------------------|--|
| Fixed Assets | |
| Intangible | 6.333 |
| Tangible | 110.1 |
| Current Assets | |
| cash | 315.24 |
| Debtors | 658.049 |
| Current Liabilities | |
| Creditors | (379.893) |
| Net Current Assets | 593.396 |
| Total Assets less Liabilities | 709.829 |
| Long Term Liabilities | |
| Provision for Liabilities | 0 |
| Represented by: | 709.829 |
| Usable Reserves | |
| Reserves | 709.83 |
| Shareholder's Funds | 709.83 |

(ii) Jointly Controlled Operations

A Jointly Controlled Operation under IAS 31 is defined as a "contractual arrangement under which the participants engage in joint activities that do not create an entity because it would not be carrying on a trade or business of its own. A contractual arrangement where all significant matters of operating and financial policy are predetermined does not create an entity because the policies are those of its participants, not of a separate entity. An entity can be defined as a body corporate, partnership or unincorporated association carrying on a trade or business with or without a view to profit. The reference to carrying on a trade or business means a trade or business of its own and not just part of the trades or businesses of entities that have interests in it.

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

- Glamorgan Archives
- Llwydcoed Crematorium Joint Committee
- County Borough Supplies
- Welsh Purchasing Consortium
- Central South Consortium Joint Education Service
- Vale, Valleys and Cardiff Regional Adoption Group

Glamorgan Archives

This is a joint committee, created on 11th 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 statement of accounts for 2015/16.

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 has included its share of the jointly controlled operation within the 2015/16 financial statements.

County Borough Supplies

County Borough Supplies is a Joint Committee of local authorities, established as a collaborative arrangement between the four local authorities of Bridgend, Caerphilly, Merthyr Tydfil and Rhondda Cynon Taf County Borough Council's.

County Borough Supplies provides a supplies service to local authorities, schools, charities and other public sector or non-profit making organisations. Merthyr Tydfil CBC's share of the joint arrangement is 9.17%.

The net financial impact on the Authority's accounts as a result of including County Borough Supplies is not considered material and so has not been included within statement of accounts for 2015/16.

County Borough Supplies ceased to exist during 2015/16.

Welsh Purchasing Consortium

The Welsh Purchasing Consortium has been in existence since 1974 and was reformed in 1996 following the reorganisation of Local Government in Wales. It covers sixteen County Borough and City Council's in South Wales. The WPC is currently a "virtual" organisation with no specific overheads and running costs, all resource inputs being drawn from the existing member authorities. Each Authority has an equal contribution of 6.25%.

The net financial impact on the Authority's accounts as a result of including the Welsh Purchasing Consortium is not considered material and so has not been included within statement of accounts for 2015/16.

The Welsh Purchasing consortium ceased to exist during 2015/16

Central South Consortium Joint Education Service

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

The Consortium is split into two distinct units:

- School Improvement Service – Provides the statutory school monitoring function on behalf of each local authority.
- Learning and Innovation Network for Schools – Offers support services and courses to schools to support their individual improvement plans.

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 ten members, two 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 6.68%.

The Authority has included its share of the jointly controlled operation within the 2015/16 financial statements.

Vale, Valleys and Cardiff Regional Adoption Group

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

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

The Group consists 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 11% into the Collaboration, at a value of £145,000.

The net financial impact on the Authority's accounts as a result of including the Vale, Valleys and Cardiff Regional Adoption Group not considered material and so has not been included within statement of accounts for 2015/16.

(iii) Merthyr Tydfil Leisure Trust

Merthyr Tydfil Leisure Trust was set up on the 1st 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 and is a Charitable Company Limited by Guarantee. The Trust is a registered Charity. The Trust is 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
- 8 Community Trustees
- 2 Authority Trustees
- 1 Workforce Trustee

Hence the Authority's representation is below 20%. The

The Trust is paid a management Fee as agreed in a Contractual framework of £2,454,000 to run existing services.

Authority facilities are still to be used to provide Leisure Services and have been leased to the Trust over a period of 25 years and have been included within disclosures in Note 1 operating leases.

Further details in regards to Merthyr Tydfil Leisure Trust Pension Fund are disclosed within Note 27 Contingent Liabilities.

45. **The reconciliation between the net surplus on the Revenue Accounts to the Operating Activities net cash flow**

| 2014/15 £'000 | Description | 2015/16 £'000 | 2016/17 £'000 |
|------------------|---|------------------|------------------|
| 5,071 | Net Cash Flows from Operating Activities | | 5,183 |
| 4,670 | <u>Surplus/(Deficit) on Provision of Services</u> General Fund | | (1,148) |
| | <u>Add Back</u> | | |
| 2,755 | Minimum Revenue Provision | 1,993 | |
| 39 | Debt Restructure Net Premium W/Down | 41 | |
| 0 | Amortisation of Financing | (15) | |
| 330 | Revenue Contribution to Capital Outlay | 836 | |
| (2,472) | Adjustments between accounting basis and funding basis under regulations | 8,345 | |
| (1,909) | Transfers to/(from) Earmarked Reserves | (7,402) | |
| (1,257) | | | 3,798 |
| | <u>Movement in Balance Sheet Items</u> | | |
| 1 | Inventories and Work in Progress | (48) | |
| 1,716 | Provisions and Balances | 7,257 | |
| 1 | Net Accrued Interest/Investment Income | (3) | |
| 981 | Short term debtors | 502 | |
| (1,041) | Creditors | (5,175) | |
| 1,658 | | | 2,533 |
| 5,071 | Net Surplus on Revenue Accounts | | 5,183 |

46. The reconciliation of the movement in cash to the movement in net debt

| 2014/15 £'000 | Description | 2015/16 £'000 | 20105/16 £'000 |
|------------------|---|------------------|-------------------|
| | Closing Debt | | |
| 70,485 | Long-term Borrowing | 68,263 | |
| 13,350 | Short-term Borrowing | 19,361 | |
| (5,800) | Temporary Investments | (3,000) | |
| (555) | Net cash/(overdraft) | (2,196) | |
| 77,480 | | | 82,428 |
| | Opening Debt | | |
| (68,674) | Long-term Borrowing | (70,485) | |
| (3,008) | Short-term Borrowing | (13,350) | |
| 300 | Temporary Investments | 5,800 | |
| (171) | (Net cash)/overdraft | 555 | |
| (71,053) | | | (77,480) |
| 5,927 | Movement in Net Debt | | 4,948 |
| | | | |
| (726) | Net Increase/(Decrease) in Cash for the Year | | (1,641) |
| 85,296 | New Loans Raised in the Year | | 93,381 |
| (73,143) | Loans Repaid in the Year | | (89,592) |
| (5,500) | Temporary Investments Raised/(Repaid) in the Year | | 2,800 |
| 5,927 | Movement in Cash | | 4,948 |

47. The reconciliation of the items shown within the financing and management of liquid resources sections of the cash flow statement to the related items in the balance sheet

| 2014/15 £'000 | Description | 2015/16 £'000 | 20105/16 £'000 |
|------------------|---|------------------|-------------------|
| 70,485 | Long-term Borrowing at 31 st March | 68,263 | |
| (68,674) | Long-term Borrowing at 1 st April | (70,485) | |
| 1,810 | | | (2,222) |
| 13,350 | Short-term Borrowing at 31 st March | 19,361 | |
| (3,008) | Short-term Borrowing at 1 st April | (13,350) | |
| 10,342 | | | 6,011 |
| (5,800) | Temporary Investments at 31 st March | (3,000) | |
| 300 | Temporary Investments at 1 st April | 5,800 | |
| (5,500) | | | 2,800 |
| 6,653 | Movement in the Year | | 6,589 |
| | | | |
| 85,296 | New Loans Raised | | 93,381 |
| (73,143) | Loans Repaid | | (89,592) |
| (5,500) | Increase/(decrease) in Short-term Deposits | | 2,800 |
| 6,653 | Movement in the Year | | 6,589 |

48. **Government Grants received by the Authority during the financial year ended 31st March 2016, shown in the Cash Flow Statement are as follows:**

| 2014/15 £'000 | Capital | 2015/16 £'000 |
|--------------------------|---------------------------|--------------------------|
| 20,012 | Welsh Assembly Government | 15,375 |
| 20,012 | Total | 15,375 |

| 2014/15 £'000 | Revenue | 2015/16 £'000 |
|--------------------------|----------------------------------|--------------------------|
| 72,880 | Revenue Support Grant (WAG) | 72,424 |
| 22,793 | Welsh Assembly Government | 16,616 |
| 19,994 | Department for Work and Pensions | 20,244 |
| 115,667 | Total | 109,284 |

49. **Liquid Resources**

The Authority invested surplus cash during the year with United Kingdom Banks, Building Societies and other Local Authorities at an average interest rate of 0.392%, realising £10,741 of investment income. The outstanding balance at 31st March 2015 was £3.000 million (refer to Note 20 to the Statement of Accounts).

Council on 25th March 2015 approved the Treasury Management Policy and Annual Investment Strategy 2015/16 approving the limits for investment as follows:

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

50. **Amounts Reported for Resource Allocation Decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. Decisions about resource allocation, however, are taken by the Authority's Cabinet on the basis of budget reports analysed across Directorates. These reports are prepared on a different basis from the accounting policies used in the statement of accounts. In particular:

- No charges are made in relation to capital, whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and not charged to Directorates

The income and expenditure of the Authority's Directorates in relation to management accounts to Cabinet is as follows:

2015/16

| Description | People and Performance Directorate £'000 | Place and Transformation Directorate £'000 | Corporate Directorate £'000 | Total £'000 |
|--|---|---|--------------------------------|-----------------|
| Fees, Charges and Other Service Income | (7,443) | (7,914) | (2,805) | (18,162) |
| Government Grants | (13,714) | {3,770} | {20,704} | {38,188} |
| Total Income | (21,157) | (11,684) | (23,509) | (56,350) |
| Employee Expenses | 52,351 | 16,287 | 764 | 69,402 |
| Other Service Expenses | 41,454 | 13,943 | 44,714 | 100,111 |
| Total Expenditure | 93,805 | 30,230 | 45,478 | 169,513 |
| Net Expenditure | 72,648 | 18,546 | 21,969 | 113,163 |

The Directorate Structure of the Authority changed for 2015/16.

2014/15

| Description | Chief Executive's Directorate £'000 | Community Services Directorate £'000 | Customer Services Directorate £'000 | Total £'000 |
|--|--|---|--|-----------------|
| Fees, Charges and Other Service Income | (3,582) | (6,892) | (8,840) | (19,314) |
| Government Grants | (552) | {16,140} | {26,933} | {43,625} |
| Total Income | (4,134) | (23,032) | (35,773) | (62,939) |
| Employee Expenses | 4,117 | 52,355 | 17,220 | 73,692 |
| Other Service Expenses | 8,227 | 43,839 | 45,907 | 97,973 |
| Total Expenditure | 12,344 | 96,194 | 63,127 | 171,665 |
| Net Expenditure | 8,210 | 73,162 | 27,354 | 108,726 |

51. **Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement**

This reconciliation shows how the figures in the analysis of the Directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

| 2014/15 £'000 | Description | 2015/16 £'000 |
|------------------|--|------------------|
| 108,726 | Net expenditure in the Directorate analysis | 113,163 |
| 15,870 | Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis | 13,961 |
| (11,028) | Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement Cost of Services | (15,307) |
| 113,568 | Cost of Services in Comprehensive Income and Expenditure Statement | 111,817 |

| Description | Directorate Analysis £'000 | Amounts not Reported to Management for Decision Making £'000 | Amounts not Included in Cost of Services £'000 | Cost of Services £'000 | Corporate Accounts £'000 | Total £'000 |
|--|----------------------------------|---|--|------------------------------|--------------------------------|------------------|
| Fees, Charges and Other Service Income | (18,162) | (6,088) | (2,598) | (26,848) | 0 | (26,848) |
| Interest and Investment Income | 0 | 0 | 56 | 56 | (56) | 0 |
| Income from Council Tax | 0 | 0 | 0 | 0 | (22,578) | (22,578) |
| Government Grants and Contributions | (38,188) | 0 | 0 | (38,188) | (104,964) | (143,152) |
| Total Income | (56,350) | (6,088) | (2,542) | (64,980) | (127,598) | (192,578) |
| Employee Expenses | 62,053 | (2,039) | 0 | 60,014 | 5,578 | 65,592 |
| Other Service Expenses | 100,111 | (1,425) | (5,268) | 93,418 | 0 | 93,418 |
| Support Services Recharges | 7,349 | 0 | 0 | 7,349 | 0 | 7,349 |
| Depreciation, Amortisation and Impairment | 0 | 23,517 | (2,351) | 21,166 | 0 | 21,166 |
| Interest Payments | 0 | (4) | (5,146) | (5,150) | 5,109 | (41) |
| Precepts and Levies | 0 | 0 | 0 | 0 | 6,467 | 6,467 |
| Gain or Loss on Disposal of Non-Current Assets | 0 | 0 | 0 | 0 | (225) | (225) |
| Total Expenditure | 169,513 | 20,049 | (12,765) | 176,797 | 16,929 | 193,726 |
| Surplus or Deficit on the Provision of Services | 113,163 | 13,961 | (15,307) | 111,817 | (110,669) | 1,148 |

| Description | Directorate Analysis £'000 | Amounts not Reported to Management for Decision Making £'000 | Amounts not Included in Cost of Services £'000 | Cost of Services £'000 | Corporate Accounts £'000 | Total £'000 |
|--|-------------------------------|---|---|---------------------------|-----------------------------|-------------------|
| Fees, Charges and Other Service Income | (19,314) | 1,013 | | (18,301) | 0 | (18,301) |
| Interest and Investment Income | (2) | | 50 | 48 | (48) | 0 |
| Income from Council Tax | | | | 0 | (21,089) | (21,089) |
| Government Grants and Contributions | (43,623) | | | (43,623) | (1,6312) | (1,59,935) |
| Total Income | (62,939) | 1,013 | 50 | (61,876) | (1,37,449) | (1,99,325) |
| Employee Expenses | 73,692 | (2,892) | | 70,800 | 6,697 | 77,497 |
| Other Service Expenses | 97,973 | (2,921) | (2,936) | 92,116 | 0 | 92,116 |
| Depreciation, Amortisation and Impairment | | 20,673 | (3,087) | 17,586 | 0 | 17,586 |
| Interest Payments | | (3) | (5,055) | (5,058) | 5,019 | (39) |
| Precepts and Levies | | | | 0 | 6,311 | 6,311 |
| Gain or Loss on Disposal of Non-Current Assets | 0 | 0 | 0 | 0 | 1,184 | 1,184 |
| Total Expenditure | 171,665 | 14,857 | (11,078) | 175,444 | 19,211 | 194,655 |
| Surplus or Deficit on the Provision of Services | 108,726 | 15,870 | (11,028) | 113,568 | (11,8238) | (4,670) |

Included within the total expenditure above is of £ 5,312,000 expenditure relating to support services.

53. **VAT Shelter Arrangement**

Arising from the transfer of housing stock to the independent Registered Social Landlord, Merthyr Valleys Homes, on 30th March 2009, the Authority has a 15 year VAT Shelter agreement in place with Merthyr Valleys Homes, approved by Her Majesty's Revenue and Customs. The VAT Shelter transfers the VAT cost of the works required to meet the Welsh Housing Quality Standard (WHQS) to the Authority. The transactions are as follows:

- Under the housing transfer agreement the Authority transferred the properties to Merthyr Valleys Homes with an obligation to undertake the WHQS works at the Authority's expense. The price paid for the properties was £133,023,642; reflecting the Tenanted Market Value of the stock which is nil and the estimated value of the works of £133,023,642.
- The Authority discharged its obligation to carry out the works under the Transfer Agreement by entering into a 15 year Development Agreement with Merthyr Valleys Homes. This is a fixed price contract for £133,023,642 plus VAT of £19,953,546.30.

Over the life of the Development Agreement, Merthyr Valleys Homes is entitled to reclaim VAT on the costs it incurs from third parties for carrying out the WHQS works, as detailed in the Development Agreement.

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

The 2015/16 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. In addition, there is a requirement to disclose 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 by the Code for the relevant financial year. The standards introduced in the 2016/17 code that are relevant are:

- Amendments to IAS 19 *Employee Benefits* (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 - 2012 Cycle
- Amendment to IFRS 11 *Joint Arrangements* (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012o- 2014 Cycle
- Amendment to IAS 1 *Presentation of Financial Statements* (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis

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

In applying the accounting policies set, 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;

56. **Assumptions made about the Future and other Major Sources of Estimation Uncertainty**

The Statement of Accounts contain estimated figures that are based on assumptions made by the Authority about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Uncertainties | Effect if actual results differ from assumptions |
|--|---|
| <p><i>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 43.</i></p> | <p><i>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 £6.54 million.</i></p> |
| <p><i>A further 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 valuer's is engaged to provide the Authority with expert advice about the assumptions applied (further information on the valuation is included in note 4 of these Statement of Accounting Policies).</i></p> | <p><i>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 for buildings would increase by£148,000 for Buildings and £351,000 for Infrastructure for every year that useful lives had to be reduced.</i></p> |

| | |
|---|---|
| <p>Significant judgements relate to the requirement for accounting provisions. Details regarding the judgements made in determining the provision values at 31st March 2016 are included within Note 26 to the Statement of Accounts.</p> | <p>An increase over the forthcoming year of 1.0% in the total number of insurance claims outstanding at year end would have the effect of adding £102,000 to the provision.</p> |
| <p>At 31 March 2016, the Authority had amounts it was owed for items such as sundry debtors, Council Tax, Non Domestic Rates (NOR) and rents. The Authority has made an allowance for Non collection against these debts however in the current economic climate it is not certain if such allowance would be sufficient.</p> | <p>If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £2,141e,000 to be set aside as an allowance.</p> |

57. **Events after the reporting period**

Events may occur between year-end and the date that the statement of Accounts is issued that might have a bearing upon the financial results of the past year and the financial position presented in the Balance sheet. There is a requirement that:

- Events after the Balance Sheet date are properly reflected in the Statement of Accounts up to the date that the statement is authorised for issue.
- The date is disclosed in the Statement of Accounts, together with the identity of the person who gave authorisation and a confirmation that this is the date up to which events have been considered (refer to Note 60 to the Statement of Accounts)

There are no Events after the reporting period.

58. **Material Items of Income and Expenditure**

For 2015/16 the Authority paid £2,454,000 of expenditure to Merthyr Tydfil Leisure Trust as a management Fee. The Authority incurred a similar level of expenditure in 2014/15 for leisure and cultural services however, these services were provided internally by Merthyr Tydfil County Borough Council.

59. **Risks Arising from Financial Instruments**

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

- 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 top 25 UK building societies based on total assets.

The Authority's Treasury Management Policy Statement and Annual Investment Strategy 2015/16 reported to Council on 25th March 2015 set limits for investments for 2015/16 of:

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

A Treasury Management In year review of the 2015/16 financial year was also reported to Council on 2nd December 2015.

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:

| | Balance Outstanding as at 31st March 2016 £'000 | Historic Experience of Default % | Estimated exposure to non-repayment at March 2016 £'000 |
|--|---|---|--|
| Council Tax | 27,470 | 0.76 | 209 |
| National Non Domestic Rates | 18,831 | 2.28 | 429 |
| Sundry Debtors | 2,780 | 2.90 | 81 |
| Subsidy Debtors | 768 | 6.11 | 47 |

Liquidity Risk

As the Authority has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will have a significant proportion of loans maturing at the same time. To minimise this risk requires a combination of careful planning of new loans taken out and, where it is economic to do so, making early repayments.

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 rate expense charged to the Income and Expenditure Account 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 Income and Expenditure Account will rise
- Investments at fixed rates – the fair value of the assets will fall

Borrowings are carried at amortised cost not fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement 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 of £55 million are fixed rate whereas the £12 million EuroHypo Bank Loans are 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 2015/16 would have been as follows:

| | £'000 |
|---|--------------|
| Increase in Interest payable on variable rate borrowings - long term | 120 |
| Increase in Interest payable on variable rate borrowings - short term | 60 |
| Increase in Interest receivable on variable rate investments | (13) |
| Impact on Comprehensive Income and Expenditure | 167 |

Market Analysis

Global Economy

The slowdown in the Chinese economy became the largest threat to the South East Asian region, particularly on economies with a large trade dependency on China and also to prospects for global growth as a whole. The effect of the Chinese authorities' intervention in their currency and equity markets was temporary and led to high market volatility as a consequence. There were falls in prices of equities and risky assets and a widening in corporate credit spreads. As the global economy entered 2016 there was high uncertainty about growth, the outcome of the US presidential election and the consequences of June's referendum on whether the UK is to remain in the EU. Between February and March 2016 sterling had depreciated by around 3%, a

significant proportion of the decline reflecting the uncertainty surrounding the referendum result.

Central bankers in the Eurozone, Switzerland, Sweden and Japan were forced to take policy rates into negative territory. The European Central Bank also announced a range of measures to inject sustained economic recovery and boost domestic inflation which included an increase in asset purchases (Quantitative Easing).

UK Economy

The UK economy slowed in 2015 with GDP growth falling to 2.3% from a robust 3.0% the year before. CPI inflation hovered around 0.0% through 2015 with deflationary spells in April, September and October.

The Bank of England's MPC (Monetary Policy Committee) made no change to policy, maintaining Bank Rate at 0.5% (in March it entered its eighth year at 0.5%) and asset purchases (Quantitative Easing) at £375bn. In its Inflation Reports and monthly monetary policy meeting minutes, the Bank was at pains to stress and reiterate that when interest rates do begin to rise they were expected to do so more gradually and to a lower level than in recent cycles.

60. **Authorisation for Issue**

The Chief Financial Officer, acting as Responsible Financial Officer, gave authorisation for the issue of these accounts on 28th September 2016. In doing so, the Financial Accounts include any material events, relating to the financial year, but occurring after the date of the balance sheet 31st March 2016.

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 Financial Officer:
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the statement of accounts

The Chief Financial Officer's Responsibilities

The Chief Financial 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 Financial 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 Financial Officer has also:

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

Signed DS Jones Date 12/12/11

DS Jones
Chief Financial Officer

CHIEF FINANCIAL OFFICER'S CERTIFICATE

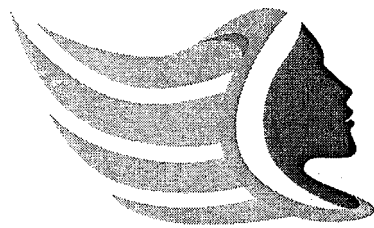
I hereby certify that the statement of accounts on pages 7 to 96 present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2016;

Signed D.S. Jones Date 28/9/16
D S Jones
Chief Financial Officer
↓

COUNCIL CHAIRMAN'S CERTIFICATE

I hereby certify that the Council approves the statement of accounts on pages 7 to 96 for the year ended 31st March 2016.

Signed M Davies Date 25/9/16
Councillor Margaret Davies
Mayor



MERTHYR TYDFIL
County Borough Council
Cyngor Bwrdeistref Sirol
MERTHYR TUDFUL

ANNUAL GOVERNANCE STATEMENT 2015|2016

SEPTEMBER 2016

MERTHYR TYDFIL COUNTY BOROUGH COUNCIL

ANNUAL GOVERNANCE STATEMENT - 2015-16

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. It is a requirement of the Local Government (Wales) Measure 2009 that Local Authorities make arrangements to secure continuous improvement in the exercise of their functions by identifying their own priorities for improvement.

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.

The Council has approved a Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". (Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives).

This Annual Governance Statement explains how the Council has complied with the CIPFA/SOLACE Framework and also meets the requirements of Part 3 of the Accounts and Audit (Wales) Regulations 2014. This includes the additional requirements as detailed in the addendum to the CIPFA/SOLACE framework and the Additional Chief Finance Officer (CFO) Requirements.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

A governance framework comprises the systems and processes, and culture and values, by which the Council and its activities are directed and controlled. It also embodies the way in which it accounts to, engages with, and leads the community. It enables the Council to monitor the delivery of its Corporate Priorities for Improvement and to consider whether this has led to improved outcomes for the citizen. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies or deliver its priorities and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies and Corporate Priorities. It also evaluates the likelihood of those risks being realised and the associated impact should they occur, and identifies how the risks will be managed.

A governance framework has been in place at the Council for the year ended 31st March 2016 and up to the date of approval of the Annual Governance Statement and Statement of Accounts.

3. THE GOVERNANCE FRAMEWORK

The following is a description of the systems and processes that comprise the Council's governance arrangements including arrangements for:

(a) Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users:

The Corporate Plan sets out our ambition for Merthyr Tydfil to 2017. The Corporate Plan is the primary tool of the Council to communicate the purpose, vision and intended outcomes for citizens and service users. The Corporate Plan identifies the Council's top priorities which are referred to as our Priority Areas. These support the Vision and Priority Outcomes identified for Merthyr Tydfil which are set out in the County Borough's Single Integrated Plan 2013/17.

| Priority Outcomes Single Integrated Plan | Priority Areas Corporate Plan 2013-2017 |
|--|--|
| <i>People in Merthyr Tydfil have the opportunity and aspiration to learn and develop their skills to maximise their potential.</i> | <i>Raising Standards of Attainment</i> |
| <i>People in Merthyr Tydfil benefit from a strong, sustainable and diverse economy.</i> | <i>Economic Development</i> <i>Employability</i> |
| <i>People, who live and work in Merthyr Tydfil are supported to enjoy a healthier and better quality of life.</i> | <i>Promoting Independence</i> <i>Meeting the needs of vulnerable children</i> <i>Active Lifestyles</i> |
| <i>People enjoy a vibrant, attractive, safe and sustainable place in which to live, work, play and visit.</i> | <i>Sustainable Environment</i> |

Delivery of the Single Integrated Plan (SIP) was the responsibility of the Merthyr Tydfil Local Service Board (LSB) until it was replaced by the Cwm Taf Public Service Board in May 2016.

As part of its production process the SIP underwent a statutory/public consultation exercise.

(b) Reviewing the vision for Merthyr Tydfil and its implications for the Council's governance arrangements:

The Council keeps the above under review and development. The annual review of governance arrangements will take into account any changes to the Vision in the future.

The Single Integrated Plan that contains the vision for Merthyr Tydfil will be subject to annual review by the Local Service board partners.

Each year the Council produces the Corporate Plan - Annual Delivery Document which provides an update to the Corporate Plan based on new planned activities and lessons learnt from in year self-evaluations. The Annual Delivery Document for 2015/16 was reported to Full Council in June 2015. The Council's Vision and priorities were reviewed again later in 2015 and the stated priorities confirmed.

(c) Translating the vision into objectives for the authority and its partnerships:

The Single Integrated Plan identifies clear outcomes that will have a positive impact for people.

The Corporate Plan supports the vision and priority outcomes identified for Merthyr Tydfil within the Local Service Board's Single Integrated Plan 2013 to 2017.

The priorities of the Single Integrated Plan focus on making progress on outcomes in partnership with other organisations, whilst the priorities in the Corporate Plan focus on those that are predominantly the responsibility of the Council.

(d) Measuring the quality of services for users for ensuring they are delivered in accordance with the Council's objectives for ensuring that they best represent the use of resources:

In July/August of 2013 a series of workshops were held to develop a Corporate Self Evaluation model; part of this covers quality of provision/service delivery and services are asked to identify the systems they have in place to measure, validate and challenge quality of service delivery. A Service Performance Challenge programme ran from September 2014 through July 2015. This programme reviewed service self-evaluations and provided challenge on service performance. The challenge helps the Council identify areas of improvement work within services.

During 2015/16 the self-evaluation process undertaken by services continued with all services producing a self-evaluation, however, there was a change to the service performance challenge with the establishment of the Performance Board. The purpose of the Performance Board is to create an arena where senior officers and elected members can discuss and challenge performance on a diverse range of service improvement related topics. The Performance Board met for the first time in November 2015 and then again in February and March 2016. There will be six Performance Board meetings each year and their focus will be on the four corporate strategies and the organisational improvement strategy.

Value for Money of services provided by the Council is considered as part of the Corporate Self Evaluation/Performance Service Challenge framework adopted by the Council. This is beginning to become intrinsically linked to the allocation of scarce resources through the budget setting process as evidenced through the Service Budget Review process for the 2015/16 budget. The budget for 2016/17 is set based on the principles of transformation and outcome focused redesign of council services. Arrangements are continuously evolving through the Change Management and Performance Framework although it is recognised that further progress needs to be maintained, monitored and applied consistently.

The Council's budget process establishes the resources required to deliver its services and Corporate Priorities for Improvement, which involves a review of the overall use of resources.

Internal Audit's annual plan of work includes reviewing the use of resources.

Consultation is used to gauge the public perception of services provided.

It is recognised that there is a need to implement a process to align priorities and resources to deliver the appropriate level of service and a process to determine which services need to be delivered in an alternative way.

The Wales Audit Office Annual Improvement Report 201 5/1 6 made positive comments on the self-evaluation process stating that the council is developing its arrangements for improvement planning and self-evaluation, but that there are weaknesses in the Council's arrangements for responding to external regulatory reports.

The self-evaluation process aims to ensure that each service area has robust arrangements in place to provide information to enable quality of service to be measured.

As part of the partnership review undertaken in 201 5/1 6 proposals have been made and are being implemented that will reduce costs in relation to staff time by streamlining partnership structures, however, it is recognised that arrangements do need strengthening including being able to better measure value for money. These are being looked at in terms of the new arrangements for the Public Services Board and the new Strategic Partnership Board.

The Service Improvement Framework sets out the key components of the Council's improvement planning process. This needs to be updated to reflect changes to the Council's updated approach and to meet the requirements of the Well-being of Future Generations (Wales) Act 201 5.

The complaints procedure has undergone a review and an updated model was presented to, and adopted by Council in September 201 4.

(e) Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions with clear delegation arrangements and protocols for effective communication:

The Council sets out the respective roles and responsibilities of Councillors and Senior Officers in the Council's Constitution.

All Committees and member bodies are set out in the Council's Constitution. The Scheme of Delegation details where responsibility for functions lie and in respect of decisions to be made, identifies which body or person makes those decisions which result in actions either being taken or not.

The constitution sets out the protocol on councillor/officer relations and sets out the specific role of councillors and officers and of the relationship that should exist.

(f) Developing, communicating and embedding codes of conduct, defining the standards of behaviours for members and staff:

There are codes of conduct in place which have been formally approved and communicated to all relevant staff. The Employee Code of Conduct and Members Code of Conduct form part of the Constitution. Copies of Codes are also available on the Council's Intranet and Internet site. Booklets are produced and disseminated to employees and councillors on request. All new starters with the Council receive a copy of the Employee Code of Conduct. All members of staff have been issued with a Staff Handbook which provides a summary of relevant policies and working practices.

(g) Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks:

The Constitution has been updated to reflect the changes both in terms of the political management structure arrangements and organisational structure in the Council. In addition, there have been a number of changes required as a result of the Local Government (Wales) Measure 201 1. The Council's Constitution sets out how the Council operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. Responsibility for decision-making, the role of the Council, the Cabinet, Committees and the process for determining the Council's key decisions are defined in the Constitution. Delegations are detailed so that the functions of the Council, Cabinet, Cabinet Members, Committees and Officers are specified.

The Constitution contains amongst other things, Rules of Procedure including the Financial Procedure Rules and the Procurement and Contracting Rules. The Procurement and Contracting Rules were revised and approved in April 201 4. The Rules have been further amended to reflect the Public Contract Regulations 201 5 and the updated Welsh Procurement Policy Statement which was issued in June 201 5. These amendments were approved by Full Council in January 201 6. The Financial Procedure Rules have been reviewed. It is recognised that they require amendment to reflect changes in structures, systems and processes operating within the Council and work to this effect is underway.

The Audit Committee has a role in reviewing and scrutinising the appropriateness of the Council's Risk Management arrangements, which should be supported and driven by a Risk Management Policy and Strategy.

In order to emphasise the importance of Risk Management across the Local Authority, the Deputy Leader of the Council is the Councillor Risk Management Champion as set out in the Policy and Strategy. The Policy and Strategy also clearly sets out Risk Management Roles and Responsibilities across the Council, including for the Chief Executive, Directors, Heads of Service, Operational/Team Managers, Employees and Councillors.

The Council's revised and updated Risk Management Policy and Strategy was approved by Full Council on 1 6th July 201 4. Risk registers are in place which capture the risks and issues that could prevent or hinder the delivery of the Council's Corporate Strategies. The Council's Performance Board is an integral part of reporting on the Risk Registers

enabling the Local Authority to challenge services about risks and issues, whilst also supporting the identification of any new or emerging risks and issues.

(h) Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committee - Practical Guidance for Local Authorities:

The Council has established an Audit Committee, which undertakes the core functions of an audit committee as identified in CIPFA's Audit Committees - Practical Guidance for Local Authorities. In accordance with the Local Government (Wales) Measure 201e1 one member of the Audit Committee is a Lay Member. The Audit Committee has an up to date terms of reference that is contained within the Council's Constitution. The Wales Audit Office have recently identified the need for the Council strengthen its arrangements for responding to regulatory reports including formalising a process and clarifying which committees should receive the reports.

(i) Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that the expenditure is lawful:

The Council has in place a framework of Procedures, Rules and Policies that sets out how policy decisions are made. Key roles are performed by statutory officers, including the Council's Head of Paid Service, Monitoring Officer, Section 151 Officer, Chief Education Officer, and Statutory Director of Social Services.

A regular programme of work is carried out by Internal Audit reviewing compliance with established procedures and expected controls. In addition, Scrutiny Committees, External Audit and External Inspection Agencies contribute to the review of the Council's compliance with its policies, procedures, laws and regulations.

A Risk Management Framework has been established which aims to embed risk management into the operational and strategic management of the Council. Key risks are identified in Service Risk Registers and a Corporate Risk Register and a Risk Management Strategy adopted.

The self-evaluation process has continued with all services producing a self-evaluation during the financial year.

The Council sets a balanced budget with revenue and capital budgets being integrated annually. This is embodied by the production of a Medium Term Financial Plan (MTFP), which sets out likely expenditure and income over a 3-year period which allows for more certain forward planning for the delivery of services and linking this to the level of resources potentially available. The MTFP is presented to the Council as part of the budget setting process.

Appropriate limits have been approved in line with the Prudential Code for Capital Accounting. Budgets are monitored regularly and members receive financial information that is relevant, understandable and consistent with the underlying financial records. Financial reserves are kept under review. Creation of the Budget Board in 201 4/1 5 has had a significant impact in respect of accountability for budget management with surplus revenue budget outturns reported for 201 5/1 6 and an adequate, healthy general reserves balance maintained.

There had been vacancies in Internal Audit in 201 4/1 5. In order to help deliver the audit work plan the services of an agency auditor were obtained. It was recognised that the use

of external agency support is not an efficient long-term solution and the vacancies in the Service were filled in later in 201 4/1 5. However during 201 5/2016 the Service incurred further vacancies due to a number of reasons. Recruitment activity was undertaken as soon as possible to reduce the impact of these vacancies and the Service has successfully recruited to all vacant posts and will be fully resourced with effect from September/October 201 6.

(j) *Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability:*

The Council has an approved Risk Management Strategy that includes a Corporate Risk Management Policy Statement. The Strategy and the inclusive Policy Statement is regularly updated to ensure it remains up to date and continues to reflect the Council's approach to Risk Management. The Council's Risk Management Strategy has been updated with approaches for managing risk in relation to partnerships and was approved by Council in July 201 4.

Each Chief Officer has a Risk Register in place which captures the risks and issues that could prevent or hinder the delivery of the corporate strategies. Each Head of Service also has a Risk Register in place. The Council's updated Corporate Risk Register for 201 5/1 6 was prepared using a combination of the following risk sources:

- Two Corporate Management Team Risk Identification Workshops;*
- Corporate Risks that were identified in the Corporate Risk Register 201 4/1 5;*
- An analysis and grouping of the identified risks that were scored 12 or above in the Service Risk Registers and the identified issues in the Service Risk Registers.*

Each Corporate Risk for 201 5/1 6 was allocated to a Lead Director who has responsibility for ensuring their corporate risks are monitored, reported and managed. In addition, appropriate Cabinet Members were identified as Lead Councillors for specific corporate risks in the Corporate Risk Register for 201 5/1 6.

The Council's Annual Risk Management Progress Report and the Updated Corporate Risk Register for 201 5/1 6 were presented to Audit Committee and Cabinet in February 201 6.

Risk management continues to be an integral part of the Council's Transformation Programme and Financial Planning and Budget setting processes.

(k) *Whistleblowing and arrangements for receiving and investigating complaints from the public:*

The Council has a Whistleblowing Policy which forms part of the Council's Constitution. The Whistleblowing Policy was updated and amended during 201 4/201 5 to incorporate legislative change. A full review of the process has taken place and arrangements publicised by posters and a staff survey which suggests that staff are aware of the process but further work needs to be done to boost staff confidence in the process and to ensure that everyone has full understanding and access. The Council also has an Anti-Fraud and Corruption Policy and it is recognised that the policy is in need of review. Both of these documents can be accessed via the Council's intranet site.

The Council has a Corporate Compliments, Comments and Complaints Procedure that was agreed by Council on 10th September 2014 and this document is available on the

Internet. Social Services also maintain their own departmental Complaints Policy which supports the implementation of the Social Services Complaints Procedures (Wales) Regulations 2014 and the Representations Procedure (Wales) Regulations 2014 and brings the complaints process for Social Services in line with the Model Concerns and Complaints Policy and Guidance and the NHS Complaints Procedure "Putting Things Right".

(l) Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training:

The Council's website contains policies relating to Employee Code of Conduct, Financial Procedure Rules, Procurement and Risk Management, Health and Safety etc. All Councillors are invited to attend induction-training courses when elected and may not take up office until they have received training in the Code of Conduct. Training is provided to Councillors based on their training needs analysis. Party leader also hold 1 :1 meetings with their members and produce personal development plans.

Training needs assessments are undertaken for specific skill areas periodically. The Council has Training Officers who organise training courses for staff.

The Council maintains a Personal Professional Development Plan process for staff and a 'One to One and Annual Review/Appraisal' process is in place.

(m) Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation:

Consultation and engagement is one of the main tools the Council uses to inform and understand the opinions and views of local residents, customers and other stakeholders within the County Borough.

There has been clear sustained progress in all of the communication channels employed by the Council. These are principally:

- Contact Magazine
- Council's internal Intranet
- Use of local, regional and national media
- Use of service users for planning groups
- Chief Executive's Core brief
- Social Media including Facebook and Twitter
- Council's Website
- Electronic Signage Facilities
- Improved telecommunication access channels
- Specific consultation on change programmes e.g. Chief Executive Information Sessions

The Single Integrated Plan is reviewed on a yearly basis. During 2015/16, a mid-term review of the SIP took place which resulted in a more streamlined SIP focussing on the added value, collaboration and impact on the community. Throughout the review process, consideration of the impending implementation of the Future Generations Act has been given and a clear focus on future requirements has informed the changes being undertaken as part of the review. The revised SIP for 15/16 was presented to and approved by the LSB in October 2015 following approval by the Council in November 2015.

The revised SIP for 201 5/1 6 is available on the Council's web-site and LSB partner's web-site.

There are clear channels of communication in place corporately for all consultation and engagement activity. This is done through the Cwm Taf Engagement Hub, Council's website, social media sites and the contact community magazine. In addition to this, there is a citizen panel for Merthyr Tydfil and a combined panel with Rhondda Cynon Taf to ensure that the Council is consulting and engaging with all sections of the community.

Responsibility for consultation and engagement now sits with the Corporate Communications and Consultation Team within the Council and is also supported collaboratively across the Cwm Taf footprint by the newly established Cwm Taf Public Engagement Group.

The Council is now more proactive with all consultation and engagement across the Cwm Taf Footprint through closer partnership working via the strategic and practitioners public engagement group meetings.

The Authority publishes a Community Magazine (Contact) which informs all our stakeholders of what is happening across the County Borough. The magazine is distributed to every household across the County Borough and is also published on the Council's website and staff internet site.

Regular progress updates are provided on all communication and consultation activity internally through the Communications and Consultation Group, the Transformational Steering Group and the Transformation Programme Board. Progress on certain consultation exercises are also communicated back to the Cwm Taf Public Engagement Group.

(n) Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Authority's overall governance arrangements:

The Council works in partnership with a range of organisations in order to deliver its objectives and priorities. Some examples include:

- The Merthyr Tydfil Local Service Board, which included Police, Health Board, Third Sector, and a representative from the Welsh Government; (Replaced by the Cwm Taf Public Service Board from May 201 6)*
- The Cwm Taf Regional Collaboration Board which had a strong focus on collaboration across the region. The Board consists of senior representatives of Councils, Police, Health Board, Third Sector, and representatives from the Welsh Government; (Replaced by the Cwm Taf Public Service Board from May 201 6)*
- Key Strategic Partnerships for Health Social Care and Well Being; Children and Young People; and Community Safety combined to form a single Partnership Board for Merthyr Tydfil; (This has been replaced by the Cwm Taf Strategic Partnership Board from May 201 6.)*
- Cwm Taf Social Services and Wellbeing Partnership Board to prepare for and oversee implementation of the Social Services & Well Being Act.*
- Welsh Local Government Association; and*

- *The City Deal - Ten South East Wales local authorities, in partnership with the Welsh Government, in developing and securing a City Deal with the UK Government.*

The Council has developed a Partnership Risk Management Toolkit that has received approval from the Corporate Management Team. The Toolkit provides a framework for identifying and managing the risks associated with creating, establishing, managing and delivering successful partnerships. The Toolkit was piloted by a range of services across the Council to test its effectiveness and provide feedback on any necessary improvements. Following this trial and feedback received from services involved in the trial, the draft Toolkit has been updated where necessary to reflect the feedback from the pilot.

It has been proposed that the Toolkit will be an integral part of the new Partnership Board that has been established to ensure that all collaborative arrangements deliver improved outcomes and value for money for the people of Merthyr Tydfil. The Council are awaiting further direction from the Partnership Board on the utilisation of the Toolkit.

(o) Ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact:

The Section 151 Officer (Chief Finance Officer) is the responsible officer for administration of the Council's financial affairs under section 151 of the Local Government Act 1972.

The Chief Finance Officer reports strategically to the Chief Executive and operationally to the Corporate Director for Place & Transformation and is a member of Corporate Management Team.

The Chief Finance Officer is responsible for ensuring that appropriate advice is given on all financial matters, for maintaining proper financial accounts and records and maintaining an effective system of internal financial control.

In line with CIPFA's 'Statement on the Role of the Chief Financial Officer in the Public Service Organisations' (2009) and the 'Statement of the Role of the Chief Financial Officer in Local Government' (2010) the Council's Chief Financial Officer:

- *Is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the Council's strategic objectives sustainably and in the public interest;*
- *Is actively involved in, and able to bring influence to bear on all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the Council's financial strategy; and*
- *Leads the promotion and delivery by the whole Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.*

To deliver these responsibilities the Chief Finance Officer:

- *Leads and directs a finance function that is resourced to be fit for purpose; and*
- *Is professionally qualified and suitably experienced.*

(p) Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained.

The Council has an approved Anti-Fraud and Corruption Policy which is currently being reviewed to ensure it is up-to-date. The Anti-Fraud and Corruption Policy is available electronically via the Intranet and members of staff have been made of aware of the Policy and its location. The Counter Fraud Service performance information is reported to the Council's Audit Committee. The Counter Fraud Team transferred to the Department of Work and Pensions in February 2016. It was agreed that Internal Audit would carry out internal fraud investigation work (non-benefits related) and other residual duties linked to Benefits would be carried by the Benefits Team.

(q) Ensuring the authority's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact.

The Audit Manager is CIPFA qualified with over 20 years' experience and leads a team of staff who provide a professional, cost effective and independent internal audit of the Council's systems of internal control, risk management arrangements and governance arrangements. Internal Audit work to a risk based plan and produce reports giving opinions on the standard of the Authority's internal control environment, its compliance with established controls and its governance arrangements.

An Annual Internal Audit Report is compiled by the Audit Manager and reported to Audit Committee providing an opinion on the internal control framework, risk management arrangements and governance arrangements. The opinion formulated in this report is based on the work undertaken by Internal Audit during the financial year and the opinions given.

Financial Procedure Rules detail that the Chief Finance Officer and his audit representatives have the authority to directly access the Head of Paid Service, the Cabinet and the Audit Committee.

The Audit Manager works closely with the Audit Committee to provide challenge and support across the Council and improve governance, risk management and internal control. The Audit Manager is not a member of the Senior Leadership Team but is managed by and has direct access to the Head of Corporate Services who is a member of the Senior Leadership Team.

I 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. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Report, and also by the comments made by the external auditors and other review agencies and inspectorates.

Throughout 201 5/1 6 the Council has maintained and reviewed its system of internal control in a number of ways. In particular:

The Internal Audit Service has undertaken planned reviews of internal control procedures, risk management and governance arrangements across departments and across a range of functions within the Council. The Internal Audit Service worked to its Plan for 201 5/1 6. Reports were published upon completion of assignments and circulated to management and members of the executive and action plans included in the Council's Audit, Inspection Action Plans system (AAPs) according to internal processes. Minutes and agenda papers of Audit Committee demonstrate that both internal audit, external audit (Wales Audit Office) and other external inspection/regulation agencies reports have been made to Audit Committee and also that officers have been called to the Audit Committee to discuss their respective reports and action plans and to subsequently provide further updates on progress at future Audit Committee meetings. Audit Committee Members have access to the Council's Audit Action Plan system so that they can view service action plans and monitor managements progress of completion of actions.

The Annual Internal Audit Report for the financial year 201 5/2016 incorporating the Audit Manager's opinion was produced and reported to the Council's Audit Committee on the 1 8th July 201 6. Based upon the work undertaken during the year Internal Audit gave a satisfactory opinion on the internal control environment, risk management arrangements and governance arrangements for 201 5/1 6. (Further information can be found in the Annual Internal Audit Report 201 5/1 6).

The scrutiny committees have examined a substantial number of issues as part of their work programme in 201 5/1 6 as demonstrated in their Annual Report which was reported to Full Council in July 201 6.

Information to be taken into consideration for producing the Annual Governance Statement includes performance management information, work completed by the 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 guidance.

The Internal Audit Service and key officers of the Council carried out a review based on CIPFA guidance to ensure that evidence was in place to support the production of the Annual Governance Statement, to identify gaps where that was not the case and to review the effectiveness of existing arrangements.

A d raft version of the Annual Governance Statement has been produced for consultation and discussion at Corporate Management Team, Audit Committee and the Governance, Performance, Business Change and Corporate Services Scrutiny Committee and also

provided to the External Auditors for comment and feedback. The final version will be presented to Audit Committee and Full Council in September 2016 and published with the Statement of Accounts.

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

| Issues | 201 5/201 6 AGS Position & Action Taken/Planned |
|--|--|
| <p>Estyn Report on Local Authority Services for Children and Young People</p> | <p><i>Estyn carried out a review of the quality of Local Authority Education Services for Children and Young People (LAESCYP) in Merthyr Tydfil and a report was produced in November 2012 detailing the outcomes of the review. The review resulted in 8 recommendations as follows:</i></p> <p><i>R1: Secure better outcomes for learners at all key stages and analyse and use performance data to identify and address underperformance.</i></p> <p><i>R2: Strengthen the level of challenge to schools and use the full powers available to the authority to improve leadership and management in underperforming schools.</i></p> <p><i>R3: Devise and apply better strategies to reduce the number of young people not in education, employment or training and build upon existing strategies to reduce the number excluded from school and improve pupil attendance rates, especially in primary schools.</i></p> <p><i>R4: Develop a robust self-evaluation framework for the work of the local authority's education services and introduce appropriate and challenging performance targets that drive improvement.</i></p> <p><i>R5: Develop a more rigorous scrutiny framework, supported by data analysis, to challenge the education services.</i></p> <p><i>R6: Ensure that data on the needs and attainment of all pupils with additional learning needs, and of vulnerable groups, is used at a strategic level to identify specific issues and trends that inform service planning.</i></p> <p><i>R7: Evaluate the impact of Youth Support Services in order to adjust the provision and rebalance resource allocation where necessary.</i></p> <p><i>R8: Develop and implement systems to judge whether initiatives and services have a positive impact on children and young people and offer good value for money.</i></p> <p><i>Following receipt of the report the authority was required to produce an action plan to show how it will address the recommendations within 50 working days of receipt of the report. A Post Inspection Action Plan (PIAP) was sent to Estyn on 7 June 2013.</i></p> <p><i>Following the Estyn Education Services inspection (LAESCYP) in November 2012 and the Welsh Government establishing a Recovery Board, the Council is making good progress towards addressing the recommendations. Robust plans have been established and a range of scrutiny and challenge processes put in place to oversee the delivery of these plans.</i></p> <p><i>Outcomes have improved considerably over the last 3 years. Final results up to KS3 and provisional results at KS4 show improved rates of attainment that are faster than in any other authority or region across Wales for the third year in a row and this improvement is consistent across nearly every indicator and across all phases.</i></p> <ul style="list-style-type: none"> <i>• At age 7 results have improved by 5% this year and 12% since 2012.</i> <i>• At age 11 results have improved by 3% this year and 10% since 2012.</i> <i>• At age 14 results have improved by 7% this year and 17% since 2012.</i> <i>• At age 16 results have improved by 2% this year and nearly 20% since 2012.</i> <p><i>Improvements in attainment are also reflected in improved rankings above where MTCBC would be expected to be in the context of the MID.</i></p> <p><i>The outcomes for 2014-15 will place MTCBC in Quartile 1 or 2 for 5 of the 7 National Strategic Indicators. In addition the numbers of young people Not in Education, Employment or Training (NEETs) have been significantly reduced, with a plan of action to sustain this. Attendance rates have improved in primary and secondary schools and exclusions have reduced significantly in secondary schools. The number of pupils leaving full time education without a qualification is consistently amongst the lowest in Wales.</i></p> |

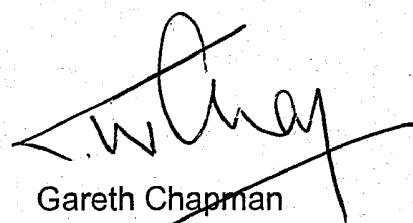
| Issues | 2015/2016 AGS Position & Action Taken/Planned |
|--|---|
| | <p>The final ESTYN monitoring inspection that took place in December 2015 concluded that the authority had made generally strong progress against the eight recommendations since the 201e2 inspection. Formal notification was received from ESTYN in January 2016 confirming that Her Majesty's Chief Inspector of Education and Training in Wales considers that the authority no longer requires special measures and has removed it from follow-up activity.</p> |
| <p>Auditor General's Annual Improvement Report incorporating the Corporate Assessment Report 2014</p> | <p>The Annual Improvement Report for 2014/2015 was issued by the Wales Audit Office in June 201e5. <i>"The Auditor General has concluded that the Council's track record, and its capacity and capability may mitigate the effectiveness of its arrangements to secure continuous improvement for 2015/2016. This judgement reflects the conclusion of his corporate assessment that the Council continues to face significant challenges and must continue to draw upon external support if it is to deliver its priorities. "</i></p> <p><i>"The audit team found that the Council continues to deal with significant service and financial challenges with the benefit of external support... sound governance structures are mostly in place but there are weaknesses in safeguarding and whistleblowing arrangements and some other arrangements are not working as effectively as they might. "</i></p> <p>The Council has developed a plan to address the weaknesses regarding Safeguarding including the creation and implementation of a Corporate Safeguarding Policy, performance reports to scrutiny committees and Cabinet and raising of awareness throughout the entire Council. The Whistleblowing Policy has subsequently been reviewed, amended and updated as required.</p> <p><i>"We also found that the Council has taken significant strides forward in its use of resources but needs to ensure it has sufficient capacity to meet the challenges ahead... the Council has improved its financial governance arrangements and is better monitoring and managing its finances, although it benefits from, and continues to need, additional support to improve the capacity of members and managers to robustly challenge financial and service performance... the Council's arrangements to manage and utilise its workforce have not been effective and it has an action plan in place to drive improvement. "</i></p> <p><i>"Finally, we found that the Council's progress towards achieving its planned outcomes remains variable... The Council is benefiting from the support of the Education Recovery Board. This is having a positive impact on driving improvement in some key education areas but the scale and pace of improvement of educational attainment remains a significant challenge... The Council has not met the national targets for recycling but, following the award of a Welsh Government grant, it is piloting an alternative method of waste collection... Whilst overall performance against the national indicators improved, the Council fell short of meeting its targets and is reporting mixed progress towards achieving its improvement objectives. "</i></p> <p>Within the Annual improvement Report for 2014/2015 the Auditor General made the following formal recommendations for improvement:</p> <p>R1 The Auditor General recommends that the Council following discussion with the Welsh Government continues to secure appropriate external support to enable it to deliver its statutory duty to deliver continuous improvement.</p> <p>R2 The Auditor General also recommends that the Welsh Government continues to provide support through the Education Recovery Board and that it keeps under review the support it provides to the Council generally.</p> |

| Issues | 2015/2016 AGS Position & Action Taken/Planned |
|---|--|
| | <p><i>With regards to R1e, the Council engaged a Strategic Partner (PWC) in early 201e5 to assist it in reviewing its operating model and also to identify improvements and identify savings that could be made in the Council's revenue budget. Considerable work has been done across the Authority and a number of savings and improvements made.</i></p> <p><i>In relation to R2, ESTYN carried out their final monitoring inspection in December 201e5 and concluded that the authority had made generally strong progress against the eight recommendations since the 201e2 inspection. Formal notification was received from ESTYN in January 2016 confirming that Her Majesty's Chief Inspector of Education and Training in Wales considers that the authority no longer requires special measures and has removed it from follow-up activity.</i></p> |
| <p>Financial Pressures: Limited financial resources versus increasing demand for services and capital projects causes budget pressures which impact upon the delivery of public services.</p> <p>E.g. Reduction in funding from the Welsh Government, lack of investment income, capital receipts, costly care packages, reductions in grant funding.</p> | <p><i>The Medium Term Financial Plan (MTFP) 201e5/20 16 to 201e7/2018 was presented for approval to Council on 25th March 201e5 and indicated an estimated budget deficit of £10 million over the period of the MTFP based on assumptions contained within the MTFP. The MTFP 2016/1 7 to 201 9/20 was approved by Council on 23rd March 2016 indicating a revised estimated budget deficit of £20.3 million over the 4 year period, to be addressed through the Council's Corporate Change Programme. The Council's Strategic Partner would assist in identifying recurring budget reductions to be implemented primarily for 201e6/1e7 and 201 7/1e8.</i></p> <p><i>Council of i September 201e6 considered an update to the MTFP 201e6/1e7 to 201e9/20, revising the projected budget deficit for 201e7/1 8 to £4.671 million and for the period of the MTFP to £1e5.26 million.</i></p> <p><i>Although the Council aligns the MTFP with its priorities, 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 Priorities and available finance. The Council's Operating Model Design defines how the Authority is to carry out its business in moving forward and supports the Council's Corporate Strategy and Chief Officer's 'Strategies on a Page' leading to the outcome focused redesign of Council services and the further development of value for money assessments in challenging resource allocation. In addition 'Financial Sustainability' is a quality improvement theme within the Corporate Strategy incorporating both the financial sustainability and resilience of the Council led by the Chief Finance Officer. The Performance Board will monitor achievement against the measures of success and desired outcomes relating to the 'Financial Sustainability' 'Strategy on a Page'.</i></p> <p><i>A significant provisional revenue outturn surplus of £4.1 49 million is reported for 201 5/1e6 with £1e02,000 transferred to General Reserves and £4.047 million to earmarked reserves, with General Reserves increasing to £4.627 million (4% of net revenue budget), remaining in line with the Budget Board's Terms of Reference. In addition a balance sheet review of debtors and creditors has resulted in a further transfer to earmarked reserves of £2.884 million. Both the Budget Board and Change Management Board have been instrumental in delivering this provisional surplus through robust scrutiny and challenge of Budget Managers, when identifying potential financial issues at an early stage thus supporting timely corrective action.</i></p> <p><i>For 201e6/1e7 a surplus budget outturn is anticipated based on the position at 30th June 201e6 (1e⁵¹ Quarter).</i></p> |
| <p>Scrutiny Arrangements</p> | <p><i>The Scrutiny function is developing following the Estyn Inspection in 201e2. The Authority reviewed its scrutiny committee arrangements and now undertakes the scrutiny of its education services through the work of two scrutiny committees. The School's scrutiny committee focuses on school related services and school performance, and the Social Services and Social Regeneration scrutiny committee on the community facing education services. All the work programmes for 2014/2015 were designed to be more robust to ensure that key issues were addressed; relevant LAESCYP items were shared across</i></p> |

| Issues | 2015/2016 AGS Position & Action Taken/Planned |
|---|--|
| | <p>committees; Cabinet Members attended specific meetings; and key corporate issues (e.g. budget, performance, transformation programme) were common to all committees. The WAO Annual Improvement Report for 2014/2015 found that:</p> <p><i>"Scrutiny challenge is developing but remains variable with strong and weak committees. A strong chair is critical to effective scrutiny management and good examples are evident, however there are also weaker examples where scrutiny remains too officer led; There are examples where the Council has used pre-decision scrutiny to good effect, and consideration should be given to extending its use to further reinforce the quality of key decision-making."</i></p> <p><i>"Training for scrutiny members is in place, and has been supported by the Centre for Public Scrutiny (CfPS) to develop a training programme to help drive consistency and generally improve scrutiny as a whole."</i></p> <p>In order to further strengthen the scrutiny process there was a further restructure of the scrutiny committees late 2014/15 with all LAESCYP matters now being considered by the Learning and LAESCYP Scrutiny Committee, and the responsibilities of the Scrutiny and Audit Chairs Liaison Group now being more formalised and the responsibility of the Governance, Performance, Business Change and Corporate Services Scrutiny Committee. The membership of the latter of the aforementioned scrutiny committees consists of the Chairs and Vice Chairs of all the scrutiny committees, together with the Chair of the Audit Committee.</p> <p>The final ESTYN monitoring inspection that took place in December 2015 concluded that the authority had made generally strong progress against the eight recommendations since the 2012 inspection. Formal notification was received from ESTYN in January 2016 confirming that Her Majesty's Chief Inspector of Education and Training in Wales considers that the authority no longer requires special measures and has removed it from follow-up activity.</p> |
| <p>Internal Audit Service staff resource</p> | <p>There had been vacancies in Internal Audit in 2014/15. In order to help deliver the audit work plan the services of an agency auditor were obtained. It was recognised that the use of external agency support is not an efficient long-term solution and the vacancies in the Service were filled later in 2014/15. However during 2015/2016 the Service incurred further vacancies due to a number of reasons. Recruitment activity was undertaken as soon as possible to reduce the impact of these vacancies and the Service has successfully recruited to all vacant posts and will be fully resourced with effect from September/October 2016.</p> |

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

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 Canillo Brendan To only
 Leader of the Council


 Gareth Chapman
 Chief Executive

Appendix 1

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 audit committee, or equivalent, has advised that it should be considered significant for this purpose.*
- The Audit Manager 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 Chief Finance Officer and/or the Monitoring Officer.*

Auditor General for Wales' report to the Members of Merthyr Tydfil County Borough Council

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

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 based on International Financial Reporting Standards (IFRSs).

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

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

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

Scope of the audit of the accounting statements

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

In addition, I read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of Merthyr Tydfil County Borough Council

In my opinion the accounting statements and related notes:

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

Opinion on other matters

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

Matters on which I report by exception

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

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

- the Annual Governance Statement does not reflect compliance with guidance.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of 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.

For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
29 September 2016

Wales Audit Office
24 Cathedral Road
Cardiff

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