

MERTHYR TYDFIL COUNTY BOROUGH COUNCIL



Cyngor Bwrdeistref Sirol
MERTHYR TUDFUL
MERTHYR TYDFIL
County Borough Council

MYNEGIAD CYFRIFON AM Y FLWYDDYN YN DIWEDDU 31 MAWRTH 2020

STATEMENT OF ACCOUNTS FOR YEAR ENDED 31 MARCH 2020

(Provisional – Subject to Audit)

DS Jones CPFA
Chief Finance Officer
Prif Swyddog Cyllid

Merthyr Tydfil County Borough Council

Statement of Accounts for the year ended 31st March 2020

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NARRATIVE REPORT

Introduction

Located in the Heads of the Valleys, within the Cardiff Capital Region, Merthyr Tydfil County Borough is the smallest Welsh local authority, with a population of circa 59,000 and an area of approximately 11,000 hectares of which 2,300 hectares lies within the Brecon Beacons National Park.

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

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

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

Organisational Structure

The Council consists of 33 Elected Members representing 11 electoral divisions with the political balance at 31st March 2020 being 18 Independent Members and 15 Labour Members. Full Council has responsibility for approving and adopting the Authority's Budget and policy framework, that is the plans, schemes and strategies.

The Cabinet is responsible for taking most of the major decisions but they must be in line with the Council's overall policies and Budget. The Cabinet consists of 5 Cabinet Members led by the Leader of the Council as non-portfolio Chair. The 5 Cabinet portfolios are as follows:

- Learning
- Social Services
- Neighbourhood Services, Planning and Countryside
- Regeneration and Public Protection
- Governance and Corporate Services

The services falling under the remit of the Cabinet Members for 'Learning' and 'Social Services' are included within the 'People and Performance' descriptor disclosed within the Comprehensive Income and Expenditure Statement.

The services falling under the remit of the Cabinet Members for 'Neighbourhood Services, Planning and Countryside', 'Regeneration and Public Protection' and 'Governance and Corporate Services' are included within the 'Place and Transformation' descriptor disclosed within the Comprehensive Income and Expenditure Statement.

Scrutiny Committees and Audit Committee provide a further degree of challenge and scrutiny. Elected Members are supported by the Council's Corporate Management Team led by the Chief Executive and Deputy Chief Executive and comprising of the following Chief Officers:

- Chief Officer for Learning – supporting the Cabinet Member for Learning and responsible for schools and education
- Chief Officer for Social Services – supporting the Cabinet Member for Social Services and responsible for children's services, adult services, safeguarding and youth services
- Chief Officer for Planning and Neighbourhood Services – supporting the Cabinet Member for Neighbourhood Services, Planning and Countryside and responsible for refuse and waste, highways and engineering, corporate property, planning and countryside, bereavement services, grounds maintenance, street cleansing and fleet management
- Chief Officer for Community Regeneration – supporting the Cabinet Member for Regeneration and Public Protection and responsible for community regeneration, employability and worklessness and public protection

In addition the Cabinet Member for Governance and Corporate Services is supported by a number of senior officers who also attend Corporate Management Team, namely Chief Finance Officer, Head of Legal and Democratic Services, Head of Corporate Services, Head of Human Resources and Head of Corporate Communications.

Corporate Wellbeing Objectives

The Council's Medium Term Financial Plan 2020/21 to 2023/24 approved by Council on 4th March 2020 was determined having regard to the Well-being of Future Generations (Wales) Act 2015. The Act embraces seven wellbeing goals:

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

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

Council of 26th July 2017 approved the Wellbeing Objectives as set out in the plan, 'Focus on the Future: Wellbeing in our community'. Council of 4th April 2018 further approved the streamlining of the Council's Wellbeing Objectives from 9 to 4, to ensure a greater focus on delivery and improved accountability. The 4 Wellbeing Objectives are:

1. **Best Start to Life** – children and young people get the best start to life and are equipped with the skills they need to be successful learners and confident individuals
2. **Working Life** – people feel supported to develop the skills required to meet the needs of businesses, with a developing, safe infrastructure that establishes Merthyr Tydfil as an attractive destination
3. **Environmental Wellbeing** – communities protect, enhance and promote our environment and countryside
4. **Living Well** – people are empowered to live independently within their communities, where they are safe and enjoy good physical and mental health

Council of 17th April 2019 approved both the 'Statement of Wellbeing' and 'Focus on the Future: Wellbeing in our Community' documents.

Performance Against Wellbeing Objectives

The Council's Annual Performance report for 2018/19 was approved by full Council on 23rd October 2019. The following judgements against wellbeing objectives were reported:

- Best Start to Life – unsatisfactory
- Working Life – adequate
- Environmental Wellbeing – adequate
- Living Well – adequate

Based on the judgements identified in the four wellbeing themes the overall judgement was adequate where strengths outweigh weaknesses, but important aspects require improvement.

The Council's Annual Performance report for 2019/20 is planned to be presented to full Council in October 2020. During 2019/20 however an update on performance for all four wellbeing themes was reported to the Governance and Performance Scrutiny Committee outlining the current position for each theme based on a set of key performance indicators and targets for improvement. These reports are detailed below and can be accessed from the Council's website at www.merthyr.gov.uk.

- Living Well – Committee Date 2nd July 2019
- Working Life – Committee Date 26th November 2019
- Best Start to Life – Committee Date 25th February 2020
- Environmental Wellbeing – scheduled Committee Date 21st April 2020 (meeting cancelled following Government advice relating to the Covid-19 pandemic)

Core Financial Statements

This document presents the Statement of Accounts for Merthyr Tydfil County Borough Council for the financial year ended 31st March 2020. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

The financial statements – accompanied by a Statement of Responsibilities, Independent Auditor's Report, and explanatory notes – are set out on pages 22 to 100, and comprise:

Expenditure and Funding Analysis

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

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.

Movement in Reserves Statement

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

Balance Sheet

This statement is fundamental to the understanding of the Authority's financial position at the Balance Sheet date as it shows the value of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories:

- Usable Reserves – reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use, for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt.
- Unusable Reserves – reserves that the Authority is not able to use to provide services. This includes reserves that hold unrealised gains and losses, for example the Revaluation Reserve, where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement.

Cash Flow Statement

This statement summarises the inflows and the outflows of cash arising from transactions with third parties for revenue and capital purposes. It shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

Financial Performance 2019/20

The Authority is structured in three Directorates:

- People and Performance
- Places and Transformation
- Corporate Costs

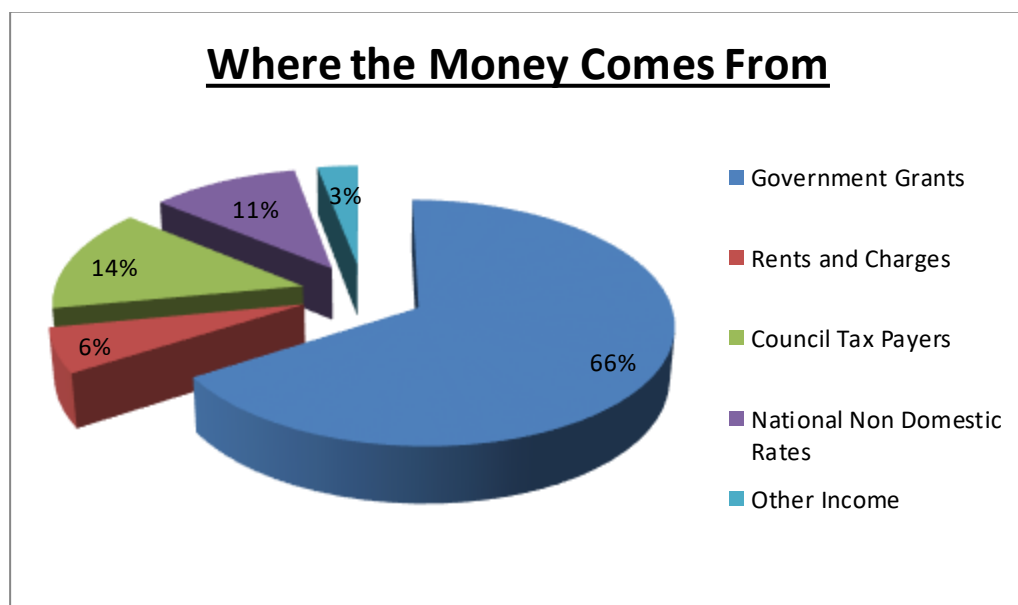
Services areas included within these Directorates can be seen in the Revenue Outturn to Budget Section of this Narrative Report.

The following illustrations show, in broad terms, the Authority's revenue activities for the financial year ended 31st March 2020, that is, where the money comes from and what it is spent on.

Where the Money Comes From

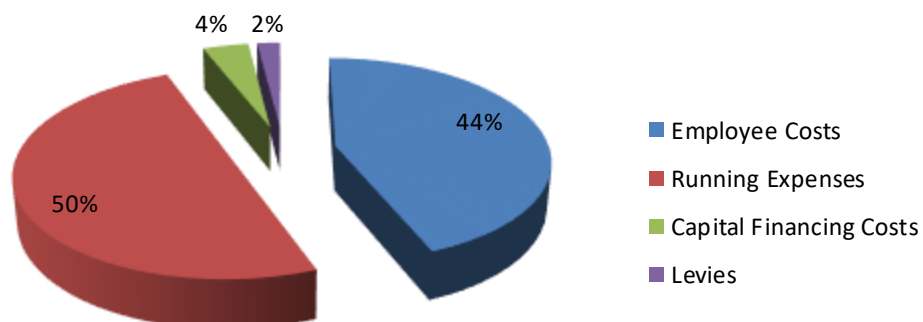
	£'000	%
Government Grants	112,663	66
Rents and Charges	11,056	6
Council Tax Payers	23,770	14
National Non Domestic Rates	19,061	11
Other Income	4,910	3
Total	171,460	100

The largest single item is Government Grants which provides 66% of the total, whereas 6% comes from the services provided through rents, fees and charges. Council Tax income accounts for only 14% of the total income.

What the Money is Spent On

	£'000	%
Employee Costs	75,994	44
Running Expenses	86,536	50
Capital Financing Costs	6,415	4
Levies	2,989	2
Total	171,934	100

What the Money is Spent On

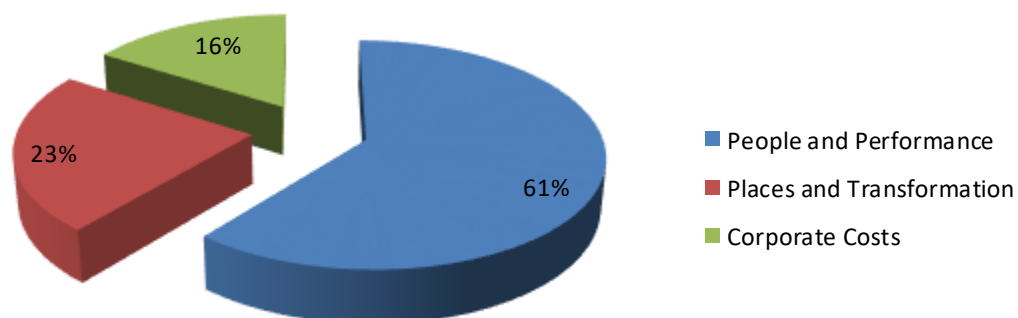


Running expenses such as maintaining buildings, operating vehicles and purchases of supplies and services comprises 50% of the total expenditure, whilst expenditure attributable to employees totals 44%.

The Services Provided

	£'000	%
People and Performance	104,781	61
Places and Transformation	40,116	23
Corporate Costs	27,037	16
Total	171,934	100

The Services Provided



Results Reported in the Statement of Accounts

The totals for income and expenditure in the preceding section were derived from the Comprehensive Income and Expenditure Statement on page 25, but they exclude:

- the precept collected in Council Tax for South Wales Police (£4.694m for 2019/20, Note 11),
- the authority's share of joint committees (details are in Note 40 of the accounts),
- capital grants and transactions (we review our capital projects on page 10), and
- other non-cash entries required by accounting standards (particularly for pension liabilities, which we discuss on page 12).

The £0.474 m net revenue deficit (i.e. the difference between the income and expenditure figures shown above) reconciles to the £0.868 m outturn shown in the Expenditure and Funding Analysis on page 24, because we recognised an additional £0.394 m in the accounts from our share of joint committees.

Revenue Outturn to Budget

The General Fund Revenue outturn to budget for 2019/20 is as follows:

Summary	Revised Budget 2019/20 £'000	Provisional Outturn £'000	Variance	
			£'000	%
<u>People and Performance</u>				
Social Services	32,859	32,483	-376	-1.14
Learning	47,413	47,337	-76	-0.16
Total	80,272	79,820	-452	-0.56
<u>Place and Transformation</u>				
Deputy Chief Executive Services	2,156	2,109	-47	-2.18
Community Regeneration	6,143	6,224	81	1.32
Neighbourhood Services	10,620	10,768	148	1.39
Corporate Services	1,540	1,449	-91	-5.91
Finance	1,249	1,185	-64	-5.12
Legal	1,478	1,415	-63	-4.26
Human Resources & Organisational Devt.	591	561	-30	-5.08
Total	23,777	23,711	-66	-0.28
<u>Corporate Costs</u>				
Corporate Management - Executive	1,394	1,345	-49	-3.52
Corporate Authority	18,201	17,218	-983	-5.40
Total	19,595	18,563	-1,032	-5.27
<u>Contributions / Recharges</u>				
Non General Fund Allocations	-16	0	16	-100.00
Discretionary Non Domestic Rate Relief	94	35	-59	-62.77
Collection Fund Surplus	-835	-992	-157	18.80
Corporate Vacancy Factor	383	0	-383	-100.00
Contribution from Budget Reserve	-1,295	-1,295	0	0.00
Contribution from Living Wage Reserve	-296	-296	0	0.00
Contribution from Corporate Investment Fund	-188	-188	0	0.00
Contribution from General Reserves	-483	-483	0	0.00
Centrally funded Teachers Pension	-715	-753	-38	5.31
Contribution from Llwydcoed Reserve	0	-720	-720	-100.00
Total	-3,351	-4,692	-1,341	40.02
Net Expenditure	120,293	117,402	-2,891	-2.40

The figures included within the table above are net expenditure figures, the figures included within the financial performance section of this narrative report are gross figures.

For 2019/20 the Council is reporting a revenue surplus of £2.891 million. Consequently, the budgeted contributions from General Reserves of £483,000 and Budget Reserve of £1.295 million are no longer required and are retained within reserve balances. In addition, the remaining surplus of £1.113 million

is transferred to the Budget Reserve and is available to support value for money investment opportunities.

The most significant movements from budget to outturn are detailed as follows:

People and Performance

Children Looked After – net budget deficit of £669,000 owing to additional residential placements, additional independent fostering agencies placements and increased costs in respect of court, legal and professional fees

Independent External Care Provision – net budget surplus of £511,000 mainly in respect of lower than anticipated demand for total care hours within Independent Domiciliary Care and additional Direct Payments packages, offset by an increased number of residential placements within Independent Residential Establishments.

Integrated Family Support Services – net budget surplus of £267,000 mainly in respect of the service being transferred back to Merthyr Tydfil CBC

Social Care Client Service Strategies – net budget surplus of £309,000 resulting from a grant received from Welsh Government via Health for winter resilience pressure within Social Services

Supported and Accommodation Services – net budget deficit of £122,000 resulting from increased staff cover and loss of income owing to under occupancy at the Council owned Homes for the Elderly offset by a reduction in staff hours at the Group Home (Llysfaen Fach) owing to needs and number of residents living in the Home.

Children with Disabilities – budget surplus of £105,000 resulting from lower childminding costs, additional grant income and higher than anticipated recovery of balances

Place and Transformation

Neighbourhood Services – net budget deficit of £148,000 resulting from less Bereavement Services fees and charges than anticipated and additional security costs at Taff and Crescent Street, Merthyr Vale, offset by savings in premises costs as Depot not yet fully operational and lower than planned repairs and maintenance at civic buildings.

Corporate Services – net budget surplus of £91,000 mainly in respect of additional grant income from the Department for Work and Pensions (DWP) to undertake specific pieces of work within Benefits.

Corporate Costs

Capital Financing Costs – budget surplus of £1.105 million resulting from the revision to the Minimum Revenue Provision (MRP) Policy approved by Council on 18th December 2019, slippage in capital expenditure and short-term borrowing to support capital expenditure at lower interest rates rather than long-term borrowing at higher interest rates.

Council Tax Benefit Payments – budget deficit of £194,000 resulting from additional claims for financial assistance with Council Tax demands.

External Legal Fees – net budget surplus of £128,000 resulting from additional income from successful court proceedings.

Provision for Bad Debts – budget surplus of £127,000 reflecting a re-assessment of the required provision at 31st March 2020 based on current debt and trend data.

Storm Dennis – budget deficit of £248,000 reflecting additional unbudgeted costs relating to the flooding and storm damage caused by Storm Dennis during February 2020.

Contributions and Recharges

Collection Fund Surplus – budget surplus of £157,000 resulting from increased council tax income inclusive of that collected in respect of prior years.

Corporate Vacancy Factor – budget surplus of £383,000 reflecting greater staff savings than anticipated arising from the time elapsed between posts becoming vacant and subsequently re-filled.

Contribution from Llwydcoed Crematorium Reserves – a 'one-off' contribution of £720,000 from reserves was approved by the Llwydcoed Crematorium Joint Committee on 10th December 2019.

Capital Outturn to Budget

The Capital Outturn to Budget for 2019/20 is as follows:

Summary	Revised Budget £'000	Outturn 2019/20 £'000	Variance	
			£'000	%
Expenditure:				
21st Century Schools Programme	1,277	1,296	19	1.49
Education Other	2,968	2,900	-68	-2.29
Physical Regeneration Programme	6,889	6,038	-851	-12.35
Riverside	380	186	-194	-51.05
Engineering & Transport Infrastructure	1,885	1,848	-37	-1.96
Housing & Corporate	3,966	3,290	-676	-17.04
Leisure	50	51	1	2.00
Totals	17,415	15,609	-1,806	-10.37
Financed by:				
Borrowing	3,910	3,371	-539	-13.79
Capital Grants & Contributions	12,905	11,614	-1,291	-10.00
Own Resources	600	624	24	4.00
Totals	17,415	15,609	-1,806	-10.37

In 2019/20, the Authority spent £15.6 million on capital projects compared to the planned Capital Programme of £17.4 million. Although not all the planned capital funding was utilised, no funding is lost as the monies are carried over into the 2020/21 financial year.

The most significant movements from budget to outturn are detailed as follows:

Physical Regeneration Programme

Town Centre Regeneration – an underspend of £162,000 resulting from delays in the purchase of land for the Orbit Centre car park expansion and the impact of Covid-19 on several enterprise developments.

Bus Station Re-development – an underspend of £243,000 resulting from further grant monies received late in the financial year.

Regional Transport Authority (RTA) Metro Plus – an underspend of £150,000 resulting from further grant monies received late in the financial year.

Urban Centre Property Enhancement Grant / Living Grant – an underspend of £142,000 resulting from initial delays in administration of the grant by the lead Authority.

Pontmorlais Townscape Heritage Quarter – an underspend of £87,000 resulting from construction restrictions arising from Covid-19.

Riverside

Riverside Phase 3 – an underspend of £194,000 resulting from unavoidable delays owing to the presence of bats, Japanese Knotweed and asbestos.

Housing and Corporate

Disabled Facilities Grants – an underspend of £221,000 resulting from delays with the assessment of referrals process.

Costs of Supporting Capital Projects – an underspend of £185,000 representing a shortfall on the direct recharge of internal employee costs applied to capital schemes.

IT Switches and WiFi access points – an underspend of £90,000 resulting from delays in purchasing through the approved framework.

Waste Skips / Compactor – an underspend of £190,000 resulting from grant monies received late in the financial year.

Financial Health

At 31st March 2020 the Authority's general balances and reserves not earmarked for any specific purpose totals £4.7 million (31st March 2019 - £4.7 million), equating to 3.7% of the Council's Budgeted Net Revenue Expenditure for 2020/21. As per the Terms of Reference of the Council's Budget Board the overarching aim is:

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

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

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

In addition the Council holds further usable reserves at 31st March 2020 in respect of the Insurance Fund (£1.921 million), Schools Balances (£1.549 million) and Earmarked Reserves (£6.893 million), with corresponding balances at 31st March 2019 of £2.169 million, £1.762 million and £6.896 million (restated) respectively.

For the 2020/21 financial year, the Authority budgeted for an increase in net revenue expenditure of 5.12% from the 2019/20 budget (adjusted for Welsh Government net transfers in to the Local Government Settlement) resulting from increased Welsh Government Funding of 4.85% and Council Tax increase of 4.99%. In addition, the Council has budgeted to transfer a further £300,000 to General Reserves for 2020/21. This increases the General Reserves balance to £5 million at 1st April 2020, that is 3.9% of net revenue budget.

The Authority's Medium Term Financial Plan 2020/21 to 2023/24 clearly outlines the financial challenges faced by the Authority over the medium term.

Borrowing Facilities

The Authority, when appropriate, will borrow from the Public Work Loans Board (PWLB), or from the Market if interest rates are considered favourable, to part finance expenditure on capital projects. This borrowing is typically on a long-term basis and is governed by the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities whereby authorised limits for borrowing by Local Authorities are set and approved by a full Council meeting. For the 2019/20 Statement of Accounts, borrowing to support capital expenditure fell within authorised borrowing limits approved by a full Council meetings of elected members on 4th March 2019.

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 2019/20 are compiled under the International Financial Reporting Standards (IFRS) with accounting for 'Retirement Benefits' based on the provisions of International Accounting Standard 19 (IAS 19) 'Employee Benefits'. The provisions of IAS 19 relating to Post-Employment Benefits require the Authority to recognise a net asset/liability and a pensions reserve in the balance sheet and entries in the Comprehensive Income and Expenditure Statement for movements in the asset/liability relating to defined benefit schemes (with reconciling entries back to contributions payable for council tax purposes through the Movement in Reserves Statement).

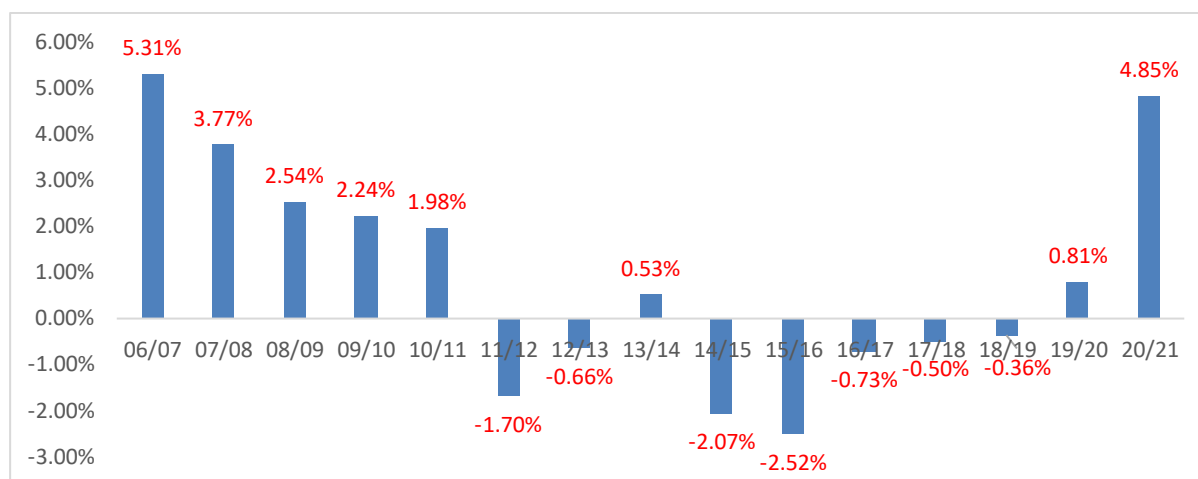
Under IAS 19 the Authority is required to disclose its pension liability representing the deficit position on the pension fund. The liability at the end of the year amounted to £193.27 million (£190.23 million as at 31st March 2019). The Authority is being charged stepped employer contributions in order to redress the deficit of the pension fund.

Further details are included in Notes 24, 36 and 37 to the Statement of Accounts.

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 Council's revenue settlements for the 15 year period 2006/07 to 2020/21 are outlined below.



It is evident that the Council has faced significant financial challenges for this period with reducing annual settlements even prior to the commencement of austerity. Since 2011/12 the Council has experienced a period of unprecedented funding reductions as Central Government commenced 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.

The increase of 4.85% for 2020/21 was unexpected and may be a consequence of the different spending policies supported by the relatively new Conservative Prime Minister Boris Johnson compared to his immediate predecessors Theresa May and David Cameron. It is currently impossible to predict whether future settlements of this magnitude can or will be sustained owing to the following imponderables:

- The continuing austerity measures projected to be faced by Local Government over the medium term – as cautioned by the Wales Fiscal Analysis
- The impact to potential future Local Government funding from continued financial pressures experienced in the National Health Service
- The uncertainty surrounding the potential implications of Brexit
- The vagaries of the Local Government funding formula in respect of year to year changes in key datasets
- The uncertainty surrounding the fiscal policy of the new Conservative Government under Prime Minister Boris Johnson
- The significant implications of Covid-19 on the UK economy

In an environment of financial uncertainty 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 and wellbeing objectives ensuring effective and efficient service delivery is both maintained and further developed and improved.

The Council's Medium Term Financial Plan (MTFP) 2020/21 to 2023/24 currently states that the Council is faced with identifying and delivering £3.582 million budget reductions for 2021/22 and £9.913 million for the period 2021/22 to 2023/24.

The Council has budgeted for funding increases of 2% per annum and a Council Tax increase of 4.99% over the term of the MTFP and is in the process of identifying proposals to address the projected budget deficits. It is clear the Council is faced with a challenging financial position. The +2% revenue settlement (at March 2020) is not projected with any degree of certainty owing to the volatile financial climate within which Local Government currently operates and is further compounded by the uncertainties of Brexit and Covid-19. Every 1% variance from the projected +2% settlement equates to circa £1 million.

The Provisional Local Government Settlement for 2021/22 is not expected to be announced until December 2020 and is anticipated will have a significant bearing on the currently projected budget reduction requirements over the medium term.

The Capital Programme for 2020/21 to 2023/24 indicates a core funded Capital Programme of £18.774 million for 2020/21 and £46.331 million for the 4 year period, with the 2020/21 capital expenditure financed from Capital Grants (£1.582 million), Borrowing (£16.384 million) and from the Council's own resources (£808,000).

During February 2020, Storm Dennis inflicted extensive flooding and storm damage on certain areas within the County Borough necessitating the Council submitting to the Welsh Government a schedule of capital repair works totalling £8.453 million for the 3 year period 2020/21 to 2022/23. The Council is still awaiting Welsh Government's confirmation of financial support.

A strategic review of the Capital Programme is to be undertaken to establish whether current projects remain a priority in the aftermath of Covid-19 and Storm Dennis. Where it is anticipated that Covid-19 will probably result in project delay and increased contractual costs, without Storm Dennis Welsh Government financial support, the Council is faced with significant additional capital expenditure which will require internal funding.

Corporate Risks

The Authority has a Corporate Risk Register to manage the Councils Corporate Risks that could impact on delivering the Council's Wellbeing Objectives and wider Council Priorities, and to ensure that the risk exposure to the Council is reduced over time. Each Corporate Risk in the Corporate Risk Register has been allocated a Risk Type, Lead Corporate Management Team Officer and Lead Councillor/Cabinet Member. The table below is extracted from the Corporate Risk Register for 2019/20 and provides a summary of the Corporate Risk Register for the nine Corporate Risks, in terms of risk number, type, description, risk score and trend against last year. The Corporate Risk Register 2019/20 was approved by Cabinet of 29th January 2020.

Risk No	Risk Type	Risk Description	Impact	Likelihood	Risk Score	Comparison against last year
1 (i)	<u>Finance</u>	The Council does not balance the budget in-year.	5	2	10	↓
1 (ii)		The Council is not financially sustainable going forward.	5	4	20	→
2	<u>Reputation</u>	The risk that the Council fails to maintain and protect its reputation.	5	4	20	→
3	<u>Cyber Attack</u>	The risk that the Council is exposed to a cyber-attack that could cause a catastrophic failure.	5	4	20	→
4	<u>School Attainment</u>	The risk that all learners do not perform at expected levels.	5	5	25	↑
5	<u>Capacity</u>	The risk that the Council loses staff with the skills and capacity to deliver on key outcomes and targets.	4	4	16	→
6	<u>Governance</u>	The risk that the Council does not meet statutory requirements, laws and regulations.	4	4	16	→
7	<u>Brexit</u>	The risk that Brexit will have an adverse economic impact at the national and local level that will in turn have a negative financial, strategic and legislative impact on the Council, and subsequently the delivery of public services.	4	4	16	→
8	<u>Safeguarding</u>	The risk that the Council does not fulfil its statutory obligations and the Council's safeguarding arrangements fail to safeguard children, adults and Council staff.	5	3	15	→
9	<u>Performance</u>	The risk that the Council's statutory regulators issue a formal recommendation to the Council for improvement.	5	4	20	↑

RISK GROUPING
CATEGORISED BY RISK SCORE

Colour Coding	Risk	Risk Score
Black	Catastrophic	20 - 25
Red	Critical	12 - 16
Amber	High	8 - 10
Yellow	Medium	4 - 6
Green	Low	1 - 3

Brexit

There continues to be a high degree of uncertainty about the impact of the decision for Britain to leave the European Union. The Authority continues to monitor and assess the potential risks and impact on the services the Authority provides through a Brexit Working Group and inclusion in the Corporate Risk Register.

City Deal

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

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

The Wider Investment Fund is made up of:

- £375 million grant from the UK Government paid over 20 years with years 1 to 5 being £50 million revenue grant, followed by years 6 to 20 being £325 million capital grant
- £120 million Local Authority Partnership capital contribution to be drawn down as required

The Regional Cabinet has stated that the high level aims of the Wider Investment Fund are the creation of 25,000 new jobs and £4 billion of private sector investment. The first investment has been made in the compound semi-conductor project, providing a loan of £38.5 million, to be repaid, which has the potential to generate 2,000 jobs and over £380 million of private sector investment.

The Joint Working Agreement Business Plan was approved by all 10 constituent Councils in March 2018, with Merthyr Tydfil approving at a Council meeting on 7th March 2018. Merthyr Tydfil's contribution to the first investment in 2017/18 was £0.954 million with a further £0.485 million paid in 2018/19, there was no contribution for 2019/20.

Annual Governance Statement

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

Covid-19

Provision of Services

The education of our children is likely to have been adversely impacted upon by schools being closed for 3 months during lock-down. It will take time to understand the full impact and strategies will be needed to regain lost ground for our children's education. We already start from a point where modelled outcomes are below what is expected in many indicators. However, the Council had already begun work on strategies for improvement. These now must incorporate strategies to re-engage and invigorate involvement in education across all our settings.

Whilst social care provision has been under strain throughout the pandemic, there are likely to be additional pressures from new caseloads being reported following a release from lockdown and we start from a position of challenge in terms of our resilience.

The economic fallout is only now starting to be seen. Pressure from businesses failing and an increase of unemployment will bring with it further demands on community facing services, such as housing and benefits provision and will make the need for economic regeneration even more important. In the recent report from Centre for Towns, 'The effect of the COVID-19 pandemic on our towns and cities', April 2020, former industrial towns with high absolute deprivation and low social well-being (Merthyr Tydfil being identified) were identified as particularly vulnerable in recovering from the coronavirus pandemic.

The Council Tax Reduction Scheme is projected to exceed Budget by £525,000 in respect of demand at 1st July 2020. It is anticipated that projected expenditure may increase further during 2020/21. A large proportion of the new claims are due to individuals losing their jobs and claiming Universal Credit, or a reduction in their hours which has resulted in direct applications to the Council for Council Tax Support. There could also be a second increase of claims for Council Tax Support, for example end of Furlough arrangements resulting in an increased budget deficit.

The Local Economy

The unemployment rate in Merthyr Tydfil continues to rise during lock down and now stands at 7.4%, the second highest in Wales. Within this growing unemployment figures 18 to 24-year olds are already being disproportionately affected. In March 2020, the unemployment rate for this cohort stood at 6.6%. In April it had increased to 11% with a total of 530 young people claiming benefit. This is a very worrying trend that may accelerate throughout the year.

There is further uncertainty for employment in the Town as lock down is eased. There are 26,900 people living within the County Borough in employment. 24,200 are in paid employment and 2500 in self-employment. Latest figures indicated that of the 26,900, 22.30% are currently furloughed. There is no certainty how many of these individuals will remain in employment when the furlough scheme is ended later this year.

The council has administered a raft of direct support to businesses totalling over £19 million since lockdown. This has been in addition to the other direct business support packages made available by

Central Government and the Welsh devolved administration such as the Economic Resilience Fund. This support is currently sustaining many businesses. However, there is no guarantee how many of these businesses will continue to trade when this support ends. It is not possible to quantify at this time the further impact that this will have on unemployment.

Responding to the increase in unemployment is a key feature of the Council's recovery and improvement plans. Development of initiatives such as apprenticeship schemes will be critical.

Council's Workforce

Wherever possible the Council's employees have been supported in working from home with the purchase of laptops critical in enabling productive home working. Meetings have been held remotely with line managers able to effectively communicate with Team members through the Microsoft TEAMS functionality. This is essential for staff morale and wellbeing in preventing home working employees feeling isolated. Regular communications from the Chief Executive and Corporate Communications have also ensured all employees are kept abreast of developments. The Human Resources Department has also undertaken several staff surveys, gathering data in respect of productivity, home working effectiveness and general wellbeing of employees.

A number of employees have been redeployed into essential roles such as administering the Shielding of Vulnerable People scheme and Contact, Track and Trace scheme. In addition, circa 170 employees have been furloughed under the UK Government's Job Retention Scheme including school catering employees and employees within enforcement services.

Supply Chains

The Council has not experienced any significant adverse implications to its supply chains from a revenue expenditure perspective. PPE has been procured as required. Sourcing sufficient laptops to enable employee home working has been problematic owing to demand for laptops far exceeding supply.

Capital projects have been unavoidably delayed owing to delays within the supply chain and contractors furloughing employees.

Financial Position

The coronavirus pandemic and the resulting UK Government lockdown declaration of 23rd March 2020 has inevitably had a significant impact on the UK economy. As a result the Council is faced with significant financial challenges resulting from additional costs, loss of income and supporting the local economy, and like all other Welsh Local Authorities is reliant on WG support in the short to medium term to support its financial sustainability.

For the current year 2020/21 MTCBC has projected for the first Quarter alone, that additional revenue costs resulting from the coronavirus pandemic will total £1.5 million with revenue loss of income for the same period projected to total £1.1 million. The WG is providing a degree of financial support for the first Quarter but thereafter the situation is more uncertain. It is inevitable however that despite lockdown restrictions easing incrementally over the remainder of the financial year Local Authorities will continue to face significant financial challenges from both additional costs and loss of income. Without continued WG financial support Local Authorities will be faced with significant budget deficits which would require Central Government's relaxation of the capitalisation direction rules to enable Local Authorities to capitalise revenue costs thus protecting local services and Council reserves.

Recovery of Council Tax was suspended for the 1st Quarter of 2020/21 in line with all other Welsh Authorities. The recovery process resumed middle of July 2020, with further easing of lockdown

restrictions and people returning to work. The financial impact for the 1st Quarter in Merthyr Tydfil is a fall of 1.8% in the Council Tax Collection Rate compared to the same period for 2019/20. In monetary terms, this equates to £546,720.

Following Covid-19's devastating impact on the UK economy and Welsh Government's significant financial assistance to Local Authorities and the business community it is difficult to gauge potential scenarios for future revenue settlements suffice to say it may result in more challenging Welsh Government financial settlements than projected. For every 1% less funding than projected, Merthyr Tydfil has a further circa £1 million budget savings per annum to identify over the period of the MTFP. This places further pressures on those already stretched resources in maintaining the provision of quality services to our communities.

The Council is currently in the process of identifying budget reductions for 2021/22 in excess of the projected budget deficit of £3.582 million set out in the Medium Term Financial Plan approved March 2020. The Council's Recovery, Transformation, and Improvement Plan 2020-25 (the Plan) advocates council wide change with cross cutting transformation supporting sustainability. Transformational work programmes identified within the Plan include Digital Transformation and the Commercial Programme. Although potential budget savings, including income generation opportunities, are yet to be quantified, it is anticipated these two work programmes will assist in addressing the projected budget deficits over the period of the MTFP. The Commercial Programme will explore opportunities for income generating investment, energy efficiencies through the Carbon Management Plan and office accommodation savings through Estate Rationalisation. Digital Transformation can build upon current agile working practices developed in responding to the threat of Covid-19, whilst supporting the Estate Rationalisation objective.

In complementing the digitalisation and commercialisation agendas the prioritisation of services exercise implemented for the 2020/21 Budget will be continued to ensure projected budget deficits are addressed and resources allocated to priority services. The priorities defined within the Plan and the outcomes of the 'Capacity Exercise' can also inform and strengthen the service prioritisation exercise.

Cash Flow Management

The Accountancy Department's Treasury Officers manage cashflow in compliance with the Council's approved Treasury Management Strategy. In mitigating any cashflow problems as the lockdown commenced late March 2020, the Welsh Government provided the following financial support to Local Authorities:

- Four Revenue Support Grant payments totalling £24 million during April 2020 instead of the scheduled 2 payments of £12 million with the remaining payments re-profiled over the remainder of the financial year 2020/21
- Nearly £10 million of Business Grants for April and May 2020 to support Local Authorities with grant payments made to eligible local businesses within the retail, leisure and hospitality sectors
- Circa £3.4 million rates relief payments for April and May 2020

No cash flow problems were encountered resulting from Covid-19 with the Authority borrowing short-term from other Local Authorities and investing short-term with the Treasury's Debt Management Office.

Major Risks to the Authority

There are a number of significant unknowns and uncertainties as the recovery from Covid-19 gathers momentum. These include but are not restricted to:

- Welsh Government's timeline for easing of lockdown and lifting of restrictions
- The risk of further increases to the infection rate leading to further restrictions
- Customer appetite during recovery.
- Potential increase in unemployment and consequences to the local economy, income generation, CTRS and Council Tax collection
- Social implications arising from extended lockdown such as domestic abuse and children taken into care with its associated financial impact
- Potential increased contractor costs for capital projects owing to required changes to operational practices

Plans for Recovery

A Recovery Strategy is being developed with the aim of establishing a council wide approach to the recovery of the organisation. The Recovery Strategy was developed in line with the Council's Emergency Planning procedures in managing the recovery phase. Key principles followed in the development of the strategy included:

- Recognise this is not 'recovery' to a previous state for all services;
- Acknowledge the recovery process will take significant time and be influenced by a number of significant issues, and will not necessarily be linear ('lockdowns' or other regulations may be introduced that impact upon different services in different ways and at different times and at short notice);
- Identify this as an opportunity unlike any other to fundamentally think about the way in which the Council operates.

The organisation has moved at a pace and scale to deliver change that has never been seen before. The learning from this is being harnessed and used to reshape the Council.

The short, medium and longer term consequences of the coronavirus pandemic are not yet fully known however senior managers have already identified service risks which will be incorporated into business planning and our corporate risk register.

Cross cutting themes are being addressed by a Recovery Group who will look to implement policy and procedural change which will help us ensure we are a resilient Authority with modern working practices and more efficient use of our corporate estate. Key themes include:

1. Workforce and workplace planning.
2. Public area reopening.
3. ICT and agile working practices.
4. Employee wellbeing and support.

Economic and Schools recovery groups have been set up and feed into the Corporate Management Team, Recovery Group and Corporate Improvement Plan.

Further Information

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

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

The Authority is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:

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

Signed ----- Date -----

D S Jones
Chief Finance Officer

Chief Finance Officer's Certificate

I hereby certify that the statement of accounts on pages 24 to 100 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 2020.

Signed ----- Date -----

D S Jones
Chief Finance Officer

Council Chairman's Certificate

I hereby certify that the Council approves the statement of accounts on pages 24 to 100 for the year ended 31st March 2020.

Signed ----- Date -----

Councillor Howard Barrett
Mayor

Expenditure and Funding Analysis

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

2018/19				2019/20			
Net expenditure in the			Description	Net expenditure in the			
Net Expenditure Chargeable to the General Fund Balances	Adjustments between the funding and Accounting basis (Note 7)	Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balances	Adjustments between the funding and Accounting basis (Note 7)	Comprehensive Income and Expenditure Statement	
£'000	£'000	£'000		£'000	£'000	£'000	
78,554	6,062	84,616	People and Performance	79,752	5,851	85,603	
24,665	9,017	33,682	Place and Transformation	24,443	7,515	31,958	
3,700	3,155	6,855	Corporate Costs	2,339	2,181	4,520	
106,919	18,234	125,153	Net Cost of Services	106,534	15,547	122,081	
(101,660)	(2,750)	(104,410)	Other Income and Expenditure	(105,666)	(9,871)	(115,537)	
5,259	15,484	20,743	(Surplus)/Deficit	868	5,676	6,544	
21,926			Opening General Fund Balance	16,743			
76			Opening Adjustment for Cardiff Capital Region City Deal	0			
(5,259)			Plus Surplus/Deficit on General Fund Balance in Year	(868)			
16,743			Closing General Fund Balance at 31st March	15,875			

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2018/19				2019/20		
Gross Expenditure	Gross Income	Net expenditure	Description	Gross Expenditure	Gross Income	Net expenditure
£'000	£'000	£'000		£'000	£'000	£'000
106,122	(21,506)	84,616	People and Performance	106,930	(21,327)	85,603
45,945	(12,263)	33,682	Place and Transformation	46,399	(14,441)	31,958
27,999	(21,144)	6,855	Corporate Costs	25,038	(20,518)	4,520
180,066	(54,913)	125,153	Cost of Services	178,367	(56,286)	122,081
		6,754	Other operating expenditure (Note 11)			7,191
		9,213	Financing and Investment income and expenditure (Note 12)			8,490
		(120,377)	Taxation and non-specific grant income and expenditure (Note 13)			(131,218)
		20,743	(Surplus) or Deficit on the Provision of Services			6,544
		(1,036)	(Surplus) or deficit on revaluation of property, plant and equipment assets			(2,807)
		(10,123)	Remeasurement of the net defined benefit liability/(asset)			(5,975)
		(11,159)	Other Comprehensive Income and Expenditure			(8,782)
		9,584	Total Comprehensive Income and Expenditure			(2,238)

Movement in Reserves Statement

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

2019/20

Description	General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31st March 2019	16,743	0	765	17,508	(36,504)	(18,996)
Movement in reserves during 2019/20						
Total Comprehensive Income and Expenditure	(6,544)	0	0	(6,544)	8,782	2,238
Adjustments between accounting basis and funding basis under regulations (Note 9)	5,676	48	(88)	5,636	(5,636)	0
Increase or Decrease in 2019/20	(868)	48	(88)	(908)	3,146	2,238
*Opening Cardiff Capital Region City Deal adjustment	0	0	0	0	(13)	(13)
Balance at 31st March 2020 carried forward	15,875	48	677	16,600	(33,371)	(16,771)

2018/19

Description	General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31st March 2018	21,926	238	2,048	24,212	(33,715)	(9,503)
Movement in reserves during 201/19						
Total Comprehensive Income and Expenditure	(20,743)	0	0	(20,743)	11,159	(9,584)
Adjustments between accounting basis and funding basis under regulations (Note 9)	15,484	(238)	(1,283)	13,963	(13,963)	0
Increase or Decrease in 2018/19	(5,259)	(238)	(1,283)	(6,780)	(2,804)	(9,584)
*Opening Cardiff Capital Region City Deal adjustment	76	0	0	76	15	91
Balance at 31st March 2019 carried forward	16,743	0	765	17,508	(36,504)	(18,996)

Balance Sheet

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

31 March 2019	Notes	31 March 2020
£'000		£'000
252,862 Property, Plant and Equipment	14	260,768
7,418 Heritage Assets	15	7,330
10 Long Term Investments	16	10
860 Long Term Debtors	16	1,023
261,150 Long-term Assets		269,131
10,033 Short-term Investments	16	10,028
301 Assets Held for Sale	20	291
126 Inventories		135
20,870 Short-term Debtors	17	25,855
3,718 Cash and Cash Equivalents	19	5,287
35,048 Current Assets		41,596
(45,026) Short-term Borrowing	16	(54,587)
(15,485) Short-term Creditors	21	(18,748)
(685) Short-term Provisions	22	(653)
(50) Other Current Liabilities	16	(57)
(61,246) Current Liabilities		(74,045)
(919) Long-term Creditors	16	(512)
(1,487) Provisions	22	(1,431)
(59,979) Long-term Borrowing	16	(56,432)
(190,233) Defined Benefit Pension Scheme Liability	24	(193,267)
(1,330) Other Long-term Liabilities	16	(1,811)
(253,948) Long-term Liabilities		(253,453)
(18,996) Net Assets		(16,771)
17,508 Usable Reserves	23	16,600
(36,504) Unusable Reserves	24	(33,371)
(18,996) Total Reserves		(16,771)

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The Statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

<u>2018/19</u>	<u>2019/20</u>
<u>£'000</u>	<u>£'000</u>
177,544 Cash Inflows Generated from Operating Activities	184,336
(180,313) Cash Outflows Generated from Operating Activities	(184,623)
<u>(2,769) Net Cash Flows from Operating Activities (Note 25)</u>	<u>(287)</u>
(2,596) Net Cash Flows from Investing Activities (Note 26)	(4,686)
<u>6,325 Net Cash Flows from Financing Activities (Note 27)</u>	<u>6,538</u>
960 Net increase or decrease in Cash and Cash equivalents	1,565
Cash and Cash Equivalents at the Beginning of the	
2,793 Reporting Period	3,722
(45) Adjustment to opening balance Central South Consortium	0
Adjustment to opening balance Cardiff Capital Region City	
10 Deal	0
<u>Cash and Cash Equivalents at the End of the Reporting</u>	<u></u>
<u>3,718 Period (Note 19)</u>	<u>5,287</u>

Notes to the Statement of Accounts

1.0 Accounting Policies

1.1 General

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year-end of 31st March 2020. 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 2019/20, supported by International Financial Reporting Standards (IFRS).

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

1.2 Accruals of Income and Expenditure

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

In particular:

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

1.3 Cash and Cash Equivalents

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

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

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

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

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

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

There are no prior period adjustments for the 2019/20 Statement of Accounts.

1.5 Charges to Revenue for Non-Current Assets

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

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

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

1.6 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday

entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

Post-Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

- The liabilities of the Rhondda Cynon Taf pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate (based on the indicative rate of return on the constituents of the iBoxx index of AA rated corporate bonds).
- The assets of the Rhondda Cynon Taf pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value

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

- **Service cost comprising:**
 - **current service cost** – the increase in liabilities as a result of years of service earned this year- allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - **past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
 - **net interest on the net defined benefit liability (asset)** - the net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- **Re-measurements comprising:**
 - **the return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
 - **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- **Contributions paid to the Rhondda Cynon Taf County Borough Council pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

Full pension's details are included in Note 37.

1.7 Events after the reporting period

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

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

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

1.8 Financial Instruments

Financial Liabilities

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

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

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

Financial Assets

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

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

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

1.9 Government Grants and Contributions

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

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

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

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

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

Community Infrastructure Levy

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

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

1.10 Heritage Assets

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

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

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

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

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

The valuation date was 20th March 2017.

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

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

1.11 Interests in Companies and Other entities

Joint operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. The Authority participates in Joint Committees which are accounted for as joint operations. For 2019/20 the Llwydcoed Crematorium Joint Committee, the Central South Consortium Joint Committee and the Cardiff Capital Region City Deal Joint Committee are included within the Authorities financial statements. The Authority has reflected its share, 46.6% of the transactions and balances of the Llwydcoed Crematorium Joint Committee, 6.33% of the transactions and balances of the Central South Consortium Joint Committee and 3.94% of the Cardiff Capital Region City Deal Joint Committee into the Authority's Accounts on a line-by-line basis.

A description of the Joint Committees are contained in Note 40 to the Statement of Accounts.

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

Associates

Capita Glamorgan Consultancy Ltd meets the definition of an associate. The Authority has significant influence over this associate as it has representation on the board of directors. Group Accounts are not prepared as the Authority's interest in Capita Glamorgan Consultancy is not considered material. For further details see Note 40.

1.12 Inventories

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

1.13 Leases

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

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

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

The Authority as Lessee**• Finance Leases**

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

• Operating Leases

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

The Authority as Lessor**• Finance Leases**

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

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received); and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

- **Operating Leases**

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

1.14 Property, Plant and Equipment Non-Current Assets

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

Recognition

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

De Minimis Limit

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

Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

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

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

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

- Infrastructure, Community assets and assets under construction are shown at depreciated historical cost
- Vehicles, plant, furniture and equipment are shown at depreciated historical cost
- 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
- Surplus assets are shown at fair value

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

Valuation

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

Land 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.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure

Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

1.15 Provisions and Contingent Liabilities

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, 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 22 to the Statement of Accounts.

Contingent Liabilities

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

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

Contingent Liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts, refer to Note 38 of the Statement of Accounts.

1.16 Reserves

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

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

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 9 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 9 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 10 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 10 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 10 to the Statement of Accounts.

The **General Fund Balance** represents the monies available to the Authority to spend on general expenditure and is not earmarked for specific projects. Refer to the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and Note 9 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 10 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 10 to the Statement of Accounts.

The **Consolidated Cardiff Capital Region City Deal Reserve** represents the distributable revenue reserve attributable to Merthyr Tydfil County Borough Council from the Cardiff Capital Region City Deal Joint Committee. The reserve consists of the accumulated surpluses of the Joint Committee's operations. Refer to Note 10 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 24 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 24 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 24 to the Statement of Accounts.

The **Accumulated Absences Adjustment Account** represents the Employee Benefits accrual calculated in compliance with International Accounting Standard (IAS) 19. Refer to Note 24 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 24 to the Statement of Accounts.

1.17 Revenue Expenditure Funded from Capital under Statute

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

1.18 Schools

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

1.19 VAT

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

1.20 Fair Value Measurement

The Authority measures some of its non-financial assets such as surplus assets or investment properties at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The 2020/21 Code has been issued and relevant standards are:

The Authority does not expect any of the new or amended standards within the 2020/21 Code to have a material impact on the Financial Statements.

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015 - 2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

3.0 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

4.0 Assumptions made about the Future and other Major Sources of Estimation Uncertainty

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

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

Item	Uncertainties	Effect if Actual results differ from Assumptions
Property, Plant and Equipment	A source of uncertainty is the valuation of fixed assets, which depends on judgements made in relation to build costs, useful economic life as well as the condition and location of the assets. A firm of independent valuers is engaged to provide the Authority with expert advice about the assumptions applied (further information on the valuation is included in 1.14 of the Accounting Policies).	If the Useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge would increase by £106,597 for Buildings and £162,385 for Infrastructure for every year that useful lives had to be reduced.
Fair Value Measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Authority's assets and liabilities. Where level 1 inputs are not available, the Authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value.	The Authority uses a selection of valuation methods to measure the fair value of its surplus assets, financial assets and liabilities. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth and discount rates – adjusted for regional factors (for some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement.
Provisions	Significant judgements relate to the requirement for accounting provisions. Details regarding the judgements made in determining the provision values at 31 st March 2020 are included within Note 22 to the Statement of Accounts.	An increase over the forthcoming year of 10% in the total number of insurance claims outstanding at year end would have the effect of adding £67,700 to the provision.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Aon Hewitt Limited, is engaged to provide the Authority with expert advice about the assumptions to be applied, refer to Note 37.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease to the Present value of the total obligation of £7.58 million.

Arrears	<p>At 31 March 2020, the Authority had amounts it was owed for items such as Sundry Debts, Council Tax and Housing Benefit overpayments.</p> <p>The Authority has made an allowance for non collection against these debts (totalling £7.665m excluding counterparty debt) of £0.940m (12.3%), however in the current economic climate it is not guaranteed that this level of allowance will be sufficient.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of impairment for doubtful debts would increase the provision to £1.880m</p>
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5.0 Material Items of Income and Expenditure

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

There are no material items of income or expense to disclose for the 2019/20 financial statements.

6.0 Events after the reporting period

The statement of Accounts was authorised by the Chief Finance Officer on 28th July 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no Events after the reporting period.

7.0 Note to the Expenditure and funding analysis

Adjustments between Funding and Accounting Basis 2019/20				
Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£'000	£'000	£'000	£'000
People and Performance	2,820	2,720	311	5,851
Places and Transformation	5,588	1,918	9	7,515
Corporate Costs	2,043	128	10	2,181
Net Cost of Services	10,451	4,766	330	15,547
Other income and expenditure from the Expenditure and Funding Analysis	(14,011)	4,242	(102)	(9,871)
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on Provision of Services	(3,560)	9,008	228	5,676

Adjustments between Funding and Accounting Basis 2018/19				
Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£'000	£'000	£'000	£'000
People and Performance	2,898	3,530	(366)	6,062
Places and Transformation	6,465	2,586	(34)	9,017
Corporate Costs	2,949	188	18	3,155
Net Cost of Services	12,312	6,304	(382)	18,234
Other income and expenditure from the Expenditure and Funding Analysis	(7,386)	4,738	(102)	(2,750)
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on Provision of Services	4,926	11,042	(484)	15,484

Note 1 - Adjustments for Capital purposes

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

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

Note 2 - Net changes for the Pensions Adjustments

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

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

Note 3 - Other Differences

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

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

8.0 Expenditure and Income analysed by nature

	2019/20	2018/19
Expenditure/Income	£'000	£'000
Expenditure		
Employee Benefits Expenses	87,146	85,897
Other Service Expenses	87,872	89,569
Depreciation, amortisation, impairment	7,621	9,385
Interest Payments	4,369	4,550
Precepts and Levies	7,706	7,210
Gain on the disposal of assets	(514)	(456)
Total expenditure	194,200	196,155
Income		
Fees charges and other service income	(15,774)	(14,561)
Interest and Investment Income	(152)	(123)
Income from council tax, non-domestic rates	(47,504)	(45,223)
Government Grants and Contributions	(124,226)	(115,505)
Total income	(187,656)	(175,412)
Surplus or Deficit on the Provision of Services	6,544	20,743

9.0 Adjustments between accounting basis and funding basis under regulations

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms

as to the capital expenditure against which it can be applied and/or the financial year in which it can take place.

2019/20		Usable Reserves	
Adjustments to the Revenue Resources	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£'000	£'000	£'000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements			
• Pensions costs	9,009	0	0
• Financial Instruments	(86)	0	0
• Holiday Pay	317	0	0
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in Relation to capital expenditure	10,604	0	0
Total adjustments to Revenue Resources	19,844	0	0
Adjustments between Revenue and Capital			
• Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(672)	672	0
• Statutory Provision for the repayment of Debt	(1,971)	0	0
• Capital expenditure financed from revenue balances	(55)	0	0
• Other	0	0	0
Total adjustments between Revenue and Capital Resources	(2,698)	672	0
Adjustments to Capital Resources			
• Use of the capital receipts reserve to finance capital expenditure	0	(624)	0
• Application of capital grants to finance capital expenditure	(11,470)	0	(88)
Total Adjustments to Capital Resources	(11,470)	(624)	(88)
Total Adjustments	5,676	48	(88)

2018/19	Usable Reserves		
Adjustments to the Revenue Resources	General Fund	Capital Receipts	Capital Grants
	£'000	£'000	£'000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements			
• Pensions costs	11,042	0	0
• Financial Instruments	(80)	0	0
• Holiday Pay	(404)	0	0
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in Relation to capital expenditure	12,402	0	0
Total adjustments to Revenue Resources	22,960	0	0
Adjustments between Revenue and Capital Resources			
• Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(546)	546	0
• Statutory Provision for the repayment of Debt	(2,749)	0	0
• Capital expenditure financed from revenue balances	(418)	0	0
• Other	0	0	0
Total adjustments between Revenue and Capital Resources	(3,713)	546	0
Adjustments to Capital Resources			
• Use of the capital receipts reserve to finance capital expenditure	0	(784)	0
• Application of capital grants to finance capital expenditure	(3,763)	0	(1,283)
Total Adjustments to Capital Resources	(3,763)	(784)	(1,283)
Total Adjustments	15,484	(238)	(1,283)

10.0 Movement in Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20:

	Balance at 1st April 2018	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31st March 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31st March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	4,700	0	0	4,700	0	0	4,700
Llwydcoed Reserve	778	0	250	1,028	(522)	0	506
Central South Consortium Reserve	9	0	0	9	0	0	9
Cardiff Capital Region City Deal	(16)	0	176	160	0	91	251
Balances held by schools under a scheme of delegation	1,846	(396)	312	1,762	(679)	466	1,549
Insurance Reserve	2,169	0	0	2,169	(248)	0	1,921
Budget Reserve	2,969	(2,099)	531	1,401	(1,627)	2,561	2,335
Ffos-Y-Fran (Miller Argent) Account	973	(588)	550	935	(728)	581	788
Corporate Risk Fund Reserve	1,044	(466)	0	578	(393)	0	185
Living Wage Reserve	621	(275)	0	346	(296)	0	50
Redundancy Cost Reserve	1,000	(777)	114	337	(154)	0	183
Renewal Areas Tenants' Contributions	98	(91)	0	7	(7)	0	0
Capital earmarked reserve	478	(409)	181	250	0	171	421
City Deal reserve	352	0	0	352	0	0	352
Section 106 Agreements	582	(663)	112	31	(7)	12	36
ISB Allocation Surplus Account	105	(57)	0	48	(89)	41	0
Highways - S38 Road Agreements	200	(158)	0	42	0	63	105
Grant Agency Fees	189	(62)	4	131	(59)	0	72
Care Fees Provision	353	(283)	0	70	(93)	23	0
BIFFA Profit Sharing Grant Account	176	(2)	0	174	(5)	0	169
Working Skills for Adults and Bridges2	211	(18)	47	240	(29)	81	292
Welfare Changes	154	(64)	0	90	(30)	0	60
Welsh Government Preliminary flood defences risk assessment	121	(20)	0	101	0	0	101
Capital financing cost reserve	340	(250)	0	90	(40)	0	50
Neighbourhood Services	207	(186)	0	21	0	0	21
Earmarked Reserve							
NRSWA Ring-fenced Earmarked Reserve	158	0	9	167	(32)	20	155
LASPO (Legal Aid, Sentencing, & Punishment of Offenders)	128	(128)	24	24	(24)	8	8
ICT server infrastructure upgrade	111	(111)	0	0	0	0	0
West Merthyr Inquiry	0	0	168	168	(22)	0	146
Renewal Area Income Account	99	0	4	103	(50)	0	53
Bishop Hedley 3-16 Headteacher	0	0	0	0	0	112	112
Schools Broadband Installation Account	11	(15)	26	22	(22)	108	108
Inspire Cash match	56	(5)	30	81	0	24	105
Other	1,669	(1,004)	422	1,087	(285)	184	986
Central South Consortium Earmarked Reserves	35	(16)	0	19	0	27	46
Total	21,926	(8,143)	2,960	16,743	(5,441)	4,573	15,875

Refer to accounting Policy 1.16 for a description of the General Reserve, Llwydcoed Reserve, Central South Consortium Reserve, Cardiff Capital Region City Deal Reserve, Balances held by schools under a scheme of delegation and the Insurance Reserve.

The nature and purpose of each earmarked reserve is as follows:

Budget 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.

Ffos-Y-Fran Account - This consists of monies received from mining operations to a Community Fund as part of the approval for the land reclamation scheme at Ffos- Y-Fran. The monies are earmarked for community projects throughout the borough as approved by the Ffos-Y-Fran Panel.

Corporate Risk Fund Reserve - Monies set aside 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.

Redundancy Cost Reserve - This consists of monies set aside to fund the costs of future redundancies.

Renewal Areas Tenants' Contributions - This reserve contains tenants' contributions towards work carried out on their properties as part of the renewals programme.

Capital earmarked reserve – Monies set aside to fund one-off capital projects.

City Deal reserve – Monies set aside to fund future requirements of the City Deal Programme. Refer to Note 40.

Section 106 Agreements - Monies from private developers that can be used by the Authority.

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

Highways - S38 Road Agreements - Agreements between the Authority and private contractors to ensure new roads meet local authority highways adoption standards.

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.

Care Fees Provision - This reserve contains monies set aside for Residential places within the Borough.

BIFFA Profit Sharing Grant 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.

Working Skills for Adults and Bridges 2 – This consists of monies required to cash match the European Structural Funds projects for the period 2016-2022.

Welfare Changes – Monies set aside to fund projects associated with changes to Welfare Regulations.

Welsh Government Preliminary flood defences risk assessment - Monies earmarked for use improving and repairing existing flood infrastructure

Capital Financing Cost Reserve – This consists of monies set aside to fund the revenue impact of future capital financing costs.

Neighbourhood Services Reserve – This consists of monies set aside to fund specific projects within the Neighbourhood Service area

NRSA Ring fenced Earmarked Reserve – This income is generated by Fixed Penalty notices and has to be spent on specific Highways Improvement Planning functions.

LASPO (Legal Aid, Sentencing and punishment of Offenders) Reserve – This is income received from the Ministry of Justice and is ring fenced to be spent on Legal Aid, sentencing and punishment of offenders.

ICT Server infrastructure upgrade – This includes monies set aside to finance one off infrastructure projects that were completed in the 2018/19 financial year.

West Merthyr Enquiry – This includes monies set aside to finance legal costs in relation to a public inquiry regarding land at West Merthyr.

Renewal Areas Income Account – The historic balance is to be utilised to cover extended warranties on renewal programme expenditure and to be utilised in the Medium Term Financial Plan.

Bishop Hedley 3-16 Headteacher Account – This consists money set aside to fund the Headteacher of the new Bishop Hedley 3 – 16 School for one year during the transition.

Schools Broadband Installation Account – This includes monies set aside for the on-going support, maintenance, replacement and contingency for the entire schools wide area network.

Inspire Cash Match - Monies required to cash match the Inspire Projects for the period 2016 – 2022.

Other - This consists of 30 miscellaneous balances ranging up to a value of £87,143.

11.0 Other operating expenditure

2018/19 £'000	2019/20 £'000
4,226 South Wales Police Precept	4,694
22 Bedlinog Community Council Precept	23
2,773 South Wales Fire and Rescue Authority Levy	2,790
189 Other Levies	198
(456) (Gains)/losses on the disposal of non-current assets	(514)
6,754 Total	7,191

12.0 Financing and Investment Income and Expenditure

2018/19	2019/20
£'000	£'000
4,550 Interest payable and similar charges	4,369
4,785 Net interest on the net defined benefit liability (asset)	4,272
<u>(122) Interest receivable and similar income</u>	<u>(151)</u>
9,213 Total	8,490

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

2018/19	2019/20
£'000	£'000
(26,331) Council tax income	(28,464)
(18,914) Non-domestic rates income	(19,061)
(71,391) Non-ringfenced government grants (Revenue Support Grant)	(72,244)
(3,763) Capital grants and contributions	(11,470)
<u>22 Corporation Tax Cardiff Capital Region City Deal</u>	<u>21</u>
(120,377) Total	(131,218)

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 2020 was £41,768,735 (£42,157,795 as at 31st March 2019) with the Non-Domestic Rate Multiplier being £0.526 (52.6 pence) in the pound (£0.514 (51.4 pence) in the pound for 2018/19). The total number of chargeable properties for 2019/20 was 1,904 (2018/19 – 1,890). The net proceeds from Non-Domestic Rates in 2019/20 was £19,060,768 (2018/19 - £18,914,115).

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 2019/20 was 27,359 (2018/19 – 27,255).

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

Dwellings	Band	Range	Dwellings
2018/19		(Based on 1 April 2003 values)	2019/20
14,109	A	Not exceeding £44,000	14,149
6,643	B	Between £44,000 and £65,000	6,665
2,180	C	Between £65,000 and £91,000	2,196
2,145	D	Between £91,000 and £123,000	2,160
1,468	E	Between £123,000 and £162,000	1,471
556	F	Between £162,000 and £223,000	562
145	G	Between £223,000 and £324,000	147
2	H	Between £324,000 and £424,000	2
7	I	Exceeding £424,000	7
27,255			27,359

	Dwellings	Tax Base	Dwellings	Tax Base
	2018/19	2018/19	2019/20	2019/20
Total Number of properties on the valuation list	27,255	27,255	27,359	27,359
Less Exempt properties 100%	875	(875)	862	(862)
Less Single Discounts 25%	9558	(2,390)	9608	(2,402)
Less Multiple Discounts 50%	677	(339)	643	(321)
Band D Conversion		(4,799)		(4,787)
Losses on Collection		(754)		(759)
Tax Base		18,098		18,228

Requirement for Merthyr Tydfil County Borough Council	£27,155,705.00	£28,988,372.00
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Basic Band D tax for the year	£1,500.47	£1,590.35
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Payable to South Wales Police	£4,226,287.00	£4,694,003.00
Band D tax for South Wales Police	£233.52	£257.52

*Total Band D tax for the year	£1,733.99	£1,847.87
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*Band D community council addition for properties in Bedlinog £19.45 (£19.16 2018/19)

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

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

14.0 Property, Plant and Equipment

	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 2019	153,711	5,827	142,050	241	4,037	2,166	308,032
Opening Balance Adjustment	0	0	0	0	0	12	12
Acquisitions/Additions	3,063	1,522	2,128	229	0	5,830	12,772
Revaluation Increases/Decreases recognised in the Revaluation Reserve	643	0	0	0	102	0	745
Revaluation Increases/Decreases to Surplus/Deficit on the Provision of Services	(369)	0	0	0	32	0	(337)
Derecognition - Disposals	(144)	(779)	0	0	0	0	(923)
Derecognition - Other	0						0
Reclassification and Transfers	1,311	0	0	0	3	(1,307)	7
At 31st March 2020	158,215	6,570	144,178	470	4,174	6,701	320,308
Accumulated Depreciation and Impairment							
As 1 st April 2019	2,724	4,056	48,136	0	5	249	55,170
Depreciation Charge	2,936	668	3,319	0	6	0	6,929
Depreciation written out to the Revaluation Reserve	(2,165)	0	0	0	(4)	0	(2,169)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(717)	0	0	0	0	0	(717)
Impairment losses/(reversals) recognised in the Revaluation Reserve	22	0	0	0	0	0	22
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	231	8	224	229	0	381	1,073
Derecognition - Disposals	0	(768)	0	0	0	0	(768)
Derecognition - Other	0	0	0	0	0	0	0
Reclassification and Transfers	0	0	0	0	0	0	0
At 31st March 2020	3,031	3,964	51,679	229	7	630	59,540
Net Book Value							
At 31st March 2020	155,184	2,606	92,499	241	4,167	6,071	260,768
At 31 st March 2019	150,987	1,771	93,914	241	4,032	1,917	252,862

	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 2018	152,393	5,285	140,052	241	4,157	1,764	303,892
Acquisitions/Additions	2,420	1,447	1,998	372	0	1,036	7,273
Revaluation Increases/Decreases recognised in the Revaluation Reserve	(699)	0	0	0	7	0	(692)
Revaluation Increases/Decreases to Surplus/Deficit on the Provision of Services	(1,468)	0	0	(372)	34	0	(1,806)
Derecognition - Disposals	(3)	(905)	0	0	(31)	0	(939)
Derecognition - Other	0	0	0	0	0	0	0
Reclassification and Transfers	1,068	0	0	0	(130)	(634)	304
At 31st March 2019	153,711	5,827	142,050	241	4,037	2,166	308,032
Accumulated Depreciation and Impairment							
As 1 st April 2018	1,288	4,237	44,601	0	1	130	50,257
Depreciation Charge	3,152	724	3,256	0	4	0	7,136
Depreciation written out to the Revaluation Reserve	(1,709)	0	0	0	0	0	(1,709)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(155)	0	0	0	0	0	(155)
Impairment losses/(reversals) recognised in the Revaluation Reserve	(19)	0	0	0	0	0	(19)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	166	0	279	0	0	120	565
Derecognition - Disposals	0	(905)	0	0	0	0	(905)
Derecognition - Other	0	0	0	0	0	0	0
Reclassification and Transfers	1	0	0	0	0	(1)	0
At 31st March 2019	2,724	4,056	48,136	0	5	249	55,170
Net Book Value							
At 31st March 2019	150,987	1,771	93,914	241	4,032	1,917	252,862
At 31 st March 2018	151,105	1,048	95,451	241	4,156	1,634	253,635

Capital Commitments

As at 31st March 2020, the Authority had entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2019/20 and future years budgeted to cost £12,864,000. Similar commitments at 31st March 2019 were £1,823,000. The major commitments as at 31st March 2020 are as follows:

Capital Scheme	Value £'000
Engineering	38
Community Regeneration	6,037
Neighbourhood Services	287
Corporate Services	116
Education	6,386
	12,864

Revaluations

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

15.0 Heritage Assets

	Museum Collection £'000	Civic Regalia £'000	Historic Buildings £'000	Monuments £'000	Total Assets £'000
Cost or Valuation					
At 1 st April 2019	3,788	257	3,913	54	8,012
Acquisitions/Additions	0	0	0	0	0
Revaluation Increases/Decreases recognised in the Revaluation Reserve	0	0	(88)	0	(88)
Revaluation Increases/Decreases to Surplus/Deficit on the Provision of Services	0	0	0	0	0
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 2020	3,788	257	3,825	54	7,924
Accumulated Depreciation and Impairment					
As 1 st April 2019	0	0	594	0	594
Depreciation Charge	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	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 Revaluation Reserve	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0
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 2020	0	0	594	0	594
Net Book Value					
At 31st March 2020	3,788	257	3,231	54	7,330
At 31 st March 2019	3,788	257	3,319	54	7,418

	Museum Collection £'000	Civic Regalia £'000	Historic Buildings £'000	Monuments £'000	Total Assets £'000
Cost or Valuation					
At 1 st April 2018	3,788	257	3,780	54	7,879
Acquisitions/Additions	0	0	91	0	91
Revaluation Increases/Decreases recognised in the Revaluation Reserve	0	0	0	0	0
Revaluation Increases/Decreases to Surplus/Deficit on the Provision of Services	0	0	42	0	42
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 2019	3,788	257	3,913	54	8,012
Accumulated Depreciation and Impairment					
As 1 st April 2018	0	0	521	0	521
Depreciation Charge	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	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 Revaluation Reserve	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	73	0	73
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 2019	0	0	594	0	594
Net Book Value					
At 31st March 2019	3,788	257	3,319	54	7,418
At 31 st March 2018	3,788	257	3,259	54	7,358

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

16.0 Financial Instruments**Financial Instruments – Classifications**

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

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

Financial Assets	Non-Current		Current	
	31st March	31st March	31st March	31st March
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Investments at Amortised Cost	10	10	10,028	10,033
<u>Debtors:</u>				
Gellideg Co-operative Loan	388	408	20	20
Welsh Water Loan	0	56	60	100
Home Loans	432	389	0	0
VVP	200	0	100	0
Other	3	7	0	0
Total Financial Assets	1,033	870	10,208	10,153
Non - Financial Assets	0	0	25,675	20,750
Total	1,033	870	35,883	30,903

Financial Liabilities	Non-Current		Current	
	31st March	31st March	31st March	31st March
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Borrowings at Amortised Cost	56,432	59,979	54,587	45,026
Total Financial Liabilities	56,432	59,979	54,587	45,026
Non - Financial Liabilities				
Finance Lease and Other	1,811	1,330	57	50
Creditors	512	919	18,748	15,485
Total	2,323	2,249	18,805	15,535

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

	2019/20 Total	2018/19 Total
	Surplus or Deficit on the Provision of Services	Surplus or Deficit on the Provision of Services
	£'000	£'000
Interest Expense	4,369	4,550
Interest Revenue: Financial assets measured at amortised cost	(151)	(122)
Net (Gain)/loss for the year	4,218	4,428

Financial Instruments – Fair Values

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2020, 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. The Lenders’ options to propose an increase to the interest rate on the loan have been valued according to Bloomberg’s proprietary model for Bermudan cancellable swaps. The 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.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

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

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

		31st March 2020		31st March 2019	
	Fair Value	Carrying Value £'000	Fair Value £'000	Carrying Value £'000	Fair Value £'000
<i>Financial Liabilities held at amortised cost</i>					
Long-term loans from PWLB	2	42,574	60,730	45,761	65,440
Long-term LOBO Loans	2	12,225	19,008	12,228	18,364
Other long term loans		1,633		1,990	
Short term loans		54,587		45,026	

The fair value of financial liabilities held at amortised costs is higher than their balance sheet carrying value because the authority's portfolio of loans include a number of loans where the interest rate payable is higher than the current rates for similar loans as at the Balance Sheet date.

17.0 Short-term Debtors

The breakdown of Debtors at 31st March 2020 is as follows:

	31st March 2020 £'000	31st March 2019 £'000
Trade receivables	6,451	4,928
Prepayments	1,762	526
Other receivable amounts	17,642	15,416
Total	25,855	20,870

18.0 Debtors for local taxation

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

	31st March 2020 £'000	31st March 2019 £'000
Up to 1 Year	1,716	1,641
Between 1 and 2 Years	1,200	885
Between 2 and 3 Years	697	672
Between 3 and 4 Years	510	480
Between 4 and 5 Years	373	324
Greater than 5 Years	1,069	1,027
Total	5,565	5,029

19.0 Cash and Cash Equivalents

This balance recognises the net cash position of the Authority in providing its services to the public. The balance at 31st March 2020 is as follows:

31st March 2019 £'000	31st March 2020 £'000
3,718 Bank Current Accounts	5,287
3,718 Total Cash and Cash equivalents	5,287

20.0 Assets Held for Sale

The breakdown of assets held for sale at 31st March 2020 is as follows:

	Non-current 2019/20 £'000	2018/19 £'000
Balance outstanding at the start of the year	301	306
Assets newly classified as held for sale	0	50
Revaluation losses	0	0
Revaluation gains	0	0
Impairment losses	0	0
Assets declassified as held for sale	(7)	0
Assets sold	(3)	(55)
Balances outstanding at year end	291	301

Assets held for sale at 31st March 2020 comprise of land and buildings as follows:

- Various pieces of land which are surplus to requirement.

21.0 Short-term Creditors

The breakdown of Creditors at 31st March 2020 is as follows:

Short-term Creditors	31st March 2020 £'000	31st March 2019 £'000
Trade Payables	(12,233)	(10,348)
Other Payables	(6,515)	(5,137)
Total	(18,748)	(15,485)

22.0 Provisions

The balance on provisions at 31st March 2020 is derived as follows:

	Insurance Claims £'000	Pengarnddu £'000	City Deal £'000	Total £'000
Balance at 1st April 2019	(784)	(1,350)	(38)	(2,172)
Additional provisions made in 2019/20	(212)	0	(19)	(231)
Amounts used in 2019/20	253	0	0	253
Unused amounts reversed in 2019/20	66	0	0	66
Balance at 31st March 2020	(677)	(1,350)	(57)	(2,084)

The Authority expects that the provisions recognised at 31st March 2020 will substantially be utilised within 12 months of that date, the split of short and long term provisions is as follows:

	Short term 2018/19 £'000	Long term 2018/19 £'000	Total 2018/19 £'000	Short term 2019/20 £'000	Long term 2019/20 £'000	Total 2019/20 £'000
Insurance Claims	(235)	(549)	(784)	(203)	(474)	(677)
Pengarnddu	(450)	(900)	(1,350)	(450)	(900)	(1,350)
Provision						
City Deal	0	(38)	(38)	0	(57)	(57)
	(685)	(1,487)	(2,172)	(653)	(1,431)	(2,084)

Insurance Claims Provision

This provision reflects the Authority's outstanding insurance claims obligations at 31st March 2020. There is an uncertainty around the timing and value of this obligation. Claims are settled when they reach Court, depending on the specific circumstances of the case this can take varying time.

Pengarnddu Provision

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

City Deal Provision

This balance is as a result of including the Authority's Share of 3.94% of the Cardiff Capital Region City Deal (Note 40)

23.0 Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement, note 9 and note 10.

24.0 Unusable Reserves

The breakdown of Unusable Reserves at 31st March 2020 is as follows:

31st March 2019 £'000	31st March 2020 £'000
39,282 Revaluation Reserve	41,139
(2,544) Financial Instruments Reserve	(2,455)
118,596 Capital Adjustment Account	123,132
(190,233) Pensions Reserve	(193,267)
(1,605) Accumulated Absences Account	(1,920)
(36,504) Total Unusable Reserves	(33,371)

Revaluation Reserve

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

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

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

2018/19 £'000		2019/20 £'000
39,471	Balance at 1st April	39,282
1,278	Upward revaluation of assets	3,144
(242)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the provision of services	(340)
1,036	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the provision of services	2,804
(1,197)	Difference between fair value depreciation and historical cost depreciation	(934)
(28)	Accumulated gains on assets sold or scrapped	(13)
(1,225)	Amounts written off to the Capital Adjustment Account	(947)
39,282	Balance at 31st March	41,139

Capital Adjustment Account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions. The account is debited with the cost of acquisition, construction or subsequent costs such as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and subsequent costs.

2018/19	2019/20
£'000	£'000
120,761 Balance at 1st April	118,596
13 Opening Balance Adjustment	(13)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(5,939) • Charges for depreciation and impairment of non current assets	(5,995)
(2,248) • Revaluation losses on property, plant and equipment	(692)
(2,927) • Revenue expenditure funded from capital under statute	(2,829)
(89) • Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(157)
(11,190)	(9,673)
28 Adjusting amounts written out to the Revaluation Reserve	13
(11,162) Net written out amount of the cost of non-current assets consumed in the year	(9,660)
Capital financing applied in the year:	
784 • Use of Capital Receipts Reserve to finance new capital expenditure	624
4,226 • Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	10,948
820 • Application of grants to capital financing from the Capital Grants Unapplied Account	611
3,167 • Statutory provision for the financing of capital investment charged against the General Fund	2,026
8,997	14,209
0 Movements in the market Value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0
118,596 Balance at 31st March	123,132

Financial Instruments Adjustment Account

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

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

2018/19	2019/20
£'000	£'000
(2,624) Balance at 1st April	(2,544)
102 Premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with Statutory Requirements	102
(22) 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	(13)
(2,544) Balance at 31st March	(2,455)

Pensions Reserve

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

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

2018/19	2019/20
£'000	£'000
(189,315) Balance at 1st April	(190,233)
10,124 Actuarial (gains)/losses on pensions assets/liabilities	5,975
(10,009) Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(9,858)
(1,033) Net adjustments to Pension strain	849
(190,233) Balance at 31st March	(193,267)

Accumulated Absences Adjustment Account

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

2018/19	2019/20
£'000	£'000
(2,008) Balance at 1st April	(1,605)
2,008 Settlement or cancellation of accrual made at the end of the preceding year	1,605
(1,605) 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	(1,920)
(1,605) Balance at 31st March	(1,920)

25.0 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2018/19	2019/20
£'000	£'000
193 Rents (after rebates)	167
26,205 Council Tax receipts	28,683
18,914 National non-domestic rate receipts from national pool	19,061
71,391 Revenue Support Grant	72,244
19,960 DWP grants for benefits	16,863
17,303 Other government grants	25,618
137 Interest received	217
15,156 Cash received for goods and services	15,250
8,285 Other operating cash receipts	6,233
177,544 Cash Inflows Generated from Operating Activities	184,336
(74,228) Cash paid to and on behalf of employees	(81,929)
(74,593) Cash Payments to Suppliers	(73,407)
(4,550) Interest paid	(4,371)
(19,732) Housing Benefit paid out	(17,210)
(2,962) Levies paid	(2,989)
(4,248) Precepts	(4,717)
(180,313) Cash Outflows Generated from Operating Activities	(184,623)
(2,769) Net Cash Flows from Operating Activities	(287)

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

Restated	
2018/19	2019/20
£'000	£'000
(20,743) Surplus or Deficit on Provision of Services	(6,544)
9,385 Depreciation and Impairment	7,622
(456) Gain or loss on disposal of Fixed Assets	(514)
4,303 Other non Cash items charged to the net surplus or deficit on the provision of services	(7,898)
11,042 Movement in Pension Liability	9,009
4,234 Increase/decrease in creditors	(726)
(3,904) Increase/decrease in debtors	(671)
(38) Increase/decrease in inventories	(9)
(6,647) Increase/decrease in Provisions and Balances	(539)
45 Adjustment to Central South Consortium Opening Balances	0
10 Adjustment to Cardiff Capital Region City Deal opening Balances	(17)
<u>(2,769)</u>	<u>(287)</u>

26.0 Cash Flow Statement – Investing Activities

2018/19	2019/20
£'000	£'000
(6,631) Purchase of Property, Plant and Equipment	(12,085)
(3,412) Other capital cash payments	(2,829)
(82,500) New Short term investments made	(78,700)
86,000 Repayments of investments	78,700
546 Sale of fixed assets	672
3,401 Capital grants received	9,556
<u>(2,596) Net Cash Flows Generated from Investing Activities</u>	<u>(4,686)</u>

27.0 Cash Flow Statement – Financing Activities

2018/19	2019/20
£'000	£'000
879 New long-term loans raised	591
135,770 New short-term loans raised	94,560
(130,324) Repayments of amounts borrowed	(88,613)
6,325 Cash Flows Generated from Financing Activities	6,538

28.0 Pooled Budgets**Integrated Community Equipment Store**

The authority has entered into a pooled budget arrangement with the Integrated Community Equipment Store for the provision of specialist equipment and services to clients in the community. The partnership currently comprises Rhondda Cynon Taf County Borough Council, Merthyr Tydfil County Borough Council, Bridgend County Borough Council, Cwm Taf University Health Board and Abertawe Bro Morgannwg University Health Board. This partnership was formalised with the introduction of a Section 33 Agreement (The Agreement) in accordance with Section 33 of the National Health Service (Wales) Act 2006 together with the NHS bodies and Local Authorities (Partnership Agreements) Wales regulations 2000 SI 1993 as amended. Partners contribute an underlying contribution in line with those covered by the Section 33 agreement. Any deficit or surplus arising on the pooled budget is adjusted at the end of the financial year based on the actual spend on community equipment for each partner.

The pooled budget is hosted by Rhondda Cynon Taf County Borough Council on behalf of all partners to the agreement. For 2019/20 Merthyr Tydfil County Borough Council paid a contribution of £126,000 (£213,000 for 2018/19) into the pool, total expenditure for 2019/20 was £2,799,000 (£2,712,000 for 2018/19), total income was £2,832,000 in 2019/20 (£2,831,000 for 2018/19).

Integrated Family Support Team

Local Authorities are required to have an Integrated Family Support Team (IFST), either on an individual or partnership basis as established by the Children and Families (Wales) Measure 2010.

The Integrated Family Support Team, created on 1st September 2010 which Rhondda Cynon Taf CBC hosting was disbanded on 1st October 2019. Merthyr Tydfil County Borough Council now has its own IFST within Merthyr Tydfil Children's Edge of Care service. A model of service developed to ensure the provision of seamless services to families with complex needs.

The residual contribution to the team for 2019/20 was £13,000 (£280,000 for 2018/19).

Cwm Taf Care Home Accommodation Pooled Fund

The Cwm Taf Social Services and Wellbeing Partnership Board are required to establish and maintain a pooled fund in relation to the exercise of their care home accommodation functions; these duties took effect from 6 April 2018.

The pooled fund is hosted by Rhondda Cynon Taff County Borough Council on behalf of all partners to the agreement, who are Cwm Taf University Health Board and Merthyr Tydfil County Borough Council.

The Care Home Pooled Fund is managed by the Residential & Nursing Care Pooled Fund Manager under the direction of the Cwm Taf Care Home Accommodation Pooled Fund Operational Management Board

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

For 2019/20 Merthyr Tydfil County Borough Council paid a contribution of £5,216,000 (£4,495,000 for 2018/19) into the pool, total expenditure was £40,169,000 for 2019/20 (£37,674,000 for 2018/19) and total income was £40,987,000 (£37,681,000 for 2018/19).

29.0 Members' Allowances

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

	2019/20	2018/19
	£'000	£'000
Salaries and Allowances	643	622
Pension Contributions	79	75
National Insurance Contributions	49	47
Expenses	2	1
Balance at 31st March	773	745

30.0 Officers' Remuneration

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

2019/20	Salary, Fees and Allowances	Compensation for loss of Office	Pension Contributions	Total
	£	£	£	£
Chief Executive (old post)	79,449	0	11,477	90,926
Chief Executive (current post start date 12/09/19)	68,977	0	20,141	89,118
Deputy Chief Executive (old post)	45,931	0	13,412	59,343
Deputy Chief Executive (current post start date 24/10/19)	41,967	0	12,254	54,221
Chief Officer Social Services	81,681	0	23,833	105,514
Chief Officer Education Officer	81,621	0	23,833	105,454
Head of Finance	73,952	0	21,594	95,546
Head of Legal & Governance	73,952	0	21,594	95,546
Chief Officer Neighbourhood Services (current post holder start date	71,866	0	20,985	92,851
Head of Children Services & Safeguarding	71,141	0	20,773	91,914
Head of Corporate Services	69,199	0	20,206	89,405
Head of Adult Social Services (current post holder start date 01/04/19)	64,197	0	18,746	82,943
Head of Community Wellbeing	63,607	0	18,573	82,180
Head of Planning, Performance & Resources	63,102	0	0	63,102
Head of HR & Org. Development	62,127	0	18,017	80,144
Head of ICT	61,208	0	17,873	79,081
Head of Housing & Regeneration	60,361	0	17,625	77,986
Chief Officer Community Regeneration (old post)	44,069	0	12,868	56,937
Chief Officer Neighbourhood Services (old post)	808	38,450	64	39,322
Head of Adult Social Services (old post)	729	34,690	57	35,476
Head of Public Protection & Housing (old post)	729	34,690	57	35,476
Total	1,180,673	107,830	313,982	1,602,485

The highest paid employee during 2019/20 was the Chief Executive (this included the Chief Executive and Deputy Chief Executive posts), whose remuneration of £114,908 excluding pension contributions was 5.32 times the median remuneration of the workforce £21,589. This salary includes returning officer fees of £5,097.

2018/19	Salary, Fees and Allowances	Compensation for loss of Office	Pension Contributions	Total
	£	£	£	£
Chief Executive	116,661	0	33,307	149,968
Deputy Chief Executive	93,900	0	26,808	120,708
Chief Officer Social Services	80,070	0	22,846	102,916
Chief Officer Neighbourhood Services	76,900	0	21,955	98,855
Chief Officer Community Regeneration	76,900	0	21,955	98,855
Head of Finance	72,502	0	20,699	93,201
Head of Legal & Democratic Services	72,502	0	20,699	93,201
Head of Adult Social Services	69,381	0	19,808	89,189
Head of Public Protection & Housing	69,381	0	19,808	89,189
Head of Children Services & Safeguarding	69,381	0	19,808	89,189
Head of Community Wellbeing	61,865	0	17,662	79,527
Head of Planning & Countryside	61,865	0	17,662	79,527
Head of Planning, Performance & Resources	61,865	0	0	61,865
Head of Strategic Support Services	60,576	0	17,295	77,871
Head of Corporate Services*	68,929	0	19,861	88,790
Chief Officer Learning	77,313	0	19,715	97,028
Total	1,189,991	0	319,888	1,509,879

The highest paid employee during 2018/19 was the Chief Executive, whose remuneration of £116,661 excluding pension contributions was 5.54 times the median remuneration of the workforce £21,074. The Chief Executives' Salary includes returning officer fees of £1,061.

*The following position was held by two officers during the year.

Head of Corporate Services - Employment Ceased on 10th February 2019

New post holder commenced on 7th February 2019

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

Remuneration Band	2019/20 Number of Employees	2018/19 Number of Employees
£60,000 - £64,999	9	12
£65,000 - £69,999	13	10
£70,000 - £74,999	6	7
£75,000 - £79,999	3	2
£80,000 - £84,999	3	2
£85,000 - £89,999	2	2
£90,000 - £94,999	1	1
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	1	0
£115,000 - £119,999	0	1
£120,000 - £124,999	0	0
	38	37

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

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

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band £'000	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
£0 - £20,000	0	0	14	31	14	31	104	256
£20,001 - £40,000	0	0	5	14	5	14	159	412
£40,001 - £60,000	0	0	3	4	3	4	169	181
£60,001 - £300,000	0	0	5	13	5	13	522	1,428
Total cost included in bandings and in the CIES	0	0	27	62	27	62	954	2,277

The £60,001 to £300,000 band has been grouped to ensure individual exit packages cannot be identified.

Under the Powers of a Capitalisation Direction in place from 1st April 2016, revenue costs in respect of service reform are eligible to be treated as capital expenditure and hence funded from capital receipts. The costs incurred relate to Redundancy costs and Early Pension Payment Costs relating to employees leaving the Council through service reconfiguration and rationalisation.

Below is a summary of the service area restructures, the 5 year saving as a result of the restructure:

Service Area	2019/20 5 Year Gross Saving £'000	2019/20 Capitalised Cost £'000
Social Services Adult Services restructure	92	14
Social Services Children's Services restructu	280	53
Support Services restructure	2,610	281
Education Department restructure	416	55
Street Cleansing/Waste Services restructure	0	0
Public Protection & Housing restructure	670	82
Grounds Maintenance restructure	309	45
Highways & Engineering Dept Restructure	326	47
Senior Management restructure	521	35
Community Regen restructure	380	12
	5,604	624

Service Area	2018/19 5 Year Gross Saving £'000	2018/19 Capitalised Cost £'000
Social Services Adult Services restructure	2,174	66
Social Services Children's Services restructure	337	21
Support Services restructure	1,234	68
Education Department restructure	1,192	106
Street Cleansing/Waste Services restructure	624	62
Public Protection & Housing restructure	422	82
Grounds Maintenance restructure	1,414	22
Highways & Engineering Dept Restructure	851	43
Senior Management restructure	558	74
Tourist Info Centre closure	144	2
	8,950	546

As redundancy costs are borne over a period of four years, it should be noted that the five year gross saving column will in certain cases include savings achieved in the previous year.

31.0 External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections:

	2019/20	2018/19
	£'000	£'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	160	160
Fees payable in respect of statutory inspections	101	101
Fees payable for the certification of grant claims and returns for the year	44	38
Total	305	299

32.0 Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2019/20:

	2019/20	2018/19
	£'000	£'000
Credited to Taxation and Non-specific Grant Income and Expenditure		
Revenue Support Grant	(72,244)	(71,391)
Non-Domestic Rates	(19,061)	(18,914)
<u>Capital Grants and Contributions</u>		
General Capital Grant	(1,505)	(1,904)
Local Transport Fund	(4,612)	0
Schools Maintenance Grant	(817)	(878)
Hwb In School Infrastructure Grant	(811)	0
Reducing Infant Class Size Grant	(661)	0
Community Hubs Grant	(500)	0
Economic Stimulus Capital Grant	(358)	0
¹ Childcare Offer Grant	(281)	(50)
¹ Active Travel Fund	(252)	(145)
Schools Additional Capital Grant	(444)	(400)
Local Authority Roads Refurbishment	(248)	(248)
Collaborative Change Programme	0	(490)
² Vibrant and Viable Places Grant	0	990
³ Other Capital Grants and Contributions	(981)	(638)
Total	(102,775)	(94,068)

	2019/20 £'000	2018/19 £'000
Credited to Services		
<u>People and Performance</u>		
⁴ Children and Communities Grant	(4,013)	0
Pupil Deprivation Grant	(2,125)	(2,101)
Education Improvement Grant	(2,105)	(2,070)
Education Grant	(911)	0
⁵ Intermediate Care Fund	(862)	(329)
Teachers Pension Grant	(753)	0
Workforce and Sustainability Grant	(642)	0
Other Central South Consortia Grants	(323)	0
Social Care Winter Pressures Grant	(280)	0
⁵ Youth Service Revenue Grant	(250)	(103)
⁴ Flexible Funding Grant	0	(6,238)
Other Revenue Grants	(822)	(2,039)
<u>Place and Transformation</u>		
⁴ Housing Support Grant	(2,184)	0
Concessionary Fares Grant	(2,013)	(2,106)
⁴ Children and Communities Grant	(543)	0
Inspire 2 Achieve	(356)	(334)
⁵ Residual Waste Grant	(315)	(312)
⁵ Sustainable Waste Management Grant	(308)	(310)
⁵ Bridges Into Work 2 Grant	(253)	(268)
⁵ Inspire 2 Work	(257)	(226)
Housing Benefit Subsidy Admin Grant	(221)	(248)
Local Transport Fund	(20)	(395)
⁴ Flexible Funding Grant	0	(568)
Other Revenue Grants	(3,115)	(2,700)
Contributions	0	(3)
<u>Corporate</u>		
Housing Benefit Subsidy	(17,223)	(19,701)
⁵ High Street Retail Relief Scheme	(342)	(33)
Other Revenue Grants	(193)	(197)
Total	(40,429)	(40,281)

¹The 2018/19 Childcare Offer Grant and Active Travel Fund were previously shown against the Other Capital Grants and Contributions line.

²The debit of £990,000 against the Vibrant and Viable Places Grant relates to the reclassification of grant income in 2017/18 as a recyclable loan.

³The Flying Start Capital Grant is now shown against the Other Capital Grants and Contributions line.

⁴The 2018/19 Flexible Funding Grant was replaced in 2019/20 by the Children and Communities Grant and Housing Support Grant.

⁵The 2018/19 Intermediate Care Fund, Youth Service Revenue Grant, Residual Waste Grant, Sustainable Waste Management Grant, Bridges Into Work Grant, Inspire 2 Work Grant, and High Street Retail Relief Scheme were previously shown against the Other Revenue Grants lines.

⁶The 2018/19 Environment and Sustainable Development Revenue Grant is now shown against the Other Revenue Grants line.

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

	2019/20
	£'000
Current Liabilities	
Grants Receipts in Advance (Revenue Grants)	
Pontmorlais THQ	(57)
Electoral Reform Support Grant	(48)
LNP Cymru Grant	(35)
Freeswim Grant	(21)
Education Grant	(18)
High Street Retail Relief Scheme	(13)
Discretionary Housing Payments Grant	(12)
High Street Retail Relief Scheme	(8)
Food Poverty Grant	(1)
RDP Cwm Taf	(1)
Total	(214)
	2018/19
	£'000
Current Liabilities	
Grants Receipts in Advance (Revenue Grants)	
Housing Benefit Subsidy	(63)
High Street Retail Relief Scheme	(11)
Total	(74)

33.0 **Related Party Transactions**

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

Central Government (i.e. Welsh Government) has effective control over the general operations of the Authority. It is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties. Grants received from government departments are set out in note 32. Welsh Government grant receipts of £8,500,000 were outstanding at 31 March 2020.

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in note 29. Interests in other organisations held by members and their close family have been identified by an inspection of the Members' and Officers' Declaration of Interest Register, and are set out in the table below.

Officers - details of officers' emoluments are shown in note 30 to the Core Financial Statements. Interests in other organisations held by senior officers and their close family have been identified, and are set out in the table below.

Joint Operations - the Authority is involved in a number of joint operations, the details of which are shown in note 40.

Precepts and Levies are shown in note 11.

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

Description	In-year Transactions 2019/20		Balances at 31 March 2020	
	Expenditure incurred by Authority £000	Income received by Authority £000	Owed by Authority (Creditors) £000	Owed to Authority (Debtors) £000
Companies / voluntary bodies in which Members' interests declared				
Voluntary Action Merthyr Tydfil	75	0	(13)	0
Cwm Taf Care & Repair	181	0	(4)	0
Pant Boys & Girls Club	78	(2)	0	0
Nursery Rhymes	57	0	(2)	0
Other companies / voluntary bodies in which Members' interests declared	260	(43)	(16)	9
Companies / voluntary bodies in which Officers' interests declared				
South Wales Fire & Rescue Authority	0	(3)	0	0
The College of Merthyr Tydfil	118	(45)	(10)	33
Other companies / voluntary bodies in which Members' interests declared	10	0	0	0
Outside Bodies on which the Authority is represented				
Merthyr Tydfil Leisure Trust	2,872	(623)	(40)	300
Merthyr Valleys Homes*	149	(169)	(10)	433
Safer Merthyr Tydfil	309	50	(75)	1
JV Redstart (Capita Glamorgan Consultancy)	104	0	3	0
Citizen Advice Bureau	252	(1)	(15)	0
Other bodies on which the Authority is represented	(12)	(80)	(1)	15

*The Authority provided a loan to Merthyr Valleys Homes in the 2014/15 financial year, and the balance outstanding at 31 March 2020 is £408,000.00. The Authority is represented on the Board.

Description	In-year Transactions 2018/19		Balances at 31 March 2019	
	Expenditure incurred by Authority £000	Income received by Authority £000	Owed by Authority (Creditors) £000	Owed to Authority (Debtors) £000
Companies / voluntary bodies in which Members' interests declared				
Voluntary Action Merthyr Tydfil	91	0	(16)	0
Cwm Taf Care & Repair	151	(7)	0	4
Pant Boys & Girls Club	96	(2)	0	0
Other companies / voluntary bodies in which Members' interests declared	242	(56)	(9)	9
Companies / voluntary bodies in which Officers' interests declared				
South Wales Fire & Rescue Authority	0	(3)	0	0
The College of Merthyr Tydfil	136	(46)	(5)	13
Other companies / voluntary bodies in which Members' interests declared	7	0	0	0
Outside Bodies on which the Authority is represented				
Merthyr Tydfil Leisure Trust	2,937	(404)	(50)	324
Merthyr Valleys Homes*	193	(320)	(57)	587
Safer Merthyr Tydfil	297	(53)	(75)	52
JV Redstart (Capita Glamorgan Consultancy)	129	0	0	0
Citizen Advice Bureau	208	(1)	(38)	0
Other bodies on which the Authority is represented	15	(91)	(14)	3

*The Authority provided a loan to Merthyr Valleys Homes in the 2014/15 financial year, and the balance outstanding at 31 March 2019 is £428,400.00. The Authority is represented on the Board.

34.0 Capital Expenditure and Capital Financing

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

	2019/20	2018/19
	£'000	£'000
<i>Opening Capital Financing Requirement</i>	102,706	101,541
<i>Capital Investment</i>		
Property, Plant and equipment	12,780	6,755
Investment Properties		0
Revenue Expenditure Funded from Capital under Statute	2,829	2,927
Joint Committee Additions	781	610
<i>Sources of finance</i>		
Capital receipts	(624)	(784)
Government grants and other contributions	(11,559)	(5,045)
Direct revenue Contributions	(55)	(643)
Minimum Revenue Provision	(1,892)	(2,655)
<i>Closing Capital Financing Requirement</i>	104,966	102,706
<i>Explanation of movements in year</i>		
Increase in underlying need to borrow (supported by government financial assistance)	1,590	1,625
Increase in underlying need to borrow (unsupported by government financial assistance)	1,782	2,070
Impact of Joint Committees	781	125
Minimum Revenue Provision	(1,892)	(2,655)
<i>Increase/(decrease) in Capital Financing Requirement</i>	2,261	1,165

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 2019/20 accounts in calculating the provision:

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

35.0 Leases**Authority as Lessee****Finance Leases**

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

	31st March 2020 £'000	31st March 2019 £'000
Other land and Buildings	27	36
Vehicles, Plant, Furniture and Equipment	112	190
	139	226

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.

	31st March 2020 £'000	31st March 2019 £'000
Finance lease liabilities (net present value of minimum lease payments)		
• current	(57)	(51)
• non-current	(58)	(143)
Finance costs payable in future years	(2)	(5)
Minimum lease payments	(117)	(199)

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March 2020 £'000	31st March 2019 £'000	31st March 2020 £'000	31st March 2018 £'000
Not later than one year	59	82	57	51
Later than one year and not later than five years	58	117	58	143
Later than five years	0	0	0	0
	117	199	115	194

Operating Leases

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

	31st March 2020 £'000	31st March 2019 £'000
Not later than one year	290	244
Later than one year and not later than five years	538	471
Later than five years	0	22
	828	737

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

	2019/20 £'000	2018/19 £'000
Minimum lease payments	482	523
	482	523

Authority as Lessor**Operating Leases**

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

	31st March 2020 £'000	31st March 2019 £'000
Not later than one year	265	241
Later than one year and not later than five years	387	612
Later than five years	588	624
	1,240	1,477

36.0 Pension Schemes accounted for as defined contribution schemes

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

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

In 2019/20 the Authority paid £3,959,000 to the Teachers' Pensions (£3,042,000 in 2018/19) in respect of teachers' pension costs, which represents 20.75% of teachers' pay (16.48% in 2018/19).

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis as detailed in Note 37.

The Authority expects to pay £4.68 million in contributions into the scheme in 2020/21. The employers pension contribution rate is to remain at 23.68% in 2020/21.

37.0 Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Authority participates in two post-employment schemes:

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

Transactions Relating to Post-employment Benefits

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

	Local Government Pension Scheme		Discretionary Benefits	
	£m		£m	
	2019/20	2018/19	2019/20	2018/19
Comprehensive Income and Expenditure Statement				
Cost of services:				
Service cost comprising				
• current service cost	12.79	10.24	0.00	0.00
• past service cost	3.87	5.63	0.00	0.30
• (gain)/loss from settlements	0.00	0.00	0.00	0.00
• adjustment to pension strain	(0.85)	1.03	0.00	0.00
Financing and Investment Income and Expenditure				
• Net interest expense	4.30	4.30	0.43	0.48
Total post employment Benefits charged to the Surplus or Deficit on provision of services	20.11	21.20	0.43	0.78
Remeasurement of the net defined benefit liability comprising:				
• Return on plan assets (excluding the amount included in the net interest expense)	13.80	(17.57)	0.00	0.00
• Actuarial gains and losses arising on changes in demographic assumptions	(5.09)	(16.64)	(0.13)	(0.75)
• Actuarial gains and losses arising on changes in financial assumptions	(8.31)	23.45	(0.21)	0.66
• Actuarial gains and losses arising on changes in experience	(0.56)	0.67	(0.09)	0.05
• Other	0.00	0.00	0.00	0.00
Total post employment Benefits charged to the Comprehensive Income and Expenditure Statement	19.95	11.11	0.00	0.74
Movement in Reserves Statement				
• reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the code	(20.11)	(21.20)	(0.43)	(0.78)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers contributions payable to scheme	10.13	9.94		
Retirement benefits payable to pensioners			0.95	1.00

Pensions Assets and Liabilities recognised in the Balance Sheet

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

	Local Government		Discretionary Benefits	
	£m		£m	
	2019/20	2018/19	2019/20	2018/19
Present Value of the defined benefit obligation	(427.91)	(433.13)	(17.47)	(18.42)
Fair value of plan assets	252.44	262.51	0.00	0.00
Sub-total	(175.47)	(170.62)	(17.47)	(18.42)
Other movements in the (liability)/asset	(0.33)	(1.19)	0.00	0.00
Net liability arising from the defined benefit obligation	(175.80)	(171.81)	(17.47)	(18.42)

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

	Local Government		Discretionary Benefits	
	£m		£m	
	2019/20	2018/19	2019/20	2018/19
Opening fair value of scheme assets	262.51	239.43	0.00	0.00
Central South Consortium Opening Balance Adjustment	0.00	(0.08)	0.00	0.00
Interest Income	6.27	6.21	0.00	0.00
Remeasurement gain/(loss)				
• The return on plan assets, excluding the amount in the net interest expense	(13.80)	17.57	0.00	0.00
Contributions from the employer	10.13	9.94	0.95	1.00
Contributions from employees into the scheme	2.08	2.03	0.00	0.00
Benefits paid	(14.75)	(12.59)	(0.95)	(1.00)
Net increase in assets from disposals/acquisitions	0.00	0.00	0.00	0.00
Closing fair value of scheme assets	252.44	262.51	0.00	0.00

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

	Local Government		Discretionary Benefits	
	£m		£m	
	2019/20	2018/19	2019/20	2018/19
Opening balance at 1 April	433.13	409.91	18.42	18.68
Opening Balance Adjustment	(5.38)	(0.09)	0.00	0.00
Current Service cost	12.79	10.24	0.00	0.00
Interest Cost	10.12	10.52	0.43	0.48
Contributions from scheme participants	2.08	2.03	0.00	0.00
Remeasurements (gains) and losses				
• Actuarial gains and losses arising on changes in demographic assumptions	(5.09)	(16.64)	(0.13)	(0.75)
• Actuarial gains and losses arising on changes in financial assumptions	(8.31)	23.45	(0.21)	0.66
• Actuarial gains and losses arising on changes in experience	(0.56)	0.67	(0.09)	0.05
Past service cost	3.87	5.63	0.00	0.30
Losses/(gains) on curtailment	0.00	0.00	0.00	0.00
Benefits paid	(14.74)	(12.59)	(0.95)	(1.00)
Net increase in assets from disposals/acquisitions	0.00	0.00	0.00	0.00
Closing balance at 31 March	427.91	433.13	17.47	18.42

Local Government Pension Scheme assets comprised

	As at 31st March 2020	As at 31st March 2019
	£m	£m
Equities	160.80	169.31
Property	21.71	18.11
Government Bonds	34.84	35.44
Corporate Bonds	32.82	30.45
Cash	2.27	9.19
	252.44	262.50

Basis for Estimating Assets and Liabilities

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

Both the Local Government Pension Scheme and Discretionary Benefits and have been assessed by Aon Hewitt, an independent firm of actuaries, estimates for the Rhondda Cynon Taf County Council Pension Fund being based on the latest full valuation of the scheme as at 31 March 2019.

The significant assumptions used by the actuary have been:

	Local Government		Discretionary Benefits	
	2019/20	2018/19	2019/20	2018/19
Longevity at 65 at accounting date				
Males	21.70	22.20		22.20
Females	24.00	24.10		24.10
Longevity at 45 at accounting date				
Males	22.70	23.90		
Females	25.50	25.90		
Discount rate	2.30%	2.40%		2.40%
CPI Inflation	2.00%	2.20%		2.20%
Pension increases	2.00%	2.20%		2.20%
Pension accounts revaluation rate	2.00%	2.20%		
Salary increases	3.25%	3.45%		

The duration of the defined benefit obligation (i.e. the weighted average of the time until payment of future cash flows) for scheme members at 31st March 2020 was calculated by the actuary as 20.4 years (18.6 years at 31st March 2019).

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

	Impact on the Defined Benefit Obligation in the scheme		
	Increase in assumption	Base Figure	Decrease in assumption
	£m	£m	£m
Discount Rate (increase or decrease by 0.1%)	420.33	427.91	437.92
Rate of increase in salaries (increase or decrease by 0.1%)	430.20	427.91	427.62
Rate of increase in pensions (increase or decrease by 0.1%)	436.64	427.91	421.62
Post retirement mortality assumption (increase or decrease by 1 year)	442.63	427.91	415.19

Contribution rates are set by the fund's actuary based on triennial actuarial valuations. The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Authority has agreed a strategy with the scheme's actuary to achieve a funding level of 100% of the overall liabilities of the fund. The next triennial valuation is due to be completed on 31st March 2022.

The authority expects to pay £9.61 million contributions into the scheme in 2020/21.

38.0 Contingent liabilities

As at 31st March 2020, the Authority has the following contingent liabilities:

- **Merthyr Tydfil Leisure Trust** - 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.

- **Merthyr Valleys Homes** - As part of the legal agreements associated with the transfer of the Authority's Housing Stock to Merthyr Valleys Homes (MVH), a number of warranties and indemnities have been provided for a period of 30 years from the transfer date (March 2009), covering areas including environmental pollution and asbestos. The limit to claims made against these warranties is £15,000 for each property (uprated annually by RPI), with the exception of the warranty for environmental pollution and asbestos, where the limits are £40m (environmental pollution) and without limit (asbestos). Claims are subject to a de minimis level below which the Authority is not liable to reimburse MVH, these being £10,000 generally and £3.3m for Asbestos works. Potential liabilities that could arise in respect of environmental pollution have been mitigated by means of insurance policies, providing aggregate cover of £20m. At this stage, there have been no definite claims associated with the warranties provided and it is not possible to determine the extent and value of claims that may arise in the future.

39.0 Risks Arising from Financial Instruments

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

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

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by Chief Executive's Directorate, under policies outlined in the Treasury Management Policy Statement and Annual Investment Strategy approved by Council annually, prior to the commencement of the new financial year.

Credit Risk

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

The Authority's Treasury Management Policy Statement and Annual Investment Strategy 2019/20 reported to Council on 4th March 2019 set limits for investments for 2019/20 of:

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

A Treasury Management Half-Year Review of the 2019/20 financial year was also reported to Council on 18th December 2019.

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:

2019/20

Description	Balance outstanding as at 31st March 2020 £000	Historic Experience of Default %	Estimated exposure to non- repayment at 31st March 2020 £000
Sundry Debtors	1,627	1.54	25
Council Tax	5,565	13.21	735

2018/19

Description	Balance outstanding as at 31st March 2019 £000	Historic Experience of Default %	Estimated exposure to non- repayment at 31st March 2019 £000
Sundry Debtors	2,547	1.56	40
Council Tax	5,029	13.69	688

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

	31st March 2020		31st March 2019	
	Sundry	Council Tax	Sundry	Council Tax
	£'000	£'000	£'000	£'000
Up to 1 Year	1,328	1,716	2,243	1,640
Between 1 and 2 Years	176	1200	173	885
Between 2 and 3 Years	57	697	55	672
Between 3 and 4 Years	18	510	20	480
Between 4 and 5 Years	8	373	28	324
Greater than 5 Years	40	1,069	28	1,028
Total	1,627	5,565	2,547	5,029

Liquidity Risk

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

	2019/20				
	£'000				
	PWLB	LOBO	Other	Market Loans	Total
Less than one year	3,187	0	789	50,611	54,587
Between one and two years	3,187	0	281	0	3,468
Between two and five years	8,286	0	0	0	8,286
More than five years	31,101	12,225	1,352	0	44,678
	45,761	12,225	2,422	50,611	111,019

	2018/19				
	£'000				
	PWLB	LOBO	Other	Market Loans	Total
Less than one year	3,187	0	786	41,053	45,026
Between one and two years	3,187	0	1,346	0	4,533
Between two and five years	9,561	0	281	0	9,842
More than five years	33,013	12,229	362	0	45,604
	48,948	12,229	2,775	41,053	105,005

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

Market Risk

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

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- Investments at fixed rates – the fair value of the assets will fall

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

The Authority's strategies for managing interest rate risk are set out in the Treasury Management Policy and Annual Investment Strategy. All the Public Works Loan Board Loans are fixed rate whereas the £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 2019/20 would have been as follows:

	£'000
Increase in interest payable on variable rate borrowings	558
Increase in interest payable on variable rate investments	(129)
Impact on Surplus or Deficit on Provision of Services	429

40.0 Interests in other entities

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 2018 is detailed below. There is a nine month window for auditing the financial statements and the 2019 financial statements are expected in October 2020:

	31st December 2018 £'000	31st December 2017 £'000
Expenditure		
Cost of Sales	1,905	1,727
Administration Expenses	1,164	1,004
Total Expenditure	3,069	2,731
Income		
Turnover	(2,878)	(2,627)
Operating (Profit)/loss	191	104
Income Tax (Credit)/expense	(32)	(19)
Total Comprehensive expense/(income) for the year	159	85
Fixed Assets		
Tangible	6	27
	6	27
Current Assets		
Income tax receivable	16	18
Debtors	1,241	504
Cash	169	713
	1,426	1,235
Current Liabilities		
Creditors	(640)	(400)
Provisions	(89)	0
Net Current Assets	697	835
Total Assets less Liabilities	703	862
Capital and reserves		
Profit and loss account	703	862
Shareholders' Funds	703	862

Joint Operations

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

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

Glamorgan Archives

This is a joint committee, created on 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 the statement of accounts for 2019/20.

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 joint operation within the 2019/20 financial statements.

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 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 6.33%.

The Authority has included its share of the joint operation within the 2019/20 financial statements.

Vale, Valleys and Cardiff Regional Adoption Collaborative

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

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

The Collaborative consists 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.

The net financial impact on the Authority's accounts as a result of including the Vale, Valleys and Cardiff Regional Adoption Collaborative is not considered material and so has not been included within the statement of accounts for 2019/20.

Cardiff Capital Region City Deal

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

The CCRD Investment Fund comprises two distinct elements:-

- £734 million – METRO scheme. This will comprise £503 million of Welsh Government funding provided over the first seven years from 2016/17 to 2022/23; £106 million from the European Development Fund, (which is committed and guaranteed following Brexit by both UK and Welsh Governments); and £125 million from UK Government. This element will be the sole responsibility of Welsh Government.
- £495 million – Regional Cabinet Fund, comprising the ten constituent councils' commitment to borrow £120 million over the 20 year period of the Investment Fund, together with £375 million from the UK Government. This fund will be used for investment in infrastructure, housing, skills and training, innovation, business growth and "Metro plus" transport proposals. This element will be the responsibility of the CCRD Regional Cabinet. The Council will make a 3.9% contribution to the £120 million based on its proportion of the regional population.

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

The Authority has included its share of the joint operation within the 2019/20 financial statements.

Other Entities***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%.

During 2019/20 the Trust were paid a management Fee as agreed in a Contractual framework of £2,403,000 (£2,403,000 in 2018/19) 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 35 operating leases.

Further details in regards to Merthyr Tydfil Leisure Trust Pension Fund are disclosed within Note 38 Contingent Liabilities.

Glossary of Terms

Accrual

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

Actuary

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

Amortisation

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

Asset Under Construction

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

Budget

A budget is the spending plan for a financial year.

Capital Expenditure

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

Capital Financing Requirement

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

Capital Receipt

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Contingent Asset

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

Contingent Liability

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

Creditor

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

Current Assets

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

Current Liabilities

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

Debtor

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

Depreciation

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

Earmarked Reserves

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

Fair Value

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

Financial Instruments

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

Financial Liabilities

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

Financial Assets

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

Financial Year

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

Finance Leases

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

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

Impairment

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

International Accounting Standard (IAS)

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

International Financial Reporting Standards (IFRS)

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

Inventories

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

Leasing

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

Lessee

The user or renter of the leased asset or property.

Lessor

The owner of the asset or property that is leased.

Levies

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

Liability

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

Lender Option Borrower Option Loans (LOBOs)

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

Long-Term Asset

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

Market Loans

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

Minimum Revenue Provision (MRP)

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

Net Realisable Value

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

Non-Current Assets

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

Non-Domestic Rates (NDR)

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

Operating Leases

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

Pooled Budget

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

Precept

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

Provision

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

Public Works Loan Board (PWLB)

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

Recharge

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

Reserves

Finance set aside to meet future expenditure plans.

Revenue Expenditure funded from Capital Under Statute (REFCUS)

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

Revenue Support Grant

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

Trust Funds

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



MERTHYR TYDFIL
County Borough Council
Cyngor Bwrdeistref Sirol
MERTHYR TUDFUL

DRAFT
ANNUAL GOVERNANCE
STATEMENT
2019/20

July 2020

MERTHYR TYDFIL COUNTY BOROUGH COUNCIL**ANNUAL GOVERNANCE STATEMENT 2019/20****1. SCOPE OF RESPONSIBILITY**

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

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

Public bodies covered by the Act, including Local Government are required to consider the longer term in making their decisions and to work collaboratively with other public bodies to improve wellbeing in Wales. The Act places a wellbeing duty to set wellbeing objectives that maximise their contribution to achieving wellbeing goals. Public bodies' first wellbeing objectives were set and published by 31st March 2017. Public bodies are required to report annually on their progress towards meeting their wellbeing objectives.

The Act also establishes public service boards (PSB's) for each Local Authority area. The Cwm Taf Public Services Board (PSB) is a collection of public bodies working together to improve the economic, social, environmental and cultural well-being of people who live, work and visit the Cwm Taf areas of Rhondda Cynon Taf and Merthyr Tydfil. Each PSB is required to improve the economic, social, environmental and cultural well-being of its areas by working to achieve the wellbeing goals. PSB's contribution to achievement of the goals must include preparing and publishing an assessment of local wellbeing by May 2017, preparing and publishing a local wellbeing plan by May 2018 and preparation of an annual progress report specifying the steps it has taken, since publishing its most recent local well-being plan, to meet the objectives set out in the plan.

The Act is central to the Welsh Government's long-term policy for public services and its themes tie in with the International Framework: Good Governance in the Public Sector (CIPFA – the Chartered Institute of Public Finance and Accountancy/IFAC – International Federation of Accountants, 2014), on which the Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE – the Society of Local Authority Chief Executives and Senior Managers, 2016) is based.

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.

Guidance has been issued called Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE, 2016) and applies to annual governance statements prepared for the financial year 2016/17 onwards.

The Council has a Local Code of Corporate Governance.

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

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 wellbeing objectives and priorities 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 objectives 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, wellbeing objectives and 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.

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 conducted by external agencies and internal arrangements, including performance management arrangements.

A governance framework has been in place at the Council for the year ended 31st March 2019 and up to the date of approval of the Annual Governance Statement and Statement of Accounts.

3. IMPACT OF COVID 19 PANDEMIC

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

The Council's response to the coronavirus pandemic was managed in line with the Council's emergency planning arrangements. The Council made significant changes in response to the pandemic and associated government regulations and advice, including:

- Closure of schools and creation of hubs for key workers' children
- Introduction free school meals vouchers for those eligible
- Payment of thousands of grants to businesses
- Closure of a significant number of services including parks and recycling centres
- Changes to the operation of care homes, domiciliary care and social work.
- Movement of a large proportion of the Council's staff to work from home.
- Introduction of testing arrangements and arrangements for contact tracking and tracing.
- Establishment of a PPE distribution team.
- Establishment of a Shielding of Vulnerable Adults Team and relationships with third sector support organisations.

As the country moved into lockdown, all formal meetings including Council, Cabinet, Scrutiny and Audit Committees were cancelled. The Remote Attendance at Council Meetings Statutory Guidance made under Section 4 of the Local Government (Wales) Measure 2011 requires that, even where remote access is permitted as part of a Council's constitution, any meeting with remote attendees is not quorate if there are less than 30% of those eligible to attend present at the main meeting place. As such, the Measure prevented any meeting of Council or its subcommittees to be quorate at the time of the Government's implementation of lockdown measures.

As a result of the need to suspend Council meetings it was necessary to ensure that the Council had robust governance arrangements in place to ensure business continuity as emergency legislation from Central Government and Regulations from Welsh Government were being issued.

The Council's Constitution provides that the Chief Executive or in his absence the nominated Deputy has the delegated power to act, after consulting the appropriate Cabinet Member in respect of any matter which, in his opinion:

- requires immediate action, and
- does not justify holding a special meeting of the body which would ordinarily consider the matter or is of such urgency or emergency as not to allow for such a meeting, use of such delegated powers to be subsequently reported back to the Cabinet or Council as appropriate.

In the case of matters involving financial commitments, the Leader, Section 151 Officer and the appropriate Chief Officer must also be consulted.

The Council's Corporate Management Team held daily virtual meetings using well established Emergency planning reporting mechanisms. This allowed consideration of urgent matters, a focus on strategic actions as well as those where decisions were required in a very short timescale. The meetings also focussed on key areas of risk to the organisation as well as the communities of Merthyr Tydfil. The meetings were chaired by the Chief Executive. Any decisions taken that would normally require Cabinet or Council approval were made via the Chief Executive's Emergency Powers and these were documented and reported. Virtual weekly update meetings were also held between Cabinet and Corporate Management Team.

Welsh Government provided a number of specific grants to meet the additional costs to Local Authorities, for costs in general and targeted at specific areas, such as adult social care and school counselling. Costs were collated across the Council to enable these grants to be obtained. There is also the impact of lost income from fees and charges, which creates an additional pressure. At this stage it is unclear whether this additional funding will cover all of the Council's additional costs incurred as a result of the pandemic, but close monitoring is in place and all costs are subject to close scrutiny.

Recovery

A Recovery Strategy is being developed with the aim of establishing a council wide approach to the recovery of the organisation. The Recovery Strategy was developed in line with the Council's Emergency Planning procedures in managing the recovery phase. Key principles followed in the development of the strategy included:

- Recognise this is not 'recovery' to a previous state for all services;
- Acknowledge the recovery process will take significant time and be influenced by a number of significant issues, and will not necessarily be linear ('lockdowns' or other regulations may be introduced that impact upon different services in different ways and at different times and at short notice);
- Identify this as an opportunity unlike any other to fundamentally think about the way in which the Council operates.

The organisation has moved at a pace and scale to deliver change that has never been seen before. The learning from this is being harnessed and used to reshape the Council.

The short, medium and longer term consequences of the coronavirus pandemic are not yet fully known however senior managers have already identified service risks which will be incorporated into business planning and our corporate risk register.

Cross cutting themes are being addressed by a Recovery Group who will look to implement policy and procedural change which will help us ensure we are a resilient Authority with modern working practices and more efficient use of our corporate estate. Key themes include:

1. Workforce and workplace planning.
2. Public area reopening.
3. ICT and agile working practices.
4. Employee wellbeing and support.

Economic and Schools recovery groups have been set up and feed into the Corporate Management Team, Recovery Group and Corporate Improvement Plan.

There are likely to be potential increases in levels of deprivation with associated demands placed upon Council services because of the increased number of families applying for universal credit and council tax support. Financially we expect there to be pressures on service costs, and reduced council tax and business rates income. In the short term it will be difficult to quantify the wider impacts, which will be understood once life begins to return to some form of normality.

4. THE GOVERNANCE FRAMEWORK

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

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

The Council has identified a number of Core Values and associated behaviours:

- Honesty & Openness
- Trust & Respect
- Accountability
- Learning
- Aspiration
- Team Working
- Communication

Cabinet members are actively involved in reviewing the Council's core values to underpin all Council business.

All Councillors and Officers in the Council are required to comply with the relevant Codes of Conduct as set out in the Constitution, which details the particular roles and responsibilities of Councillors and Officers.

All new starters within the Council are provided with a Staff Handbook which provides a summary of the Council's relevant policies and working practices. Included within the Handbook is a summary of the Employee Code of Conduct. The complete Employee Code of Conduct is also available on the Council's Intranet site.

The Code of Conduct and Declaration of Interests form part of the Councillor's Induction Process. Councillors are expected to declare to an appropriate Director or Manager and in the Register of Interests any financial/non-financial interests which could conflict the Council's interests. Councillors must also declare any offers/ acceptance of hospitality.

The Council has formed a Standards Committee to promote and maintain high ethical principles and these are enshrined within the Code of Conduct for Councillors. All Councillors have to agree to follow the Code of Conduct to ensure high standards in the way they undertake their duties. The Standards Committee is responsible for training and advising Councillors on the Code of Conduct.

The Head of Legal and Democratic Services is the Monitoring Officer for the Council, with the specific responsibility for ensuring that the Council, its Officers and its Councillors maintain the highest standards of conduct in all they do as per Section 5 of The Local Government and Housing Act 1989 and as amended by schedule 5 paragraph 24 of the Local Government Act 2000.

The functions of the Monitoring Officer include support to the Standards Committee in its promotion of high standards; acting on Ombudsman reports; and conducting investigations into certain categories of complaints against councillors remitted by the Ombudsman. Any complaints received against Councillors are referred to the Ombudsman for investigation. Complaints are only referred to the Standards Committee if the Ombudsman felt there was an appropriate outcome to do so. The statistics for complaints made against Councillors during 2019/20 were not available at the time the AGS was compiled.

The Training Needs Analysis now forms part of the Personal Development Review forms, these are expected to be completed by the Leaders with their Group members individually which will identify any specific training required to assist with their continued learning and development. A training matrix is maintained which records all training undertaken by Councillors. This process assists Councillors in identifying their key strengths, consider their continued development needs and what support may be required to meet their personal objectives and deliver the Council's wellbeing objectives and corporate vision.

The Council's Procurement Policy and Strategy 2019-2022 requires that all procurement activity will be undertaken to the highest standards of probity and professionalism and that Councillors and Officers will be fair and ethical and will avoid conduct that may contradict this or suggest a conflict of interest.

Where applicable the Procurement Team will comply with the CIPS (Chartered Institute of Procurement and Supply) code of ethics and promote this throughout the Council to all members of staff that have a responsibility to commit expenditure.

To support the management of risk, Key Partners are identified within each of the Councils Risk Registers. The Council has developed an Integrated Impact Assessment (IIA) which incorporates the Council's Wellbeing Objectives, the Sustainable Development principle (the five ways of working), Welsh Language, Equalities and Biodiversity, to support effective decision making and ensuring compliance with other pieces of legislation that the Council is subject to. This has been applied to business cases and projects as part of the Councils project management framework. The implementation of the IIA was approved by Cabinet and introduced for Council and Cabinet Reports in 2018/19.

At the end of 2018/2019 the Council entered into a shared service arrangement for the provision of internal audit services. The new Regional Internal Audit Service commenced operational activity in April 2019 and is operated in collaboration between MTCBC, Rhondda Cynon Taf Council, Bridgend Council and Vale of Glamorgan Council. The Regional Internal Audit Service is compliant with the Public Sector Internal Audit Standards (PSIAS). The Regional Internal Audit Service undertook a comprehensive annual programme of work based upon a risk assessed plan.

The Council is a participant in the National Fraud Initiative (NFI) and the work of Internal Audit includes processing and co-ordinating the NFI data matches with Service Departments and other relevant work.

The Council has an operating and effective Audit Committee that is compliant with the Local Government Measure (Wales) 2011 and the Accounts and Audit Regulations (Wales) 2014 as amended in 2018. The Committee Terms of Reference are compliant with best practice guidance. The Council's External Auditors undertake a comprehensive annual programme of work that they report on. The Council's Financial Procedure Rules and Constitution documents contain guidance and instruction for staff and also detail the arrangements in place.

The Council has an Anti-Fraud and Corruption Policy in place. The Policy was reviewed and updated during 2019-2020, this is currently being prepared for reporting to Council for approval and ratification before its planned implementation in 2020-2021.

The Council has a Whistleblowing Policy in place encouraging staff to raise any concerns they may have regarding malpractice within the Council. The Policy is periodically publicised to remind staff about making referrals if the need be.

b) Ensuring openness and comprehensive stakeholder engagement.

The Council continues to identify new engagement and consultation activities in compliance with the Consultation Charter. Consultation and engagement are one of the main tools that the Council uses to inform and understand the opinions and views of local residents, customers and other stakeholders. Adopting new processes such as listening and engagement and co-production encourages stakeholders to play a part in the Council's decision-making process. The Communications, Consultation and Engagement Strategy is currently being reviewed to reflect elements of the Council's improvement plan moving forward. The Council's external and internal communication channels are:

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

- Leader's Blog
- Social Media including Facebook and Twitter
- Video links
- Information Sessions, Chief Executives Blog
- Face to face engagement session such as drop in sessions and roadshows

Over the past twelve months the Council has seen a 34% increase of followers to its Facebook site an additional 11% following the Council Twitter site.

The public were engaged as part of the process to undertake the Wellbeing Assessment to inform the Wellbeing Plan on behalf of the Public Services Board (PSB) and further engagement and consultation was undertaken to inform the Council's Wellbeing Statement and objectives linked to the Wellbeing of Future Generations Act.

Communication and engagement activities are primarily done using a digital consultation hub Smart Survey. This portal is published through the Council's website (www.merthyr.gov.uk), social media sites and the Contact Community magazine. A citizens panel for Merthyr Tydfil and Rhondda Cynon Taf (RCT) is another form of engagement, however the members of this group are currently being reviewed to ensure that we are including all sections of the community.

Responsibility for consultation and engagement sits with the Corporate Communications and Consultation Team within the Council.

The Council has also identified a number of Core Values and associated behaviours which includes Honesty & Openness, and Communication.

The Council is proactive with all consultation and engagement across the Cwm Taf Morgannwg Footprint through closer partnership working via the Strategic and Practitioners Public Engagement Group meetings. The level of engagement has improved significantly through both the Public Service Board for Cwm Taf and the Public Service Board for Bridgend.

Feedback from all public consultation and engagement activities will be reported back to Cabinet and/Council, together with the outcome of the consultation publicised on the Council website and social media platforms.

Throughout the duration of any consultation and engagement exercise, regular status updates will be provided to Corporate Management Team, Senior Leadership Team, Communications, the Consultation Sub Group, Transformation Board and the relevant Trades Unions.

The Public Service Board represents a statutory partnership of public and voluntary sector organisations. Wide ranging consultation was undertaken during the development of the Cwm Taf Wellbeing Assessment and the development of the Cwm Taf Morgannwg Wellbeing Plan.

To support the work of the PSB, the communication, consultation and Engagement group work closely to ensure that all stakeholders understand the work and its aim of changing the way we serve the public.

In preparing the Wellbeing Assessment the PSB talked to hundreds of people who live, work and use public services across the Cwm Taf area, community groups and members of our communities who wanted to have their say. The findings from the Assessment were used to help start more detailed work to find out what was important to communities and what can be done to improve people's well-being. The Wellbeing Assessment will be used across public services to inform design and delivery of services. To ensure that everyone is able to work together to improve well-being in Cwm Taf, the Public Services Board is supported in engagement and communications by officers from PSB member organisations.

All Council agendas, reports and minutes are available on the Council's website as they are published and Full Council and Planning Committee meetings are webcast. Consideration is currently being given to webcasting Scrutiny Committees. Further to this, all agendas are published in both Welsh and English languages.

The Council operates a corporate complaints policy and a social services complaints policy to ensure it effectively deals with any concerns or complaints customers may have about services provided by the Council.

The Council adopts a positive attitude towards complaints and views them as a valuable form of feedback, which assists in the development and improvement of services. Complaints also provide an opportunity to learn lessons where a service has fallen short of an expected standard.

In 2019/20, a total of 337 corporate complaints were received by the Council; 2 of these complaints were in respect of Merthyr Valleys Homes; of the remaining 335 complaints 118 were upheld, 114 were not upheld, 1 was referred to the Insurance Department, 30 were resolved, 27 were for services not provided by the Council and 45 complaints were not progressed for a variety of reasons. Corporate complaints are not being reported to Cabinet.

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

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

Public bodies covered by the Act, including Local Government are required to consider the longer term in making their decisions and to work collaboratively with other public bodies to improve

wellbeing in Wales. The Act places a wellbeing duty to set wellbeing objectives that maximise their contribution to achieving wellbeing goals. Public bodies' first wellbeing objectives were set and published by 31st March 2017. Public bodies are required to report annually on their progress towards meeting their Wellbeing Objectives.

The Council has an approved vision that is at the heart of delivering the local Wellbeing Objectives and PSB objectives. This aligns with the seven Wellbeing Goals and Five Ways of Working (Long Term; Preventative; Integration; Involvement; Collaboration). The Council also has a Statement of Wellbeing and a Focus on the Future document that sets out the local Wellbeing Objectives. A PSB Wellbeing Plan has been developed. There are strategies for each Wellbeing Objective underneath the vision with appropriate performance indicators identified. An extensive exercise has been carried out when developing the local Wellbeing objectives and PSB objectives. This is reflected in the PSB Wellbeing Plan and MTCBC Wellbeing Statement and Focus on the Future documents. The same approach is taken to change projects and budget setting. This is then used in setting budgets and local Wellbeing objectives.

For openness and transparency, information supporting all engagement and public consultations, is available on the Council's communication channels i.e. Council website, social media sites, Facebook and Twitter and via the Smart Survey. Stakeholders can access these channels to feedback in response to any engagement session or public consultation with the opportunity to also respond via a paper copy, email or a petition. All information will be recorded and analysed by the Corporate Communications Team, the outcome of which will be forwarded to Corporate Management Team and Corporate Leadership Team for consideration. The outcome and the impact of the decision made will be reported via the Council's communication channels.

Performance is monitored through self-assessment and performance challenge. Service performance is also challenged at scrutiny committee meetings.

The Council has a Corporate Risk Register in place which is an essential part of the Council's corporate governance arrangements. The Corporate Risk Register is a risk register which allows the Council to focus on managing and mitigating the most significant corporate risks that could impact on the organisation and/or community.

The Council's updated Corporate Risk Register is presented to Audit Committee and Cabinet for approval, along with an Annual Report on risk management. Reporting on risk management is an integral part of the Council's risk governance arrangements. Lead Corporate Management Team Officers are invited to attend Audit Committee on a rolling programme basis to report on progress in managing their Corporate Risks.

Budget consultation exercises are held throughout the County Borough in evaluating customer priorities for the allocation of scarce resources. These take the form of Cabinet roadshows, on-line surveys and social media engagement. In addition, the customer's opinion on Council Tax increases in supporting local services is also sought. This engagement assists in informing the Budget Setting

process and also informs the customer of the financial pressures faced by the Council in allocation of resources to competing demands. Business cases are developed and challenged using the seven Wellbeing Goals, Five Ways of Working, regional Wellbeing Objectives and local Wellbeing Objectives.

Extensive public engagement processes are in place, these include managing expectations. This is also true for internal change. Business cases, project initiation documentation and delivery reports include assessments against determining priorities and making the best use of the resources available.

The Capital Programme is compiled for a four year period based on proposals submitted by Chief Officers/Senior Managers, supported by Cabinet and approved by Council. Revenue implications of capital decisions are included as part of an integrated Medium Term Financial Plan, for example capital financing cost implications of borrowing to support the capital expenditure. A significant proportion of capital expenditure is funded through external grants received from a number of external awarding bodies which are subject to rigorous prescriptive terms and conditions.

The Welsh Procurement Policy Statement is a key driver for procurement activity. The Council's Procurement Board is driving the application of economic, social and environmental impacts of procurement related activity. Community benefits are tested on all contracts over £1million. The Council collaborates with other public bodies extensively across the procurement portfolio and the procurement strategy supports the Wellbeing of Future Generations (Wales) Act 2015 including supplier engagement. Open accessible competition is provided through e-procurement tools funded by Welsh Government (Sell2wales, etenderwales, AWARD, marketplace), and simplified standardised process are provided through P2P.

When inviting tenders, the process ensures that the most advantageous tender is approved and stipulates conditions in respect of complying with the Council's wellbeing objectives and the Wellbeing of Future Generations (Wales) Act 2015 as appropriate.

In terms of ensuring fair access to services the Council has adopted a Strategic Equality Plan (SEP) for 2016-2020 in line with the requirements of the Equality Act 2010. The SEP sets out the following Equalities Vision for Merthyr Tydfil:

"A place where diversity is valued and respected and everyone can participate, flourish and have the opportunity to fulfil their potential free from discrimination and prejudice."

This Vision is supported by the following four Equality Objectives that are set out in the Plan:

- Equality Objective 1 - Community Engagement:
Put citizens' voices at the heart of local decision making so that their contribution is understood, recognised and used to help the Council understand and respond to the needs of its communities

- Equality Objective 2 - Equality Awareness Raising:
To support and facilitate Equalities training and learning opportunities so that staff at all levels, Councillors and partners recognise and incorporate Equalities as part of their role.
- Equality Objective 3 - Understanding our Staff and Communities:
Develop robust monitoring systems to collect, collate, monitor and publish equalities data on our employees and customers, which will help the Council to ensure that it provides fair and accessible services.
- Equality Objective 4 - Gender/Equal Pay:
Ensure equity of pay across Merthyr Tydfil County Borough Council.

The Council publishes an Annual Equality Report noting progress across all aspects of its equalities work, including progress on delivering its Equality Objectives in line with the Public Sector Equality Duty.

The Council has approved its Welsh Language Promotional Strategy. The Strategy sets out the following Welsh language Vision for Merthyr Tydfil:

"A place which promotes the use of the Welsh language and treats the Welsh and English languages on the basis of equality".

This will be achieved by enabling and encouraging:

- The broad provision of Welsh language education throughout the County Borough.
- The opportunities for people to use Welsh at work, at home and at play.
- The perception of languages as life skills, which enriches the lives of those who use them.
- People throughout the County Borough to feel pride in their language, and confidence to use it.

It is the Council's vision to encourage a cultural change in the way that the two languages of Wales are perceived in this County Borough. "We want to make a difference."

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

The delivery of corporate change is monitored and supported via the Change Management Steering Group as part of the procurement framework and governance arrangements. This group comprises of professionals from across the Council, e.g. Legal, Procurement, Risk, Equalities, Performance, Finance, Corporate Communications, HR, Business Change and Project Management. Following delivery, the Budget Board monitors the financial position. Performance is monitored through self-assessment and performance challenge (however this is not across all service areas due to the timeline for development of the Focus on the Future Wellbeing plan). Service performance is also challenged at Scrutiny Committee meetings.

The challenge of documents is carried out by various relevant Boards as part of the governance arrangements. All reports to Cabinet and Council require an Equalities Impact Assessment. The challenge against the Wellbeing of Future Generations (Wales) Act 2015 is done as part of this process.

The Council has a project management framework that assesses risk, resources and finance (as well as other elements of the proposal). The business case template sets out each option for appraisal. The project initiation documentation sets out timescales and additional information as required.

Corporate Management Team assess reports prior to Cabinet and Council with feedback from documentation and Boards being available.

In addressing budget reduction requirements business cases consist of a number of options complete with risk and equality assessments and projected timelines for achievement.

Planning and control cycles that cover strategic and operational plans, priorities and targets have been established. These are currently delivered as part of Corporate Management Team and Scrutiny functions. Education and Social Services have additional control cycles to meet external requirements (including safeguarding protocols).

Feedback from any public engagement and consultation process including Budget Consultation is analysed by the Communication, Consultation and Engagement Department and a report of the findings will be considered by Corporate Management Team and Cabinet members. Following this an additional report will be presented to Full Council for a decision to be made. The outcome of this decision will be communicated to all stakeholders via the Council's communication channels i.e. Council website, Social media sites and Contact community magazine.

On request from our residents, additional information and events are held with support from the Council's Cabinet.

Internal engagement with staff is undertaken via the Council's Intranet, Leader's Blog, Roadshows, and staff emails and staff forums.

Appropriate local performance indicators (as well as relevant statutory or other national performance indicators) are used to identify how the performance of services and projects are to be measured.

As part of the Strategy on a Page Development a full review of Performance, Scrutiny, Partnerships, Welsh Language, Business Change, Risk and Equalities Team has taken place to ensure capacity exists to generate the information required to review service quality regularly.

The Medium Term Financial Plan aids financial planning and corporate decision making and is integrated with the Council's Wellbeing Objectives, Asset Management Plan, Strategic Workforce

Plan, Financial Context, Revenue Budget, Capital Programme, Reserves Strategy and Treasury Management Policy.

The Council's Medium Term Financial Plan is for a four year period integrating revenue expenditure and capital plans linked to strategic objectives. The Capital Programme is set for four years. Four year budget requirement projections are compiled for revenue indicating projected budget deficits for years two to four. In determining affordability of the Council's plans, the Medium Term Financial Plan is compiled on the basis of projected funding received from Welsh Government. This informs the amount of available resources for Council services in defining the affordability envelope.

Professionally qualified and part qualified Accountants work with Service Managers in establishing budget requirements and identifying the impact of proposed budget reductions. Timelines are communicated along with expectations. The Medium Term Financial Plan marries capital ambitions with revenue implications over the four year period of the plan.

Although the Medium Term Financial Plan currently only indicates projected budget deficits for year's two to four, a sensitivity analysis in respect of Welsh Government Funding, Council Tax increases and Pay Award allow the impact of changes in the external environment to be determined. This provides further meaningful information to the decision maker.

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

Operations, performance and use of assets are reviewed on a regular basis to ensure their continuing effectiveness. Assets surplus to requirements are continuously reviewed and recommended for sale where appropriate.

Delivery of corporate change is monitored and supported by the Change Management Steering Group as part of the procurement framework and governance arrangements. Following delivery of change, the Budget Board monitors the financial position. Performance is monitored through self-assessment and performance challenge. Service performance is also challenged at Scrutiny Committee meetings.

The Corporate Asset Management Plan (2014-19) sets out the Council's five year plan for managing its assets which still remains relevant and in place for 2019/20. This is reviewed regularly to ensure that the property portfolio is closely aligned to service requirements and corporate priorities. There is a robust property review exercise in place which analyses service requirements recommending property rationalisation where appropriate and delivers on the release of surplus property to fund the capital programme.

Benchmarking and horizon scanning techniques are used in the development of strategies and business cases for change. Benchmarking with other Local Authorities, Public Sector and Private Sector is undertaken where appropriate when budget saving proposals are presented. In addition

benchmarking information is used in supporting the 'Income Management and Cost Recovery Policy' to assist in evaluating the extent to which services with an income stream are recovering costs. This then informs proposals for increases in fees and charges. Benchmarking is also utilised to assess Value for Money of Council Services, for example educational attainment.

In terms of effective operation of partnerships the Council has a Risk Category Checklist as part of its risk identification process. The Checklist includes the following in relation to partnership related risks:

- Consideration of, for example, the impact of working with private and/or public sector organisations, accountability frameworks and partnership boundaries, large -scale projects with joint ventures, outsourced services, relationship management, change control/exit strategies, business continuity and contractual liabilities.

The updated Checklist also forms part of the Council's revised Project Management Framework.

The Council has developed an Integrated Impact Assessment (IIA) which incorporates the Council's Wellbeing Objectives, the Sustainable Development principle (the five ways of working), Welsh Language, Equalities and Biodiversity, to support effective decision making and ensuring compliance with other pieces of legislation that the Council is subject to.

The IIA also includes partnership risk as part of the five ways of working. The IIA asks the following under Collaboration (Actively working together with other partners (internal and external) to deliver wellbeing objectives):

- Do partners identify, understand and manage their role in the partnership in the most appropriate way – identifying factors which influence the success of the partnership and the relationships, identifying the risks, what might go wrong, what might prevent the partnership from achieving its objectives and outcomes?
- Have the risks associated with creating, establishing, managing and delivering successful partnerships been identified and are being managed? Examples of some of the risks that could be considered include financial, legal, reputation, resource conflicts, reliance on a particular partner, how well other partners are managing risk.

This has been applied to business cases and projects as part of the Council's project management framework. The IIA was introduced for Council and Cabinet Reports as of October 2018.

Political Leaders are aware of the political balance rules and senior salary limitations relating to committee membership and they work together to ensure that nominations are made to cover all seats on committees, on outside bodies and partnership boards.

With a large number of new Councillors in 2017 there has been intensive work between Senior Councillors and Officers to facilitate understanding of roles and the functioning of the organisation.

Induction and new Councillor training has taken place together with close working between Corporate Management Team and Cabinet including a number of joint meetings being held.

The accountability of the role of Member Champions has been clarified and they will be required to report back on the work that they have been involved with and how it has impacted the Council's vision and wellbeing objectives.

The Leader and Chief Executive have defined and distinctive leadership roles that are set out in a number of areas in the Council's Constitution. This area is being reviewed owing to the appointment of new Councillors and the need to more clearly define and distinguish between the respective roles and responsibilities.

A performance management system has been in place and this has been reviewed with an updated performance management appraisal system called Focus on Performance having recently been launched. Workshops have been arranged to discuss new templates and how to ensure that personal development plans to capture training and development needs are included.

There are a number of health and safety policies in place to help maintain the health and wellbeing of the workforce, along with supporting staff in maintaining their own physical and mental wellbeing. These policies include:

- Corporate Health and Safety Policy;
- Risk Assessment Policy Procedure and Guidelines;
- First Aid at Work Policy;
- Display Screen Equipment Policy;
- Control of Substances Hazardous to Health Policy (COSHH);
- Drug and Alcohol Policy;
- Lone Worker policy;
- Asbestos Management Plan; and
- Workplace Stress Policy.

Occupational Health support is available to all staff including assessments by trained medical personnel, access to counselling, and workplace/workstation adaptations to comply with disability legislation and requirements. A 24 hours service for advice, information and counselling is provided online and by telephone for all Council employed staff to access.

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

A Self-Assessment of the Council's Risk Management arrangements has been undertaken to establish the Council's level of risk maturity. The Council's level of Risk Maturity was assessed as:

- Risk Management is working and embedded in the organisation

The Council continued its work to refine its arrangements through self-review and has restructured its risk register to reflect the requirements of the Wellbeing of Future Generations (Wales) Act 2015.

The Council has a Corporate Risk Register in place along with Chief Officer and Service Area Risk Registers. These Risk Registers capture and report on the management of risks and issues that could impact on:

- Delivering the Council's Wellbeing Objectives.
- The wellbeing of our communities and future generations.
- The organisation (MTCBC).

Risk Management is a key element of the Council's Project Management Framework to ensure that it is incorporated into all levels of programmes and projects across the Council. Risk Management continues to be an integral part of the Council's Change Programme. This includes having a Programme Risk and Issue Log in place that is monitored and reported on a quarterly basis.

As part of the Council's Scrutiny Work Programme, risks and issues together with the related risk mitigation are monitored and reported in the Wellbeing Plan Reports. These are presented to the respective Scrutiny Committees in line with the Council's Wellbeing Plan.

Risk Management is an integral part of the Council's Procurement Toolkit which helps service departments and staff when procuring goods and services. It assists Procurement to manage stakeholder expectations, and facilitate outcomes that are within the risk tolerance of the Council.

The Council has an approved Risk Management Strategy that includes a Corporate Risk Management Policy Statement. The Risk Management Policy and Strategy is reviewed annually to ensure that it continues to provide an effective process for the systematic identification and management of risk within the Council which will ensure that the objectives of the Council's Risk Management Policy are realised.

Each Corporate Risk is allocated to a Portfolio Member, Lead Corporate Management Team Officer and Lead Officers to ensure that there are clear lines of responsibility and awareness at all levels of the Council.

To support the management of each Corporate Risk, Team Members and Key Partners are also identified within the Corporate Risk Register.

Within the Chief Officer and Service Area Risk Registers each risk/issue is allocated to a Risk Owner, Team Members and Key Partners. The risks/issues in the Change Management Programme Risk Log have been allocated to the Senior Responsible Officer.

The Council has a Risk Category Checklist as part of its risk identification process. This aims to ensure that risk identification is undertaken in a structured way to help ensure that all potential categories of risk are considered rather than just the initial risks that come to mind.

The Checklist is based on the widely used PESTLE Model (Political, Economic, Social, Technological, Legal and Environmental). The Checklist has been reviewed and updated in consultation with service areas across the Council to consider the risk requirements of the Wellbeing of Future Generations (Wales) Act 2015. The Checklist has also been updated to reflect other areas of risk in relation to partnerships, procurement and reputation, for example.

Culture has also been added as a Risk Category to ensure the Council considers risk from an environmental, social, economic and cultural wellbeing perspective. The five ways of working (Long Term, Integration, Involvement, Collaboration and Prevention) have also been added to the Checklist to ensure they are considered when developing risk action plans.

The Council's Corporate Risk Register is prepared using a combination of the following risk sources:

- Corporate Risks that were identified in the previous year's Corporate Risk Register.
- An analysis and grouping of:
 - The identified risks that have been scored 12 or above in the Chief Officer and Service Risk Registers.
 - The identified issues in the Chief Officer and Service Risk Registers.
 - Risk Identification Workshops for Corporate Management Team and Councillors.

The Council also has an established Equality Impact Assessment process in place enabling report authors to identify any threats (negative impacts) and/or opportunities (positive impacts) associated with proposals in Council and Cabinet reports that could impact on Protected Groups, in line with the requirements of the Equality Act 2010.

The Budget Board, which includes the Leader of the Council, Cabinet Member for Governance and Corporate Services, Chief Executive (Chair), Deputy Chief Executive and Chief Finance Officer, meet on a monthly basis to scrutinise service performance against budgets. Where financial issues exist, Chief Officers, with Cabinet Members are invited to Budget Board to provide explanations and potential solutions. Cabinet formally consider Budget Monitoring statements on a quarterly basis.

Business cases in supporting budget reduction proposals provide rationale for options presented and recommendations made and include where appropriate benchmarking information, risk and equalities assessments. These are considered at Cabinet, Scrutiny Committees, Audit Committee and Council and are subject to engagement and consultation with all stakeholders.

Budget Setting, Budget Monitoring and Budget Outturn statements follow a consistent template which is also the format reported to Budget Board and Cabinet. Delivery of approved savings are monitored by Change Management Steering Group and Budget Board.

The Council's Financial Procedure Rules and Constitution documents contain guidance and instruction for staff and detail arrangements in place. They are reviewed periodically to ensure they remain fit for purpose and relevant. Both the Financial Procedure Rules and other elements of the Constitution need updating to reflect changes that have taken place in recent years.

The annual budget process encompasses medium term financial planning with the intention that budget decisions are aligned to wellbeing objectives, asset management planning and workforce strategy. The Council approved Medium Term Financial Plan covers a four year period with currently a balanced budget set for year one and indicative budget deficits stated for years two to four (based on reported assumptions).

Detailed reports and analysis are provided to Councillors to support decision making along with appropriate advice and discussion.

Councillors are provided with electronic access to committee papers as they are published and receive ongoing statutory and non-statutory training to support them in their role as decision makers.

The Council has six scrutiny committees in place; the Governance, Performance, Business Change and Corporate Services Scrutiny Committee; the Learning and LAESCYP Scrutiny Committee; the Neighbourhood Services, Planning and Countryside Scrutiny Committee; Regeneration and Public Protection (also Crime and Disorder Committee); and the Social Services Scrutiny Committee. These committees meet approximately every six weeks. There is also a Joint Scrutiny Committee with membership including all the Scrutiny Councillors and Co-opted members. The Joint Scrutiny Committee meet when there is an issue or item that affects all the scrutiny committees. The Joint Scrutiny Committee met several times during 2019/2020 to consider budget proposals.

The Council sets out the respective roles and responsibilities of scrutiny Councillors in the Council's Constitution. The scrutiny committees are made up of elected local members (Councillors) who are not part of the Council's Cabinet, along with co-opted representatives. Their role is to monitor performance, challenge the Council's spending proposals, review services, contribute to policy development, examine the work of other local public service providers and promote public engagement in the democratic process. In addition to having publically appointed co-opted

members of each of the scrutiny committees, there are voluntary sector represented co-opted members, and Youth Forum co-opted members.

All Cabinet decisions are subject to "call-in" by the scrutiny committees. All Councillors are sent a link to the Cabinet agenda. Minutes / decision notices are sent to scrutiny members for them to decide if they wish to "call-in" a decision. During 2019-20 no Cabinet decisions have been subject to "call-in". Cabinet members are invited to attend scrutiny committee meetings where they are available to respond to challenge on their areas of responsibility, Cabinet Member attendance has varied during 2019/20.

The Council's Wellbeing Objectives continue to be reported to all the scrutiny committees as can be evidenced in the meeting agendas and minutes.

The Constitution also sets out the terms of reference for the scrutiny committees. Each year the Council's scrutiny committees produce an Annual Report which includes a retrospective insight into the work undertaken by each of the Council's Scrutiny Committees during the municipal year. The Annual Report for 2019/20 will be submitted to Council during July.

The Cwm Taf Joint PSB Scrutiny Committee was established during 2016/17 (MTCBC and RCTCBC) with the role of scrutinising and challenging the work of the Cwm Taf Public Services Board. Training has been provided to Councillors on the Joint PSB Scrutiny Committee on their role by the WLGA. Following Local Government elections in May 2017 the Council has had a programme of training for Councillors.

The Change Management Board members include Cabinet Members. As such monthly updates are received. Outcomes and progress are reported to Corporate Management Team and Senior Leadership Group, again on a monthly basis. Quarterly reports are provided to Cabinet for information on progress. Progress towards outcome achievement is challenged at governance scrutiny committee meetings. Senior Management meetings are in place for each directorate to present reports on service delivery plans.

The Wales Audit Office issued their Annual Audit Letter in April 2019 that highlighted their concerns of the financial challenges facing the Council and stated that *"The challenge facing the Council is significant."* A follow up letter received from the Wales Audit Office dated May 2019 also highlighted their concerns over governance and scrutiny arrangements at MTCBC. It was recommended that a forward work programme for Cabinet be published, the Cabinet forward plan was approved by Full Council on the 18th December 2019. The letter also iterated the key challenges faced by the Council as:

- *Financial situation;*
- *Service pressures;*
- *Leadership and capacity; and*
- *Governance.*

At the end of 2018/2019 the Council entered into a shared service arrangement for the provision of internal audit services. The new regional internal audit service commenced operational activity in April 2019 and is operated in collaboration between Merthyr Tydfil Council, Rhondda Cynon Taf Council, Bridgend Council and Vale of Glamorgan Council.

Risk Management informs the Internal Audit Plan that is put in place for the year, and each year Internal Audit will focus on several Corporate Risks as part of their audit work.

The Internal Audit plan is devised using a risk based strategy. Individual Internal Audit reports give opinions on risk management and internal control arrangements. The Risk Management function is subject to periodic Internal Audit review in line with the Audit Plan.

The Annual Internal Audit Report for the financial year 2019/2020 incorporating the Audit Manager's opinion has been produced and will be reported to the Council's Audit Committee. Based upon the work undertaken during the year Internal Audit will give their opinion on the internal control environment, risk management arrangements and governance arrangements for 2019/2020.

The Audit Committee meets approximately every 6 weeks. It is independently chaired by a member of the non-ruling political group. Each meeting is attended by Internal Audit and a representative from the External Auditors. All meetings are minuted and published, which is open to the public. Minutes and agendas of the meeting are maintained and retained on the Council's democratic administration system. Training is provided to Councillors periodically and when requested.

The Council is a participant in the National Fraud Initiative(NFI) and the work of Internal Audit includes processing and co-ordinating the NFI data matches with Service Departments and other relevant work.

There are a number of measures used within the Revenues and Benefits Service to identify benefit and council tax reduction fraud activity and there are defined courses of action to be followed for any identified cases that can include court action and criminal prosecution.

The Council has and operates a Whistleblowing Policy and Anti-fraud and Corruption Policy that includes guidance and the avenues that can be used for reporting fraud to a number of points of contact both within the Council and externally e.g. the police, the external auditors, the ombudsman etc. These policies have been updated but need to be formally approved.

Effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data. Since the implementation of the General Data Protection Regulations (GDPR) on 25th May 2018, the Data Protection Officer has prepared all relevant documents and the Information Governance Team continue to offer training to staff and Councillors to implement the legislation. Reviews of current data processing have taken place.

The Council is a member of Wales Accord on the Sharing of Personal Information (WASPI) and as such will enter into WASPI agreements when sharing information with partners that are also party to the accord. In instances where a data controller is not a member of the WASPI, information sharing protocols are in place that will support the sharing of personal information.

Reviewing and auditing the quality and accuracy of data used in decision making and performance monitoring forms part of the challenge around quarterly returns, statutory returns, scrutiny committee meetings, and self-evaluation and performance board meetings. This work is currently being reviewed to align with the Wellbeing of Future Generation (Wales) Act 2015.

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

All Committee agendas, reports and minutes are written, communicated and published on the Council's website for the public and other stakeholders. These are available in both English and Welsh. Full Council meetings and Planning meetings are webcast.

Reports are subject to officer challenge as part of governance arrangements (e.g. Change Management Steering Group) and prior to Cabinet and Council via Corporate Management Team, and Service Management meetings. This provides a means for ensuring a balance between the correct level of information for transparency and ability to make a true decision.

Committee Membership, Attendance, Declarations at meetings, Registered Interests and Councillor Representation on Outside Bodies are monitored and published on the Council's website and included in the Councillors' Annual Reports.

A report on Remuneration paid to elected Councillors is published annually on the Council Website and updated with any changes throughout the financial year. All of this information is also reported to the Independent Remuneration Panel for Wales (IRPW).

The Annual Performance Report for 2018/19 was published on 23rd October 2019. The Council has issued the forward looking plan Focus on the Future - Wellbeing in our Community 2017-2022.

Annual Financial Statements are presented to Full Council for approval following external Audit by the Wales Audit Office. This is a statutory requirement. As part of the annual Council approval of the forthcoming year's Budget ("Budget Requirement and Council Tax - State of the Council Debate") the Chief Finance Officer comments on the robustness of the estimates and adequacy of financial reserves.

The way that Council resources are used to contribute to the Well Being objectives is demonstrated in the Budget Report.

Recommendations from the Wales Audit Office's Annual Improvement Report (including best practice) are also taken into account.

Medium Term Financial Plan updates are also presented to Council prior to formal approval.

The Annual Statement of Accounts is compiled based on the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice followed by every Local Authority. This ensures consistency of reporting allowing for meaningful comparisons and benchmarking. Completion and publication is governed by statutory timescales. Limited performance data is included within the audited annual accounts.

An annual assessment of application of the principles contained within the Governance Framework is undertaken and involves a number of key officers and members of Corporate Management Team including the Chief Executive, Deputy Chief Executive, Monitoring Officer, Section 151 Officer, and also Councillors via committee responsibilities e.g. the Audit Committee, Governance, Performance, Business Change and Corporate Services Scrutiny Committee.

The assessment process involves comparing existing arrangements within the Council against the checklist published by CIPFA/SOLACE. This checklist is populated by the key officers, evidence is provided to support checklist comments. The checklist, evaluations and evidence are independently evaluated by the Internal Audit Service. The checklist, any actions for improvement required arising from its completion and a draft version of the Annual Governance Statement is reviewed and evaluated by the Corporate Management Team, Scrutiny and Audit Committees; and also the Wales Audit Office.

The assessment process and the results of the assessment are published within the Annual Governance Statement.

Actions for improvement are included in the authority's corporate action plan monitoring system known as the 'AAP (Audit and Inspection Action Plans) system'.

There are a number of shared service arrangements in existence that the Council participate in. Shared services are hosted by a Lead Authority with those services following the governance arrangements in place with those Lead Authorities. There are also specific arrangements in place for reporting on performance, use of resources and other important governance matters established for different partnerships or shared services.

The Council has introduced a process for monitoring External Audit, Regulation and Inspection reports and their actions/recommendations. This involves Internal Audit checking all reports and maintaining a monitoring system. Reports are presented to Corporate Management Team and Audit Committee including update reports on progress on the implementation of agreed recommendations.

Peer challenge is built into the performance challenge arrangements. This work is currently being reviewed to align with the Wellbeing of Future Generation (Wales) Act 2015.

Peer challenges, reviews and inspections from Regulatory bodies are welcomed as a means to provide added assurance over service delivery or to identify opportunities for improvement. Good links exist with Wales Audit Office, ESTYN, the Social Services Regulators and other key regulators, commissioners and stakeholders.

At the end of 2018/2019 the Council entered into a shared service arrangement for the provision of internal audit services. The new regional internal audit service commenced operational activity in April 2019 and is operated in collaboration between Merthyr Tydfil Council, Rhondda Cynon Taf Council, Bridgend Council and Vale of Glamorgan Council. The Internal Audit Service is compliant with the Public Sector Internal Audit Standards (PSIAS). The Internal Audit Service undertook a comprehensive annual programme of work based upon a risk assessed plan.

The Council has an operating and effective Audit Committee that is compliant with the Local Government Measure (Wales) 2011 and the Accounts and Audit Regulations (Wales) 2014 and the Accounts and Audit (Wales) (Amendment) Regulations 2018. The Committee Terms of Reference are compliant with best practice guidance. It is independently chaired by a member of the non-ruling political group.

Audit Committee, Corporate Management Team and other key councillors and officers are consulted on areas of audit for inclusion in the annual plan. At the end of the financial year the Head of Audit writes an Annual Report and Opinion on the control environment, risk management and governance arrangements at the council using the work completed throughout the year as the basis on which to formulate an opinion. This opinion is also included within and informs the Council's Annual Governance Statement.

The Council has a Risk Category Checklist as part of its risk identification process. The Checklist has been reviewed and updated in consultation with service areas across the Council to consider the risk requirements of the Wellbeing of Future Generations (Wales) Act 2015. The Checklist has also been updated to reflect other areas of risk in relation to partnerships, procurement and reputation.

Risk is an integral part of the procurement process, the Procurement Board and Change Management Steering Group considers risks through each procurement gateway report.

The Public Services Board (PSB) has a detailed Terms of Reference which sets out the arrangements for a number of matters including, roles and responsibilities, public participation, governance and management; and accountability for the Board and a range of partnerships.

5. REVIEW OF EFFECTIVENESS

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

A review of the effectiveness and annual assessment of application of the principles contained within the Governance Framework is undertaken and involves a number of key officers and members of Corporate Management Team including the Chief Executive, Deputy Chief Executive, Monitoring Officer, Section 151 Officer, and also Councillors via committee responsibilities e.g. the Audit Committee, Governance, Performance, Business Change and Corporate Services Scrutiny Committee.

The assessment process involves comparing existing arrangements within the Council against the checklist published by the Chartered Institute of Public Finance and Accountancy (CIPFA)/the Society of Local Authority Chief Executives and Senior Managers (SOLACE). This checklist is populated by key officers, evidence is provided to support checklist comments and then the checklist and evaluations and evidence is independently evaluated by the Internal Audit Service. The checklist, any actions for improvement required arising from its completion and a draft version of the Statement is reviewed and evaluated by the Corporate Management Team and the Governance Scrutiny Committee and Audit Committee and also the Wales Audit Office.

The assessment process and the results of the assessment are published within the Annual Governance Statement.

The Internal Audit Service and key officers of the Council carried out a review based on CIPFA/SOLACE 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 number of recommendations to strengthen the governance arrangements have been made and they are set out below:

No.	Recommendation
1	Completion of the Personal Development Review (PDR) forms is required to ensure Councillors complete all relevant training and development to fulfil their roles and duties.
2	The updated Anti-Fraud, Corruption and Bribery policy and associated protocols need to be formally approved.
3	The Whistleblowing Policy needs to be publicised to staff
4	An Annual Report on corporate complaints should be reported to Cabinet and Audit or Scrutiny Committee.
5	Forward Plans should be made available on the intranet.
6	The Corporate Asset Management Plan requires updating and reviewing.

No.	Recommendation
7	The development of the Council's Performance Management Framework needs to continue including the Corporate Dashboard in line with the Council's Improvement Plan.
8	Previous recommendation Both the Financial Procedure Rules and other elements of the Constitution are in need of updating to reflect changes that have taken place in recent years.
9	Previous Recommendation Within the Council's Constitution the Leader and Chief Executive have defined and distinctive leadership roles that are set out in a number of areas. This area needs to be reviewed owing to the appointment of new Councillors and the need for more clearly define and distinguish between the respective roles and responsibilities.
10	The Risk Management Policy and Strategy 2014 requires updating.
11	Previous Recommendation Reviewing and auditing the quality and accuracy of data used in decision making and performance monitoring, forms part of the challenge around quarterly returns, statutory returns, scrutiny committee meetings, and self-evaluation and performance board meetings. This work need to be reviewed to align with the Wellbeing of Future Generation (Wales) Act 2015 and be in line with Councils Improvement Plan.

Throughout 2019/20 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 2019/20. Reports were published upon completion of assignments and circulated to management. Action plans are included in the Council's Audit, Inspection Action Plans system (AAPs).

The Covid19 outbreak has had little impact on the delivery of the internal audit plan for 2019/20 as relevant testing had been carried enabling reports to be issued and agreed however 2 reports had been issued but not yet agreed with management (schools).

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.

The Annual Internal Audit Report for the financial year 2019/20 incorporating the Head of Internal Audits Annual opinion was produced and reported to the Council's Audit Committee on the 03rd August 2020.

Taking into account the results of the internal audit work completed for the financial year 2019/20 internal controls and risk management were found to be satisfactory.

Given the concerns expressed over aspects of governance and capacity in external reports in particular the work of the Wales Audit Office and the report of the core team of the Improvement and Assurance Board published in December 2019 – “Rapid Assessment for Welsh Government”, the Head of Internal Audit’s opinion on governance is unsatisfactory.

Due to the concerns expressed over aspects of governance and capacity, the support already provided by Welsh Government at the Council’s request, and the additional support that is to be provided, the Head of Internal Audit’s annual opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control for 2019-20 is unsatisfactory. However, it is acknowledged that the Council has already addressed a number of the actions identified by the Board and has developed a detailed Recovery, Transformation and Improvement Plan. If fully implemented, this will help improve governance significantly and will assist the Council to address the challenges it faces.

The Scrutiny committees have examined a number of issues as part of their work programme in 2019/20. These will be reported in their Annual Report to Full Council later in 2020.

Information 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/SOLACE guidance.

From a broad governance perspective there have been a number of matters that have arisen during the year including the appointment of the Improvement and Assurance Board by the Minister for Housing and Local Government with independent external members, including the Chair, appointed by the Minister. The overall purpose and remit of the Board is to assist the Leader in driving forward the required change and improvement in Council. This is set out in more detail under significant governance issues in Section 6.

The Significant Governance Issues identified for 2019/20 are shown in section 6 and take into account the definition identified in Appendix 1.

The Significant Governance Issues identified in 2018/19 together with the updated current position regarding their status is included in section 7.

6. SIGNIFICANT GOVERNANCE ISSUES 2019/20

Issues	2019/2020 AGS Position & Action Taken/Planned
<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>Further COVID-19 implications.</p>	<p>The Medium Term Financial Plan (MTFP) 2019/2020 to 2022/2023 was approved by Councils of 4th March 2019 and 20th March 2019 and indicated a revised estimated budget deficit of £15.0 million over the 4 year period 2019/20 to 2022/23. The MTFP 2020/21 to 2023/24 was presented for approval to Council on 4th March 2020 and indicated an estimated cumulative budget deficit of circa £10 million over the period of the MTFP based on assumptions contained within the MTFP.</p> <p>Although the Council aligns the MTFP with its priorities determined by its wellbeing objectives, it must be appreciated that a MTFP is a rolling programme continuously updated for changing circumstances, new developments and priorities. Consequently, it was recognised that a significant amount of work was still required to fully align spending requirements to Corporate Wellbeing Objectives and available finance. The Council's Operating Model Design defines how the Council is to carry out its business and supports the Council's Corporate Strategy, Wellbeing Objectives and Chief Officer's 'Strategies on a Page'. The Performance Board will monitor achievement against the measures of success and desired outcomes. In addition, financial sustainability and resilience of the Council is monitored by the Chief Finance Officer.</p> <p>It is proposed that General Reserves will be maintained at a minimum of £5 million for the duration of the MTFP 2020/21 to 2023/24. This would allow the Council the flexibility to adequately respond to the risk of potential budget overspends in volatile service budgets whilst addressing the financial implications of demographic pressures. It is not considered prudent for the Council to further utilise general reserves to support its future revenue budget plans owing to the unacceptable risk and exposure to the Council of an inadequate level of reserves to address potential future revenue budget overspends. In addition, the level and adequacy of Council general reserves is also subject to scrutiny by external regulators.</p> <p>The implications of Covid-19 will have a significant impact on the financial performance in 2020/21 since it is recognised that without Welsh Government support it will be impossible to stay within Budget. Future Revenue Settlements received from the Welsh Government are also impossible to predict owing to the damaging impact on the economy of Covid-19.</p>

Improvement and Assurance Board

Issues	2019/2020 AGS Position & Action Taken/Planned
<p>Capacity Issues for the Council</p>	<p>This resulted in a report by John Gilbert, External Adviser, who was appointed by Welsh Government, being published in September 2019 – “Key Challenges, Leadership Capacity and Capability, Governance and Strategy”. The report highlighted the challenges the Council was facing and made a number of recommendations including for the Council to have an enhanced package of support from Welsh Government.</p> <p>Following this, the Minister agreed with the Leader to establish an Improvement and Assurance Board (the Board), with independent external members, including the Chair, appointed by the Minister. The overall purpose and remit of the Board was to assist the Leader in driving forward the required change and improvement in Council.</p> <p>The Board would be made up of the Leader, Deputy Leader and representatives of the opposition as well as independent external members. Further focused package of support was also to be provided around a number of aspects.</p> <p>The Core Team of the Improvement and Assurance Board (the independent appointed members) published their report in December 2019 – “Rapid Assessment for Welsh Government”. This raised a number of concerns around broader aspects of governance, financial pressures, officer capacity generally and in specific areas within the Council and the consequent concerns over the resilience of services. The report also identified a number of actions to be taken forward.</p> <p>A detailed Recovery, Transformation and Improvement Plan has been developed by the Council to address the challenges it faces. This has been presented to and scrutinised by the Board and has now been shared with the Minister.</p> <p>The Wales Audit Office has expressed concerns relating to lack of capacity within the Council inhibiting effective planning and essential service succession planning. We have increased capacity in key areas across the council. For example, we have: added resource to the Environmental Health service following outcomes from a Wales Audit Office report; added to our Engineering structure following findings from our capacity exercise; acted on the outcomes from the Rapid Assessment exercise carried out by our Improvement and Assurance Board by appointing a Cabinet Policy Officer; been successful in accessing external funding from the Transformation Fund to appoint a Senior Change Management Officer to support and deliver change within Social Services; strengthened our Housing Team to address</p>

Issues	2019/2020 AGS Position & Action Taken/Planned
Educational Attainment	<p>future demands and performance; and continued to increase our apprenticeship numbers by appointing a Building Control Apprentice (to enhance our well received operating model; we retain 92% of building regulations work, where other South East Wales Councils retain approximately 70%) and a Highways Operative Apprentice (to address potential future issues with succession planning). The graduate and apprenticeship schemes are going to be an important part of our succession planning and supporting the workforce.</p> <p>To support improvements in attainment at the end of key stage 4 the local authority has introduced corporate improvement panels with both underperforming secondary settings and primary schools causing concern. One of the secondary schools has also been part of the multi-agency Welsh Government pilot for schools causing concern. In addition, the regional consortium are working with all secondary schools and the PRU on a development programme for senior leaders, middle leaders, and teaching and learning which is focussing on raising standards. The education department is also out to consultation on a Raising aspirations, raising Standards strategy which will involve a wide range of partners in education improvement with the ultimate aim of ensuring 'success for every child.'</p>

7. SIGNIFICANT GOVERNANCE ISSUES 2018/19 - UPDATE

Issues	CURRENT POSITION (2019/20)
<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>A provisional budget surplus of £2.891 million is reported for 2019/20 resulting in no requirement for budgeted contributions from reserves of £483,000 from General Reserves and £1.295 million from the Budget Reserve. Indeed, the provisional budget surplus allows for a contribution of £1.113 million to the Budget Reserve which can be set aside to support investment supporting sustainable organisational change.</p> <p>General Reserves at 1st April 2020 total £5 million, that is 3.9% of net revenue budget, thus complying with the Corporate Reserves Policy objective, whereby General Reserves are required to lie between 3.5% and 4% of net revenue budget. Earmarked Reserves at 31st March 2020 are 51% (£3.521 million) greater than budgeted.</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>See Section 6 – ‘Significant Governance Issues 2019/20’ for the current position and action taken / planned to address the issue.</p>
<p>Wales Audit Office issued their Annual Audit Letter in April 2019 that highlighted their concerns of the financial challenges facing the Council and stated that “The challenge facing the Council is significant.”</p>	<p>Following the Wales Audit Office Annual Audit Letter received in April 2019 MTCBC requested support from Welsh Government. As such Welsh Government provided MTCBC with an advisor (former chief executive of Swindon Council) to carry out a piece of work baselining our position on the challenges facing the Council (Financial situation, Service pressures, Leadership and Capacity, and Governance. This work has been completed. Following this an ‘Improvement and Assurance Board’ has been set up (four external advisors) and is still operational. In addition, Welsh Government has provided MTCBC officers with support by allocating three additional external officers: one for Education; one for Corporate Centre; and one for Social Services. Meetings are held monthly between officers, Group Leaders and the Board.</p>

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

From the review, assessment and on-going monitoring work undertaken we have reached the opinion that there is general compliance with existing governance arrangements, but there are a number of improvements identified that need to be implemented to strengthen arrangements. The support of the Improvement and Assurance Board will assist us in addressing the challenges the Council continues to face.

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

Councillor
Leader of the Council

Ellis Cooper
Interim 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 Head of Audit 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.