

# MERTHYR TYDFIL COUNTY BOROUGH COUNCIL



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

## MYNEGIAD CYFRIFON AM Y FLWYDDYN YN DIWEDDU 31 MAWRTH 2022

## STATEMENT OF ACCOUNTS FOR YEAR ENDED 31 MARCH 2022

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



## **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 31<sup>st</sup> March 2022 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. As at 31<sup>st</sup> March 2022, the Cabinet consisted of 5 Cabinet Members led by the Leader of the Council as Chair who also has responsibility for the Portfolio for Education. Cabinet Portfolios are as follows:

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

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

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

- Deputy Chief Executive – supporting the Cabinet Member for Economy and Public Protection and responsible for community regeneration, commercialisation, employability and worklessness, and housing and public protection
- Director of Education – supporting the Cabinet Member for Education and responsible for schools and education

- Director of Social Services – supporting the Cabinet Member for Social Services and responsible for children’s services, adult services, safeguarding and youth services
- Director of Neighbourhood Services – supporting the Cabinet Member for Neighbourhood Services and responsible for refuse and waste, highways and engineering, planning and countryside, bereavement services, grounds maintenance, street cleansing and fleet management
- Director of Governance and Resources – supporting the Cabinet Member for Governance and Resources and responsible for finance, legal and democratic services, policy and improvement, strategic human resources and communications and consultation. This post is currently vacant

### **Corporate Wellbeing Objectives**

The Council’s Medium Term Financial Plan 2022/23 to 2025/26 approved by Council on 2<sup>nd</sup> March 2022 was determined having regard to the Well-being of Future Generations (Wales) Act 2015. The Act embraces seven wellbeing goals:

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

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

Under the Wellbeing of Future Generations (Wales) Act 2015 the Council is required to fulfil its statutory duty and publish a ‘Statement of Wellbeing’ and ‘Focus on the Future Plan’. These documents were approved by the Council of 17<sup>th</sup> April 2019 with the ‘Statement of Wellbeing’ setting out the Council’s local Wellbeing Objectives for the community over the five year period 2017 to 2022, and the ‘Focus on the Future Plan’ detailing how and what the Council will do to achieve the Wellbeing Objectives. The Council’s local 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 21<sup>st</sup> April 2021 approved both the ‘Statement of Wellbeing’ and ‘Focus on the Future: Wellbeing in our Community’ documents, re-affirming the 4 local wellbeing objectives for the 5 year period 2017 to 2022. In addition, two further strategies were integrated into the Corporate Wellbeing Plan, namely the Tackling Poverty Strategy and the Recovery, Transformation, and Improvement (RTI) Plan. Continued confirmation of the current four local wellbeing objectives was approved by Council of 2<sup>nd</sup> March 2022.

## **Performance Against Wellbeing Objectives**

The Council's Annual Performance report for 2020/21 was approved by Council on 6<sup>th</sup> October 2021. 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.

Under the Local Government Elections Act 2021, the Annual Performance Report is replaced by a self-assessment report which must be presented to the Governance and Audit Committee before being approved at Council. It is planned for the self-assessment report to be presented to Council in October 2022. Prior to this an update on performance for all four wellbeing themes was reported to the Transformation, Commercialisation and Corporate Centre 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](http://www.merthyr.gov.uk).

- Environmental Wellbeing – Committee Date 28<sup>th</sup> June 2022
- Living Well – Committee Date 28<sup>th</sup> June 2022
- Working Life – Committee Date 1<sup>st</sup> March 2022
- Best Start to Life – Committee Date 1<sup>st</sup> March 2022

## **Core Financial Statements**

This document presents the Statement of Accounts for Merthyr Tydfil County Borough Council for the financial year ended 31<sup>st</sup> March 2022. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

The financial statements – accompanied by a Statement of Responsibilities, Independent Auditor's Report, and explanatory notes – are set out on pages 22 to 99, 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 2021/22**

The Authority is structured in six Directorates:

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

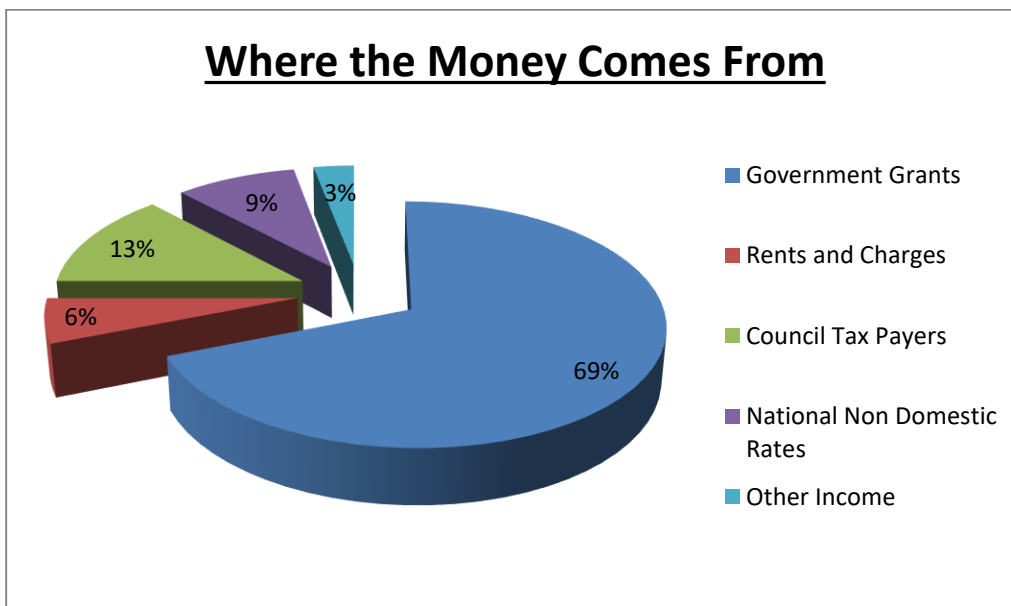
Services areas included within these Directorates can be seen in the Revenue Outturn to Budget Section of this Narrative Report.

The following illustrations show, in broad terms, the Authority's revenue activities for the financial year ended 31<sup>st</sup> March 2022, that is, where the money comes from and what it is spent on.

Where the Money Comes From

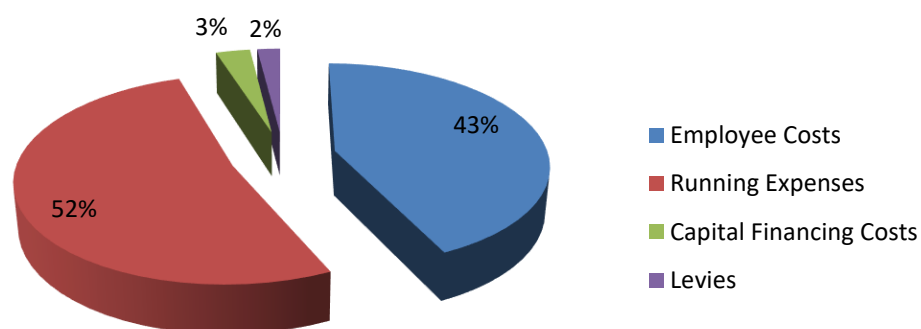
Description	£'000	%
Government Grants	144,123	69
Rents and Charges	12,900	6
Council Tax Payers	26,328	13
National Non Domestic Rates	19,680	9
Other Income	5,714	3
<b>Total</b>	<b>208,745</b>	<b>100</b>

The largest single item is Government Grants which provides 69% of the total, whereas 6% comes from the services provided through rents, fees and charges. Council Tax income accounts for only 13% of the total income.

What the Money is Spent On

Description	£'000	%
Employee Costs	83,183	43
Running Expenses	101,128	52
Capital Financing Costs	5,972	3
Levies	3,263	2
<b>Total</b>	<b>193,546</b>	<b>100</b>

### What the Money is Spent On

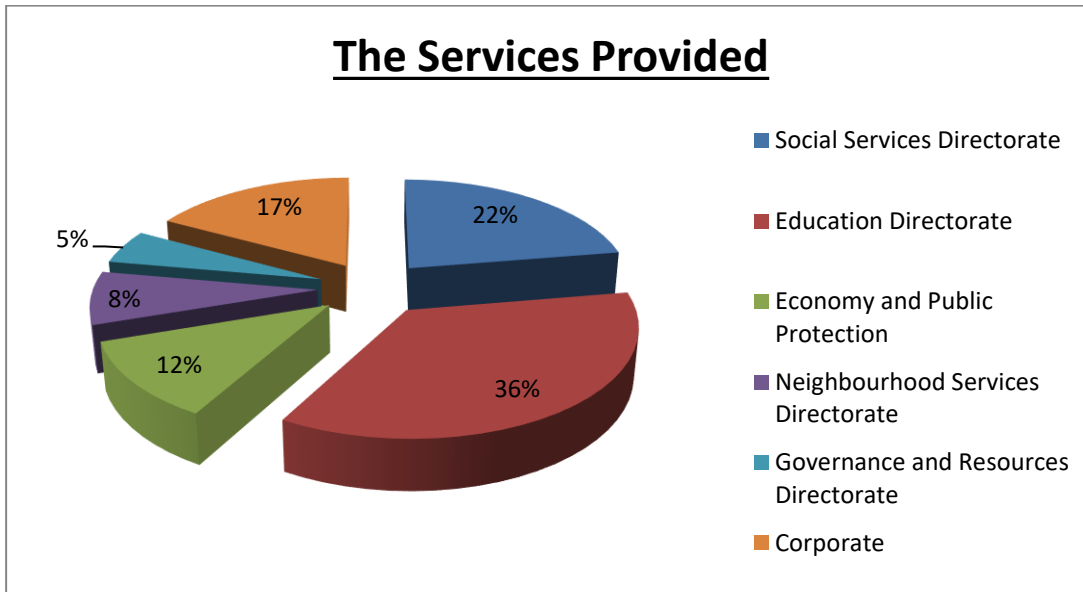


Running expenses such as maintaining buildings, operating vehicles and purchases of supplies and services comprises 52% of the total expenditure, whilst expenditure attributable to employees totals 43%.

### The Services Provided

Description	£'000	%
Social Services Directorate	43,381	22
Education Directorate	69,224	36
Economy and Public Protection	22,535	12
Neighbourhood Services Directorate	15,415	8
Governance and Resources Directorate	9,967	5
Corporate	33,024	17
<b>Total</b>	<b>193,546</b>	<b>100</b>





### Results Reported in the Statement of Accounts

The totals for income and expenditure in the preceding section were derived from the Comprehensive Income and Expenditure Statement on page 23, but they exclude:

- the precept collected in Council Tax for South Wales Police (£5.303 m for 2021/22, 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 11), and
- other non-cash entries required by accounting standards (particularly for pension liabilities, which we discuss on page 13).

The £15.199 m net revenue surplus (i.e. the difference between the income and expenditure figures shown above) reconciles to the £15.705 m outturn shown in the Expenditure and Funding Analysis on page 24, because we recognised an additional £0.506 m in the accounts from our share of joint committees.

**Revenue Outturn to Budget**

The General Fund Revenue outturn to budget for 2021/22 is as follows:

<b>Description</b>	<b>Revised Budget 2021/22 £'000</b>	<b>Outturn £'000</b>	<b>Variance £'000</b>	<b>Variance %</b>
Education	50,997	51,168	171	0.34
Social Services	35,181	30,850	-4,331	-12.31
Neighbourhood Services	10,409	9,997	-412	-3.96
Economy and Public Protection	8,975	8,622	-353	-3.93
Governance and Resources	7,265	6,859	-406	-5.59
Corporate Costs	20,221	18,605	-1,616	-7.99
Contributions and Recharges	294	-134	-428	-145.58
Additional Welsh Government Finance	0	-3,596	-3,596	n/a
<b>Net Expenditure (a)</b>	<b>133,342</b>	<b>122,371</b>	<b>-10,971</b>	<b>-8.23</b>
Transfer to Earmarked Reserves	0	7,300	7,300	n/a
<b>Net Expenditure (b)</b>	<b>133,342</b>	<b>129,671</b>	<b>-3,671</b>	<b>-2.75</b>

(a) before transfer to committed and requested earmarked reserves

(b) after transfer to committed and requested earmarked reserves

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.

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

**Education**

Special Recoupment – net budget deficit of £159,000 resulting from additional placements and associated transport costs, together with loss of income from the termination of inward placements.

School Transport – net budget deficit of £132,000 resulting from required additional contracts and increased contract prices arising from fuel increases.

**Social Services**

Integrated Community Equipment Store – net budget surplus of £245,000 resulting from additional grant funding received to maintain people in their own homes enabling people's independence.

Social Care Client Service Strategies – net budget surplus of £706,000 resulting from additional grant income in respect of Domiciliary Care, Transition, Complex Care, Staying Well at Home Services, Enhanced Community Services, Transformation and Winter Resilience.

Supported Placements – net budget surplus of £291,000 mainly resulting from a decrease in the number of placements than budgeted.

Direct Payments – net budget surplus of £241,000 resulting from higher than anticipated income and recovery of balances and lower than anticipated service delivery costs.

Independent Residential Establishments – net budget surplus of £288,000 resulting from recovery of balances and grant release.

Children with Disabilities – net budget surplus of £156,000 resulting from reductions to service availability owing to the pandemic and cost diversion through additional grant income.

Children Looked After Fostering – net budget surplus of £436,000 resulting from lower than anticipated placements

Additional Grant Income – social care monies of £1,072,501 received from Welsh Government to support overspends and winter pressures

### **Neighbourhood Services**

Grounds Maintenance – net budget deficit of £328,000 resulting from primarily the costs of ash dieback, offset by various underspends in various running costs.

Recycling Collection – net budget surplus of £575,000 resulting from recycling income exceeding budget, lower than budgeted fleet costs and the receipt of additional grant funding.

Planning – net budget surplus of £181,000 resulting from additional planning fees with significant income received for specific development.

### **Economy and Public Protection**

St Tydfil's Shopping Centre – net budget surplus of £264,000 resulting from unbudgeted residential and commercial property rentals arising from the purchase of the St Tydfil's Shopping Centre during the year.

### **Governance and Resources**

Revenues – net budget surplus of £283,000 resulting from greater than budgeted bailiff service and court cost recoveries.

### **Corporate Costs**

Capital Financing Costs – budget surplus of £789,000 resulting from significant slippage in the Capital Programme leading to a reduced Minimum Revenue Provision (MRP) charge to revenue than budgeted.

Council Tax Benefit Payments – budget surplus of £248,000 resulting from significantly lower caseload than anticipated.

## **Contributions and Recharges**

Corporate Vacancy Factor – budget surplus of £939,000 reflecting greater staff savings than anticipated arising from the time elapsed between posts becoming vacant and subsequently re-filled.

Contribution to 2022/23 Revenue Budget – budget deficit of £701,000 reflecting an unbudgeted contribution to assist the 2022/23 budget setting process.

## **Additional Welsh Government Finance**

Relates to unbudgeted additional grant received of £3,596,000, inclusive of additional Revenue Support Grant (£1,182,000), pre-paid Homelessness Hardship Fund monies (£1,856,000) and monies to support non-collection of Council Tax (£407,000).

## **Reserves**

For 2021/22 the Council is reporting a transfer of £7.300 million to committed and requested earmarked reserves as outlined below.

<b>Description</b>	<b>Value £'000</b>	<b>Description</b>	<b>Value £'000</b>
Capital Financing Costs	789	Waste Management	154
St Tydfil's Surplus	264	Planning Fees	100
Social Services Real Living Wage and Other Pressures	1,000	Regeneration / Town Centre	82
Social Services Winter Pressures	1,068	Housing Civic Upgrade	41
Homelessness	1,856	Education Capital One	20
Council Tax Collection	407	Levies	19
Decarbonisation	102	HR Apprenticeship Scheme	11
Business Change	117	Youth Orchestra	9
Social Services Client Deferred Income	671	Cost of Living Support Scheme (Discretionary)	590
		<b>Total</b>	<b>7,300</b>

From the remaining surplus of £3.671 million the following allocations are proposed:

- £388,000 to General Reserves to maintain General Reserves at 4% of Net Budgeted Expenditure, ensuring maximum compliance with the Corporate Reserves Policy.
- £3.283 million to the Budget Reserve to assist with budget setting over the medium term.

**Capital Outturn to Budget**

The Capital Outturn to Budget for 2021/22 is as follows:

Description	Revised Budget	Out turn	Variance	
	£'000	to Date £'000	£'000	%age
<b>Expenditure:</b>				
<b>Education:</b>				
21st Century Schools Programme	3,381	3,462	81	2.40%
Other Education	3,195	3,041	(154)	-4.82%
<b>Physical Regeneration Programmes</b>	8,120	7,751	(369)	-4.54%
<b>Engineering &amp; Transport</b>	6,229	6,078	(151)	-2.42%
<b>Land, Buildings and Corporate</b>	10,965	11,060	95	0.87%
<b>Total</b>	<b>31,890</b>	<b>31,392</b>	<b>(498)</b>	<b>-1.56%</b>
<b>Financed By:</b>				
<b>Borrowing</b>	9,014	9,228	214	2.37%
<b>Grants and Contributions</b>	22,748	22,136	(612)	-2.69%
<b>Own Resources</b>	128	28	(100)	-78.13%
<b>Total</b>	<b>31,890</b>	<b>31,392</b>	<b>(498)</b>	<b>-1.56%</b>

In 2021/22, the Authority spent £31.4 million on capital projects compared to the planned Capital Programme of £31.9 million.

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

**Physical regeneration programme**

Issues with the contract for the redevelopment of the Canolfan and splash pad resulted in a major revision to planned works and reduction in expenditure of £256,000. A number of schemes were decommissioned due to time constraints under the Merthyr Tydfil Covid Recovery for Town Centres programme resulting in a significant underspend of available grant £95,000.

**Engineering and Transport Infrastructure**

Lower than anticipated grant claims of £220,000, offset by higher than anticipated Highways Structural Maintenance works of £42,000 and Highways Congestion Improvement Schemes of £23,000.

**Other Education**

The original cost estimate for the Greenfield school classroom addition was overstated and the costs came in under budget by £55,000, contingencies built into the Gwaunfarren roof replacement estimation

were not utilised and resulted in an underspend of £42,000. Demolition costs for the chimney at Cyfarthfa primary were significantly lower than expected by £41,000.

### **Financial Health**

At 31<sup>st</sup> March 2022 the Authority's general balances and reserves not earmarked for any specific purpose totals £5.723 million (31<sup>st</sup> March 2021 - £5.335 million), equating to 4.0% of the Council's Budgeted Net Revenue Expenditure for 2022/23. As per the Terms of Reference of the Council's Budget Board the overarching aim is:

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

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

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

In addition, the Council holds further usable reserves at 31<sup>st</sup> March 2022 in respect of the Insurance Fund (£2.375 million), Schools Balances (£6.339 million) and Earmarked Reserves (£26.009 million), with corresponding balances at 31<sup>st</sup> March 2021 of £2.092 million, £4.267 million and £13.165 million respectively. In supporting Local Authorities through the pandemic additional monies were made available by the Welsh Government.

For the 2022/23 financial year, the Authority budgeted for an increase in net revenue expenditure of 7.29% from the 2021/22 budget (adjusted for Welsh Government net transfers into the Local Government Settlement) resulting from increased Welsh Government Funding of 9% and Council Tax increase of 1%.

The Authority's Medium Term Financial Plan 2022/23 to 2025/26 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 2021/22 Statement of Accounts, borrowing to support capital expenditure fell within the authorised borrowing limit approved by a full Council meeting of elected members on 3<sup>rd</sup> March 2021.

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 2021/22 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 £179.39 million (£206.42 million as at 31<sup>st</sup> March 2021). 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.

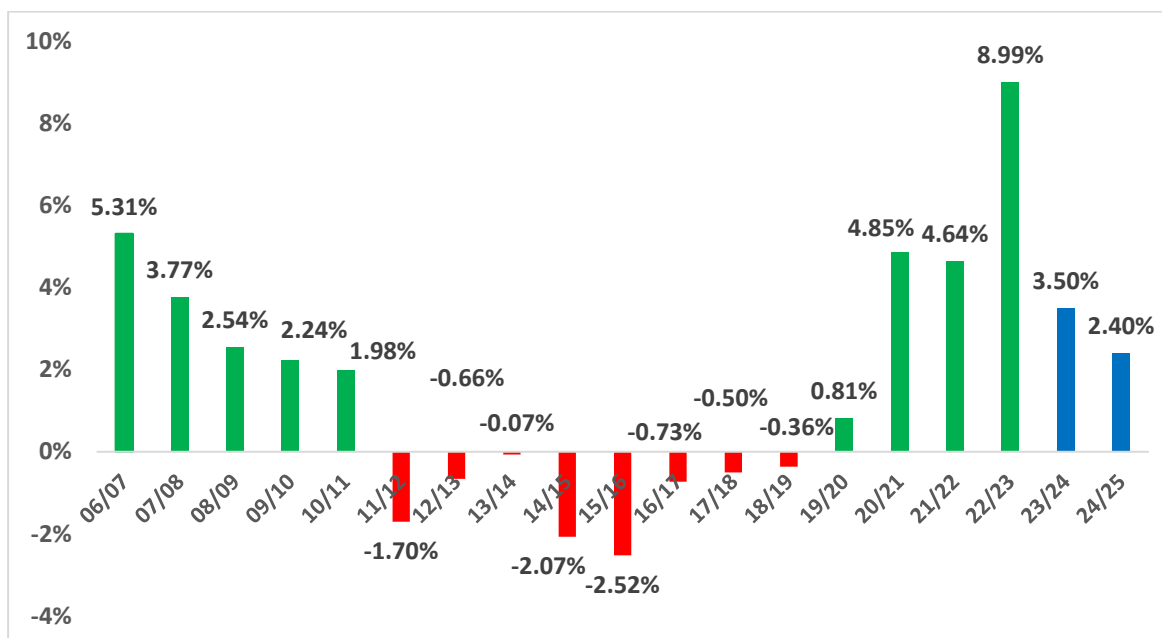
**Financial Climate**

Wales Fiscal Analysis calculate that local authority spending will need to grow by 3.9% a year in nominal terms over the next three years to meet baseline funding pressures in 2024/25, with some continuing pandemic-related costs and losses projected over the next two years. Another source of pressure will be the need to support pupils for lost learning time during the pandemic, which could mean an additional £66 million per year for Welsh schools.

Welsh Government funding for local government is projected to grow by 4% a year in nominal terms over the next three years, with the increase in funding front-loaded in 2022/23. This is evidenced by the average Wales Revenue Settlement for 2022/23 of +9.4% reducing to an indicative Settlement of +3.5% for 2023/24 and +2.4% for 2024/25. In later years, councils may have to rely more heavily on council tax increases to meet projected spending needs.

Making several assumptions about the funding pressures facing the NHS in Wales, Wales Fiscal Analysis estimate Covid-19 related pressures could average £530 million a year over the next three years, on top of underlying pressures.

The Council's revenue settlements for the period 2006/07 to 2022/23 with Welsh Government indicative settlements for 2023/24 and 2024/25 are outlined below.



It is evident that even though the revenue settlements for the period 2020/21 to 2022/23 are the best since 2006/07, the Council has faced significant financial challenges over the long-term, experiencing a period of unprecedented funding reductions as Central Government continued its policy of financial austerity. More efficient working practices have evolved in delivering services within the affordable financial envelope. It is clear that the significant increased settlement for 2022/23 is followed by significant indicative reductions for the following 2 years. The Authority has prudently projected a settlement increase of 2% for 2025/26.

Welsh Government's Indicative Settlements may face further pressures resulting from a number of challenges, such as:

- Potential 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 continued uncertainty surrounding the potential implications of Brexit
- The significant implications of Covid-19 on the UK economy
- The current Cost of Living crisis with inflation of +9% in May 2022 at its highest since 1982, and Bank Rate of +1.25% in June 2022 at its highest since 2009
- The negative economic implications of War in the Ukraine

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) 2022/23 to 2025/26 currently states that the Council is faced with identifying and delivering budget efficiencies of £5.5 million for 2023/24 and £16.4 million for the period 2023/24 to 2025/26.



The Council has budgeted for funding increases of 3.5% for 2023/24, 2.4% for 2024/25 and 2% for 2025/26, together with a Council Tax increase of 1% over the term of the MTFP and is in the process of identifying proposals to address the projected budget deficits. Every 1% variance from the projected settlement equates to circa £1.1 million. The Provisional Local Government Settlement for 2023/24 is expected to be announced between October 2022 and December 2022.

The Capital Programme for 2022/23 to 2025/26 indicates a core funded Capital Programme of £30.827 million for 2022/23 and £72.875 million for the 4 year period, with the 2022/23 capital expenditure financed from Capital Grants (£1.074 million), Borrowing (£28.672 million) and from the Council's own resources (£1.081 million).

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 has received notification of £5.4 million support for 2020/21 to 2021/22 with a further £3 million financial support expected to be confirmed for 2022/23.

### **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 2021/22 updated to March 2022 and provides a summary of the Corporate Risk Register for the eleven Corporate Risks, in terms of risk number, type, description, risk score and trend against last year. The Corporate Risk Register 2021/22 was approved by Cabinet of 7<sup>th</sup> September 2022.

<b>Risk No.</b>	<b>Risk Type</b>	<b>Description of Risk</b>	<b>Risk Score (April 2021)</b>	<b>Risk Score (Sept 2021)</b>	<b>Risk Score (March 2022)</b>	<b>Lead Councillor / Lead Corporate Management Team Officer</b>
1 (i)	Finance	The risk that the Council does not balance the budget and is not financially sustainable.	Impact = 5 Likelihood = 2 <b>Risk Score = 10</b>	Impact = 5 Likelihood = 2 <b>Risk Score = 10</b>	Impact = 5 Likelihood = 2 <b>Risk Score = 10</b>	Councillor Andrew Barry Chief Finance Officer
1 (ii)		The Council is not sustainable going forward.	Impact = 5 Likelihood = 3 <b>Risk Score = 15</b>	Impact = 5 Likelihood = 3 <b>Risk Score = 15</b>	Impact = 5 Likelihood = 3 <b>Risk Score = 15</b>	
2	Reputation	The risk that the Council fails to maintain and protect its reputation.	Impact = 5 Likelihood = 3 <b>Risk Score = 15</b>	Impact = 5 Likelihood = 3 <b>Risk Score = 15</b>	Impact = 5 Likelihood = 3 <b>Risk Score = 15</b>	Cabinet Head of Corporate Communications, Consultation & Engagement
3	Cyber Attack	The risk that the Council is exposed to a cyber attack that could cause a catastrophic failure.	Impact = 5 Likelihood = 4 <b>Risk Score = 20</b>	Impact = 5 Likelihood = 4 <b>Risk Score = 20</b>	Impact = 5 Likelihood = 4 <b>Risk Score = 20</b>	Councillor Andrew Barry Chief Finance Officer
4	School Attainment	The risk that all learners do not perform at expected levels.	Impact = 5 Likelihood = 5 <b>Risk Score = 25</b>	Impact = 5 Likelihood = 5 <b>Risk Score = 25</b>	Impact = 5 Likelihood = 5 <b>Risk Score = 25</b>	
5 (i)	Capacity	The risk that the Council loses staff with the skills and capacity to deliver on key outcomes and targets.	Impact = 4 Likelihood = 4 <b>Risk Score = 16</b>	Impact = 4 Likelihood = 3 <b>Risk Score = 12</b>	Impact = 4 Likelihood = 3 <b>Risk Score = 12</b>	Councillor Andrew Barry Head of HR
5 (ii)	Capacity	The risk that the Council fails to recruit and retain staff leading to single points of dependency	Impact = 4 Likelihood = 3 <b>Risk Score = 12</b>	Impact = 4 Likelihood = 3 <b>Risk Score = 12</b>	Impact = 4 Likelihood = 3 <b>Risk Score = 12</b>	Councillor Andrew Barry Head of HR
6	Governance	The risk that the Council does not meet statutory requirements, laws and regulations.	Impact = 4 Likelihood = 4 <b>Risk Score = 16</b>	Impact = 4 Likelihood = 3 <b>Risk Score = 12</b>	Impact = 4 Likelihood = 3 <b>Risk Score = 12</b>	Councillor Andrew Barry Monitoring Officer
7	Brexit	The risk that Brexit will have an adverse economic impact at the national and local level	Impact = 3 Likelihood = 3 <b>Risk Score = 9</b>	Impact = 3 Likelihood = 3 <b>Risk Score = 9</b>	Impact = 3 Likelihood = 3 <b>Risk Score = 9</b>	Councillor Lisa Mytton Deputy Chief Executive

		that will in turn have a negative financial, strategic and legislative impact on the Council, and subsequently the delivery of public services.				
8	Safeguarding	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	Impact = 5 Likelihood = 3 <b>Risk Score = 15</b>	Impact = 5 Likelihood = 3 <b>Risk Score = 15</b>	Impact = 5 Likelihood = 3 <b>Risk Score = 15</b>	Councillor Chris Davies Chief Officer – Social Services (Statutory Director of Social Services)
9	Performance	The risk that the Council's statutory regulators issue a formal recommendation to the Council for improvement.	Impact = 4 Likelihood = 5 <b>Risk Score = 20</b>	Impact = 5 Likelihood = 3 <b>Risk Score = 15</b>	Impact = 5 Likelihood = 3 <b>Risk Score = 15</b>	Cabinet Corporate Management Team
10	COVID-19	Coronavirus	Impact = 5 Likelihood = 4 <b>Risk Score = 20</b>	Impact = 5 Likelihood = 4 <b>Risk Score = 20</b>	Impact = 5 Likelihood = 4 <b>Risk Score = 20</b>	Cabinet Corporate Management Team
11	Homelessness	The risk that Homelessness in the County Borough will impact on Service Delivery and the financial budget to cover all costs. And the inability to meet statutory duty		Impact = 5 Likelihood = 4 <b>Risk Score = 20</b>	Impact = 5 Likelihood = 4 <b>Risk Score = 20</b>	Deputy Chief Executive Councillor Kevin O'Neill

**Brexit**

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 1<sup>st</sup> March 2017.

The City Deal provides funding to support schemes which will stimulate the economic growth of the region. The agreement with the UK Government and Welsh Government provides £1.2 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 7<sup>th</sup> 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, a contribution of £0.079 million in 2020/21 and no contribution in 2021/22.

**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 Governance and Audit Committee before approval by Council.

**Covid-19 Financial Impact**

For 2021/22 MTCBC received additional funding of nearly £9 million to offset additional costs and loss of income resulting from the pandemic, through the Welsh Government's Covid-19 Hardship Fund. No monies are anticipated for 2022/23 since the Hardship Fund ceased on 31<sup>st</sup> March 2022.

Council Tax collection continued to be challenging during 2021/22 resulting from the impact of Covid-19 and the impact on household income. Although the collection rate improved by 0.4% from 94.0% in 2020/21 to 94.4% in 2021/22, it was still 1.1% less than the pre-pandemic 95.5% of 2019/20. In monetary terms this equates to £350,000 less council tax collected during 2021/22 than pre-pandemic. The Council received Welsh Government financial support to offset this reduction in council tax collection.

## **The Way Ahead**

The Council is currently in the process of identifying budget efficiencies for 2023/24 and for the 4-year period of the Medium Term Financial Plan approved March 2022. 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 prioritisation of services 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.

## **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 19<sup>th</sup> January 2023

**D S Jones**  
**Chief Finance Officer**

**Chief Finance Officer's Certificate**

I hereby certify that the statement of accounts on pages 22 to 99 present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2022.

Signed

Date 19<sup>th</sup> January 2023

**D S Jones**  
**Chief Finance Officer**

**Council Chairman's Certificate**

I hereby certify that the Council approves the statement of accounts on pages 22 to 99 for the year ended 31<sup>st</sup> March 2022.

Signed

Date 19<sup>th</sup> January 2023

**Councillor Declan Sammon**  
**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.

Restated 2020/21				2021/22			
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	
31,684	871	32,555	Social Services Directorate	30,859	1,677	32,536	
46,044	7,101	53,145	Education Directorate	49,002	7,593	56,595	
7,786	4,588	12,374	Economy and Public Protection Directorate	8,400	13,278	21,678	
8,782	4,859	13,641	Neighbourhood Services Directorate	10,262	8,249	18,511	
6,553	552	7,105	Governance and Resources Directorate	7,098	1,411	8,509	
911	(5,145)	(4,234)	Corporate Costs	(1,489)	708	(781)	
<b>101,760</b>	<b>12,826</b>	<b>114,586</b>	<b>Net Cost of Services</b>	<b>104,132</b>	<b>32,916</b>	<b>137,048</b>	
<b>(111,576)</b>	<b>(18,611)</b>	<b>(130,187)</b>	<b>Other Income and Expenditure</b>	<b>(119,837)</b>	<b>(20,451)</b>	<b>(140,288)</b>	
<b>(9,816)</b>	<b>(5,785)</b>	<b>(15,601)</b>	<b>(Surplus)/Deficit</b>	<b>(15,705)</b>	<b>12,465</b>	<b>(3,240)</b>	
15,875			Opening General Fund Balance	25,711			
20			Opening Adjustment for Cardiff Capital Region City Deal	282			
<b>9,816</b>			Plus Surplus/Deficit on General Fund Balance in Year	<b>15,705</b>			
<b>25,711</b>			<b>Closing General Fund Balance at 31st March</b>	<b>41,698</b>			



## Comprehensive Income and Expenditure Statement

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

Restated 2020/21				2021/22			
Gross Expenditure	Gross Income	Net expenditure	Description	Gross Expenditure	Gross Income	Net expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
40,611	(8,056)	32,555	Social Services Directorate	43,936	(11,400)	32,536	
67,878	(14,733)	53,145	Education Directorate	75,041	(18,446)	56,595	
22,338	(9,964)	12,374	Economy and Public Protection Directorate	34,917	(13,239)	21,678	
18,024	(4,383)	13,641	Neighbourhood Services Directorate	23,374	(4,863)	18,511	
9,474	(2,369)	7,105	Governance and Resources Directorate	11,095	(2,586)	8,509	
23,859	(28,093)	(4,234)	Corporate Costs	29,162	(29,943)	(781)	
<b>182,184</b>	<b>(67,598)</b>	<b>114,586</b>	<b>Cost of Services</b>	<b>217,525</b>	<b>(80,477)</b>	<b>137,048</b>	
		8,138	Other operating expenditure (Note 11)			9,017	
			Financing and Investment (income) and				
		8,477	expenditure (Note 12)			7,699	
			Taxation and non-specific grant (income) and				
		(146,802)	expenditure (Note 13)			(157,004)	
			<b>(Surplus) or Deficit on the Provision of</b>				
		<b>(15,601)</b>	<b>Services</b>			<b>(3,240)</b>	
			(Surplus) or deficit on revaluation of property,				
		2,805	plant and equipment assets			(9,427)	
			Remeasurement of the net defined benefit				
		6,549	liability/(asset)			(39,414)	
			<b>Other Comprehensive (Income) and</b>				
		<b>9,354</b>	<b>Expenditure</b>			<b>(48,841)</b>	
			<b>Total Comprehensive (Income) and</b>				
		<b>(6,247)</b>	<b>Expenditure</b>			<b>(52,081)</b>	

**Movement in Reserves Statement**

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

**2021/22**

Description	General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31st March 2021</b>	<b>25,711</b>	<b>34</b>	<b>922</b>	<b>26,667</b>	<b>(37,171)</b>	<b>(10,504)</b>
<b>Movement in reserves during 2021/22</b>						
Total Comprehensive Income and Expenditure	3,240	0	0	3,240	48,841	52,081
Adjustments between accounting basis and funding basis under regulations (Note 9)	12,465	(28)	667	13,104	(13,165)	(61)
<b>Increase or Decrease in 2021/22</b>	<b>15,705</b>	<b>(28)</b>	<b>667</b>	<b>16,344</b>	<b>35,676</b>	<b>52,020</b>
Single Entity adjustment	282	53	0	335	(244)	91
<b>Balance at 31st March 2022 carried forward</b>	<b>41,698</b>	<b>59</b>	<b>1,589</b>	<b>43,346</b>	<b>(1,739)</b>	<b>41,607</b>

\* Adjustments in relation to Single Entities to reflect the Audited Statement of Accounts for 2020/21 and in year adjustments between reserves.

2020/21

Description	General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31st March 2020</b>	<b>15,875</b>	<b>48</b>	<b>677</b>	<b>16,600</b>	<b>(33,371)</b>	<b>(16,771)</b>
<b>Movement in reserves during 2020/21</b>						
Total Comprehensive Income and Expenditure	15,601	0	0	15,601	(9,354)	6,247
Adjustments between accounting basis and funding basis under regulations (Note 9)	(5,785)	(14)	245	(5,554)	5,554	0
<b>Increase or Decrease in 2020/21</b>	<b>9,816</b>	<b>(14)</b>	<b>245</b>	<b>10,047</b>	<b>(3,800)</b>	<b>6,247</b>
*Opening Cardiff Capital Region City Deal adjustment	20	0	0	20	0	20
<b>Balance at 31st March 2021 carried forward</b>	<b>25,711</b>	<b>34</b>	<b>922</b>	<b>26,667</b>	<b>(37,171)</b>	<b>(10,504)</b>

\* Opening Cardiff Capital Region City Deal adjustment to reflect the Audited Statement of Accounts.

**Balance Sheet**

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

<b>31 March 2021</b>	<b>Notes</b>	<b>31 March 2022</b>
<b>£'000</b>		<b>£'000</b>
266,213 Property, Plant and Equipment	14	282,636
7,438 Heritage Assets	15	7,495
1,143 Investment Properties	40	1,141
89 Long Term Investments	16	89
1,671 Long Term Debtors	16	3,471
<b>276,554 Long-term Assets</b>		<b>294,832</b>
24,001 Short-term Investments	16	17,007
939 Assets Held for Sale	20	3
153 Inventories		191
38,479 Short-term Debtors	17	52,831
7,126 Cash and Cash Equivalents	19	8,057
<b>70,698 Current Assets</b>		<b>78,089</b>
(59,834) Short-term Borrowing	16	(53,403)
(21,753) Short-term Creditors	21	(33,198)
(1,509) Short-term Provisions	22	(1,582)
(54) Other Current Liabilities	16	0
<b>(83,150) Current Liabilities</b>		<b>(88,183)</b>
(431) Long-term Creditors	16	(431)
(610) Provisions	22	(328)
(65,382) Long-term Borrowing	16	(61,778)
(206,415) Defined Benefit Pension Scheme Liability	24	(179,385)
(1,768) Other Long-term Liabilities	16	(1,209)
<b>(274,606) Long-term Liabilities</b>		<b>(243,131)</b>
<b>(10,504) Net Assets</b>		<b>41,607</b>
26,667 Usable Reserves	23	43,346
(37,171) Unusable Reserves	24	(1,739)
<b>(10,504) Total Reserves</b>		<b>41,607</b>

## Cash Flow Statement

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

<b><u>2020/21</u></b>	<b><u>2021/22</u></b>
<b><u>£'000</u></b>	<b><u>£'000</u></b>
188,106 Cash Inflows Generated from Operating Activities	205,884
(181,774) Cash Outflows Generated from Operating Activities	(191,972)
<b><u>6,332</u></b> Net Cash Flows from Operating Activities (Note 25)	<b><u>13,912</u></b>
(26,231) Net Cash Flows from Investing Activities (Note 26)	(4,530)
<b><u>21,738</u></b> Net Cash Flows from Financing Activities (Note 27)	<b><u>(8,451)</u></b>
<b>1,839 Net increase or decrease in Cash and Cash equivalents</b>	<b>931</b>
Cash and Cash Equivalents at the Beginning of the	
<b>5,287</b> Reporting Period	<b>7,126</b>
<b><u>Cash and Cash Equivalents at the End of the Reporting</u></b>	<b><u></u></b>
<b><u>7,126</u></b> Period (Note 19)	<b><u>8,057</u></b>

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

### **1.0 Accounting Policies**

#### **1.1 General**

The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position at the year-end of 31<sup>st</sup> March 2022. 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 2021/22, 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.

Due to an organisational restructure which took place in 2021/22, a prior period adjustment has been reflected within the statement of accounts to restate comparative figures into the 2021/22 format.

Statements and notes that have been restated for the new structure are the CIES, EFA, EFA Note 7 and Grant Income 32. The net costs of services figure and grants and contributions credited to the Comprehensive Income and Expenditure Statement remain the same, but have been apportioned according to the amended structure as follows:

<b><u>Original Directorate Structure</u></b>	<b><u>New Directorate Structure</u></b>
People and Performance	Social Services Directorate
Places and Transformation	Education Directorate
Corporate Costs	Economy and Public Protection Directorate
	Neighbourhood Services Directorate
	Governance and Resources Directorate
	Corporate Costs

Due to a historic error in the way revaluations were entered into the Authority's Asset Register, a material misstatement was identified in relation to the Revaluation Reserve and accumulated loss/impairments. The impact of correcting the historic error has been reflected in Note 24 Unusable Reserves as follows:

	<b>Revaluation Reserve £'000</b>	<b>Capital Adjustment Account £000</b>
<b>Original Balance as at 31st March 2020</b>	41,139	123,132
<b>Restated Balance as at 31st March 2020</b>	38,857	125,414
<b>Original Balance as at 31st March 2021</b>	37,020	137,107
<b>Restated Balance as at 31st March 2021</b>	34,738	139,389

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

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

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

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

### **1.6 Employee Benefits**

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

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

#### ***Termination Benefits***

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



for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### ***Post-Employment Benefits***

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

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

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

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

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

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

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

The change in the net pension'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 29<sup>th</sup> March 2022.

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

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

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

### **Joint operations**

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. The Authority participates in Joint Committees which are accounted for as joint operations. For 2021/22 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, 6.36% 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 and assets under construction are shown at depreciated historical cost
- Community assets are valued at Existing Use Value
- Vehicles, plant, furniture and equipment are shown at depreciated historical cost
- Land and Operational properties are valued using Existing Use Value when market based evidence is available. If there is no market based evidence then they are valued using depreciated replacement cost.
- Land and Buildings componentised assets such as hardstanding and boilers are shown at depreciated replacement cost

- Surplus assets are shown at fair value

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

### **Valuation**

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

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

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

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

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

### **Impairment**

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

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

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



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

### Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

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

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

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

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

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

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

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

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

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

#### **Provisions**

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, 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 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 2021/22 Code has been issued and relevant standards are:

- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

The Authority does not expect any of the new or amended standards within the 2021/22 Code to have a material impact on the Financial Statements.

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

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

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

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

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

As a result of the impact of the COVID-19 pandemic, the Authority's valuers, Avison Young, reported material uncertainty in the valuation report at 31 March 2020, in accordance with RICS Valuation – Global Standards. The value of the effected valuations still included within the current year financial statements is £13.5 million, as included in Note 14 and 15.

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

The items in the Authority's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual results differ from Assumptions
<b>Property, Plant and Equipment</b>	A source of uncertainty is the valuation of fixed assets, which depends on judgements made in relation to build costs, useful economic life as well as the condition and location of the assets. A firm of independent valuers is engaged to provide the Authority with expert advice about the assumptions applied (further information on the valuation is included in 1.14 of the Accounting Policies).	If the Useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge would increase by £211,153 for Buildings and £193,080 for Infrastructure for every year that useful lives had to be reduced.
<b>Fair Value Measurements</b>	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Authority's assets and liabilities. Where level 1 inputs are not available, the Authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value.	The Authority uses a selection of valuation methods to measure the fair value of its surplus assets, financial assets and liabilities. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth and discount rates – adjusted for regional factors (for some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement.
<b>Provisions</b>	Significant judgements relate to the requirement for accounting provisions. Details regarding the judgements made in determining the provision values at 31 <sup>st</sup> March 2022 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 £53,000 to the provision.

<b>Pensions Liability</b>	<p>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.</p>	<p>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 £10.17 million.</p>
<b>Arrears</b>	<p>At 31 March 2022, 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 £10.452m excluding counterparty debt) of £1.025m (9.8%), 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 £2.05m</p>

## 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 2021/22 financial statements.

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

The statement of Accounts was authorised by the Chief Finance Officer on 29<sup>th</sup> June 2022. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31<sup>st</sup> March 2022, 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**

<b>Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts</b>	<b>Adjustments between Funding and Accounting Basis 2021/22</b>			
	<b>Adjustments for Capital Purposes (Note 1)</b>	<b>Net change for the Pensions Adjustments (Note 2)</b>	<b>Other Differences (Note 3)</b>	<b>Total Adjustments</b>
	£'000	£'000	£'000	£'000
Social Services Directorate	69	1,625	(17)	1,677
Education Directorate	4,273	2,958	362	7,593
Economy and Public Protection Directorate	12,256	1,022	0	13,278
Neighbourhood Services Directorate	7,066	1,095	88	8,249
Governance and Resources Directorate	191	1,220	0	1,411
Corporate Costs	1,072	291	(655)	708
<b>Net Cost of Services</b>	<b>24,927</b>	<b>8,211</b>	<b>(222)</b>	<b>32,916</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(24,555)</b>	<b>4,203</b>	<b>(99)</b>	<b>(20,451)</b>
<b>Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on Provision of Services</b>	<b>372</b>	<b>12,414</b>	<b>(321)</b>	<b>12,465</b>



Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Restated Adjustments between Funding and Accounting Basis 2020/21			
	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£'000	£'000	£'000	£'000
Social Services Directorate	247	466	158	871
Education Directorate	6,276	847	(22)	7,101
Economy and Public Protection Directorate	4,316	272	0	4,588
Neighbourhood Services Directorate	4,309	308	242	4,859
Governance and Resources Directorate	222	330	0	552
Corporate Costs	1,483	81	(6,709)	(5,145)
<b>Net Cost of Services</b>	<b>16,853</b>	<b>2,304</b>	<b>(6,331)</b>	<b>12,826</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(22,804)</b>	<b>4,295</b>	<b>(102)</b>	<b>(18,611)</b>
<b>Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on Provision of Services</b>	<b>(5,951)</b>	<b>6,599</b>	<b>(6,433)</b>	<b>(5,785)</b>

#### 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

	2021/22	2020/21
<b>Expenditure/Income</b>	<b>£'000</b>	<b>£'000</b>
<b>Expenditure</b>		
Employee Benefits Expenses	97,509	87,330
Other Service Expenses	104,590	85,831
Depreciation, amortisation, impairment	19,655	13,339
Interest Payments	3,506	3,914
Precepts and Levies	8,589	8,152
(Gain) or loss on the disposal of assets	428	(14)
Change in Fair Value of Investment Properties	4	298
<b>Total expenditure</b>	<b>234,281</b>	<b>198,850</b>
<b>Income</b>		
Fees charges and other service income	(18,994)	(14,403)
Interest and Investment Income	(34)	(50)
Income from council tax, non-domestic rates	(51,292)	(48,392)
Government Grants and Contributions	(167,201)	(151,606)
<b>Total income</b>	<b>(237,521)</b>	<b>(214,451)</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>(3,240)</b>	<b>(15,601)</b>

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

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

**General Fund Balance**

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

**Capital Receipts Reserve**

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

**Capital Grants Unapplied**

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

2021/22	Usable Reserves		
Adjustments to the Revenue Resources	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied
	£'000	£'000	£'000
<b>Adjustments to the Revenue Resources</b>			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements			
• Pensions costs	12,415	0	0
• Financial Instruments	(747)	0	0
• Holiday Pay	421	0	0
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in Relation to capital expenditure	25,565	0	0
<b>Total adjustments to Revenue Resources</b>	<b>37,654</b>	<b>0</b>	<b>0</b>
<b>Adjustments between Revenue and Capital</b>			
• Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	0	0
• Statutory Provision for the repayment of Debt	(2,180)	0	0
• Capital expenditure financed from revenue balances	(275)	0	0
• Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements			
<b>Total adjustments between Revenue and Capital Resources</b>	<b>(2,455)</b>	<b>0</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>			
• Use of the capital receipts reserve to finance capital expenditure	0	(28)	0
• Application of capital grants to finance capital expenditure	(22,734)	0	667
<b>Total Adjustments to Capital Resources</b>	<b>(22,734)</b>	<b>(28)</b>	<b>667</b>
<b>Total Adjustments</b>	<b>12,465</b>	<b>(28)</b>	<b>667</b>

2020/21	Usable Reserves		
Adjustments to the Revenue Resources	General Fund	Capital Receipts	Capital Grants
	£'000	£'000	£'000
<b>Adjustments to the Revenue Resources</b>			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements			
• Pensions costs	6,598	0	0
• Financial Instruments	(96)	0	0
• Holiday Pay	605	0	0
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in Relation to capital expenditure	17,243	0	0
<b>Total adjustments to Revenue Resources</b>	<b>24,350</b>	<b>0</b>	<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>			
• Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(404)	404	0
• Statutory Provision for the repayment of Debt	(2,074)	0	0
• Capital expenditure financed from revenue balances	(631)	0	0
• Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(6,941)	0	0
<b>Total adjustments between Revenue and Capital Resources</b>	<b>(10,050)</b>	<b>404</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>			
• Use of the capital receipts reserve to finance capital expenditure	0	(418)	0
• Application of capital grants to finance capital expenditure	(20,085)	0	245
<b>Total Adjustments to Capital Resources</b>	<b>(20,085)</b>	<b>(418)</b>	<b>245</b>
<b>Total Adjustments</b>	<b>(5,785)</b>	<b>(14)</b>	<b>245</b>

**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 2021/22:

	Restated						
	Balance	Transfers	Transfers	Balance	Transfers	Transfers	Balance
	at 1st	Out	In 2020/21	at 31st	Out	In 2021/22	at 31st
	April	2020/21		March	2021/22		March
	2020			2021			2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund</b>	<b>4,700</b>	<b>0</b>	<b>635</b>	<b>5,335</b>	<b>0</b>	<b>388</b>	<b>5,723</b>
Llwydcoed Reserve	506	0	183	689	0	5	694
Central South Consortium Reserve	9	0	0	9	0	2	11
Cardiff Capital Region City Deal	251	(135)	0	116	0	384	500
Balances held by schools under a scheme of delegation	1,549	(2)	2,720	4,267	(141)	2,213	6,339
Insurance Reserve	1,921	0	171	2,092	0	283	2,375
Budget Reserve	2,335	(457)	103	1,981	(491)	4,119	5,609
Ffos-Y-Fran (Miller Argent) Account	788	(193)	246	841	(1,011)	927	757
Redundancy Cost Reserve	183	0	159	342	(342)	0	0
Capital earmarked reserve	421	(371)	377	427	(67)	230	590
City Deal reserve	352	(79)	116	389	0	0	389
ISB Allocation Surplus Account	0	0	842	842	(121)	0	721
Highways - S38 Road Agreements	105	0	0	105	0	9	114
BIFFA Profit Sharing Grant Account	169	0	0	169	(5)	0	164
Working Skills for Adults and Bridges2	292	(20)	66	338	(15)	68	391
Welsh Government Preliminary flood defences risk assessment	101	0	0	101	0	0	101
Neighbourhood Services	21	0	264	285	(24)	0	261
Earmarked Reserve							
NRSWA Ring-fenced Earmarked Reserve	155	(9)	29	175	0	25	200
West Merthyr Inquiry	146	(19)		127	(6)	0	121
Bishop Hedley 3-16 Headteacher	112	0	0	112	0	0	112
Schools Broadband Installation Account	108	(23)	34	119	(21)	0	98
Inspire Cash match	105	0	24	129	0	24	153
Building Maintenance Mutual Fund Balance	44	0	72	116	(83)	0	33
Communities For Work ESF Grant	83	0	28	111	0	24	135
Hardship Grant Earmarked	0	0	926	926	(700)	1,856	2,082
Recovery, transformation and improvement plan Reserve	0	0	802	802	(351)	0	451

	Restated						
	Balance	Transfers	Transfers	Balance	Transfers	Transfers	Balance
	at 1st	Out	In	at 31st	Out	In	at 31st
	April	2020/21	2020/21	March	2021/22	2021/22	March
	2020			2021			2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social Services Commitments Reserve	0	0	770	770	0	0	770
Pay Award Reserve	0	0	696	696	(229)	0	467
Hardship Funding - Supporting Digital Transformation	0	0	490	490	(10)	0	480
Hardship Funding - Support for council tax collection	0	0	449	449	0	408	857
Welsh Government Legacy Fund	0	0	300	300	0	0	300
COVID Business admin fees	0	0	212	212	(11)	0	201
Apprenticeships Programme Reserve	0	0	200	200	(48)	0	152
Covid Recovery Reserve	0	0	490	490	(250)	0	240
Levelling Up Fund - capacity building	0	0	0	0	0	125	125
HWB Sustainability Funding	0	0	0	0	0	152	152
Afon Taf Running Track	0	0	0	0	0	100	100
Waste Management Reserve	0	0	0	0	0	154	154
Social Services Real Living Wage and Other pressures	0	0	0	0	0	1,000	1,000
Social Services Winter Pressures Reserve	0	0	0	0	0	1,068	1,068
St Tydfils Surplus Reserve	0	0	0	0	0	264	264
Planning Fee Reserve	0	0	0	0	0	100	100
Decarbonisation Reserve	0	0	0	0	0	102	102
Business Change Reserve	0	0	0	0	0	117	117
Capital financing cost reserve	50	(30)	0	20	0	789	809
Kickstart Grant Reserve	0	0	59	59	0	80	139
Aberfan Grove Field - Equipment Replacement	87	0	6	93	0	7	100
Other	1,235	(599)	314	950	(247)	552	1,255
Wales Cyber Security Operation	0	0	0	0	0	3,314	3,314
Cost of Living Support Scheme - Discretionary Element	0	0	0	0	0	590	590
Social Services Client Deferred Income	0	0	0	0	0	671	671
Central South Consortium	46	(8)	0	38	(9)	0	29
Earmarked Reserves							
City Deal Earmarked Reserves	0	0	0	0	0	18	18
<b>Total</b>	<b>15,874</b>	<b>(1,945)</b>	<b>11,783</b>	<b>25,712</b>	<b>(4,182)</b>	<b>20,168</b>	<b>41,698</b>

\*Opening balances have been restated for comparative purposes.

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.

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

**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.

**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. There is an additional allocation in order to fund a shortfall in the school formula (until 2024/25) for two schools, Cyfarthfa Primary School and Ysgol Santes Tudful to enable them to take on full time Nursery places from September 2021.

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

**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 2016-2023.

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

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

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

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

**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 – 2023.



**Building Maintenance Mutual Fund Balance** - Funds contributed by schools to fund repairs and maintenance. Schools are able to bid for contributions from the fund for specific projects.

**Communities for Work ESF Grant** - Monies required to cash match the Project for the period 2016 – 2023.

**Hardship Grant Earmarked Reserve** - Revenue grant income claimed in 2020/21 to cover future hardship costs.

**Recovery, transformation and improvement (RTI) Plan** – Monies have been set aside to fund the RTI Plan.

**Social Services Commitments Reserve** - To fund Social Service pressures due to Coronavirus.

**Pay Award Reserve** – Monies set aside to fund any pay awards.

**Hardship Funding - Supporting Digital Transformation** - Funding provided by Welsh Government to support digital transformation throughout the Authority.

**Welsh Government Legacy Fund** – Monies set aside to fund a transition arrangement if the Legacy fund within the Children and Communities Grant ends at 31st March 2022.

**COVID Business admin fees** - Monies for additional burden of administering WG business support payments.

**Apprenticeships Programme Reserve** – Monies have been set aside to fund an apprenticeship programme.

**Covid Recovery Reserve** – Monies set aside to fund expenditure across service areas in relation to recovery from the global pandemic.

**Levelling Up Fund – Capacity Building** – Capacity funding to develop bids in future rounds of the Levelling Up Programme

**HWB Sustainability Funding** – Replacement fund to replace equipment purchased using HWB grant as per the terms and conditions of funding.

**Afon Taf Running Track** – Replacement fund to replace the new running track at the school.

**Waste Management Reserve** – Monies set aside to purchase an electric vehicle, to extend the time frame of the waste and recycling warden and to cover installation costs of in case devices.

**Social Services Real Living Wage and Other Pressures Reserve** – There is an acknowledgement there are unknown pressures specifically within Children Services that will continue to emerge as we progress into 2022/23. As a result, monies have been earmarked to address potential current and future financial pressures within the social care system including the impact of the Real Living Wage.

**Social Services Winter Pressures Reserve** – Monies have been set aside to fund a variety of costs across Adults and Childrens Social services going forward.

**St Tydfils Surplus Reserve** – Monies have been set aside to address any financial pressures that might arise in 2022/23.

**Planning Fee Reserve** – A fee was received for a major planning application and specialist consultants will need to be employed to assess the application going forward.

**Decarbonisation Reserve** – To fund Low Carbon Heating Feasibility Studies, behavioural change and gap analysis and carbon literacy training.

**Business Change Reserve** – To be spent in the next 12 to 18 months on additional Helpdesk support for WCCIS and to ensure the senior change officer support to Social Services is covered for 2 years, additional funding will be towards the ongoing support from Powys CC.

**Capital Financing Cost Reserve** – Monies set aside to fund future revenue costs of financing capital expenditure.

**Kickstart Grant Reserve** – Monies to fund any shortfalls in the employability grant funded schemes.

**Aberfan Grove Field Equipment Replacement** - Replacement fund for equipment at Grove Field, Aberfan

**Other** - This consists of 40 miscellaneous balances ranging up to a value of £97,613.

**Wales Cyber Security Operation** – Monies have been set aside to allow Merthyr Tydfil County Borough Council to act as the financier of the Wales Cyber Security Operations Centre, this is a multi organisational project which has been externally funded.

**Cost of Living Support Scheme – Discretionary Element** – Monies received from Welsh Government in relation to the Discretionary Element of the Cost of Living Support Scheme for use in 2022/23.

**Social Services Client Deferred Income** – Income generated from placing a legal charge onto residential Clients properties.

#### 11.0 Other operating expenditure

2020/21	2021/22
£'000	£'000
5,018 South Wales Police Precept	5,303
23 Bedlinog Community Council Precept	23
2,925 South Wales Fire and Rescue Authority Levy	3,040
186 Other Levies	223
(14) (Gains)/losses on the disposal of non-current assets	428
<b>8,138 Total</b>	<b>9,017</b>

**12.0 Financing and Investment Income and Expenditure**

<b>2020/21</b>	<b>2021/22</b>
<b>£'000</b>	<b>£'000</b>
3,914 Interest payable and similar charges	3,506
4,315 Net interest on the net defined benefit liability (asset)	4,223
(50) Interest receivable and similar income	(34)
298 Change in Fair Value of Investment Properties	4
<b>8,477 Total</b>	<b>7,699</b>

**13.0 Taxation and “Non-specific” Grant Income and Expenditure**

<b>2020/21</b>	<b>2021/22</b>
<b>£'000</b>	<b>£'000</b>
(29,773) Council tax income	(31,631)
(18,582) Non-domestic rates income	(19,680)
(78,227) Non-ringfenced government grants (Revenue Support Grant)	(82,979)
(20,183) Capital grants and contributions	(22,734)
(37) Corporation Tax Cardiff Capital Region City Deal	20
<b>(146,802) Total</b>	<b>(157,004)</b>

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

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

The total Non-Domestic Rateable Value as at 31st March 2022 was £40,115,405 (£41,098,335 as at 31st March 2021) with the Non-Domestic Rate Multiplier being £0.535 (53.5 pence) in the pound (£0.535 (53.5 pence) in the pound for 2020/21). The total number of chargeable properties for 2021/22 was 1,944 (2020/21 – 1,950). The net proceeds from Non-Domestic Rates in 2021/22 was £19,679,501 (2020/21 - £18,582,476).

***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 2021/22 was 27,349 (2020/21 – 27,401).

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

<b>Dwellings</b>	<b>Band</b>	<b>Range</b>	<b>Dwellings</b>
<b>2020/21</b>		<b>(Based on 1 April 2003 values)</b>	<b>2021/22</b>
14,173	A	Not exceeding £44,000	14,058
6,665	B	Between £44,000 and £65,000	6,671
2,204	C	Between £65,000 and £91,000	2,226
2,163	D	Between £91,000 and £123,000	2,174
1,471	E	Between £123,000 and £162,000	1,492
566	F	Between £162,000 and £223,000	566
150	G	Between £223,000 and £324,000	153
2	H	Between £324,000 and £424,000	2
7	I	Exceeding £424,000	7
<b>27,401</b>			<b>27,349</b>

	<b>Dwellings</b>	<b>Tax Base</b>	<b>Dwellings</b>	<b>Tax Base</b>
	<b>2020/21</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2021/22</b>
Total Number of properties on the valuation list	27,401	27,401	27,349	27,349
Less Exempt properties 100%	909	(909)	822	(822)
Less Single Discounts 25%	9,855	(2,464)	10,007	(2,502)
Less Multiple Discounts 50%	52	(26)	75	(38)
Band D Conversion		(4,834)		(4,788)
Losses on Collection		(767)		(768)
<b>Tax Base</b>		<b>18,401</b>		<b>18,431</b>

<b>Requirement for Merthyr Tydfil County Borough Council</b>	<b>£30,723,520.00</b>	<b>£31,866,331.00</b>
--	-----------------------	-----------------------

<b>Basic Band D tax for the year</b>	<b>£1,669.71</b>	<b>£1,728.98</b>
--------------------------------------	------------------	------------------

Payable to South Wales Police	£5,018,102.00	£5,302,893.00
Band D tax for South Wales Police	£272.72	£287.72

<b>*Total Band D tax for the year</b>	<b>£1,942.43</b>	<b>£2,016.70</b>
---------------------------------------	------------------	------------------

\*Band D community council addition for properties in Bedlinog £19.91 (£19.95 2020/21)

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

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

**14.0 Property, Plant and Equipment****2021/22**

	<b>31st March 2022 £'000</b>
Infrastructure Assets	95,562
Other PPE Assets	187,074
<b>Total PPE Assets</b>	<b>282,636</b>

	<b>Infrastructure Assets £'000</b>
<b>Net Book Value</b>	
At 1 <sup>st</sup> April 2021	93,030
Acquisitions/Additions	8,345
Derecognition - Disposals	0
Depreciation Charge	(5,194)
Impairment	(619)
Reclassification and Transfers	0
<b>At 31<sup>st</sup> March 2022</b>	<b>95,562</b>
<b>Net Book Value</b>	
At 31 <sup>st</sup> March 2021	93,030

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

	Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Other Property, Plant and Equipment £'000
<b>Cost or Valuation</b>						
At 1 <sup>st</sup> April 2021	150,166	7,483	71	4,329	19,770	<b>181,819</b>
Opening Balance Adjustment	(600)	28	0	0	600	<b>28</b>
Acquisitions/Additions	15,222	1,181	11	155	1,200	<b>17,769</b>
Revaluation Increases/Decreases recognised in the Revaluation Reserve	6,764	0	0	(1)	30	<b>6,793</b>
Revaluation Increases/Decreases to Surplus/Deficit on the Provision of Services	(9,300)	0	(11)	(78)	0	<b>(9,389)</b>
Derecognition - Disposals	(452)	(1,165)	0	(2)	0	<b>(1,619)</b>
Derecognition - Other	0	0	0	0	0	<b>0</b>
Reclassification and Transfers	20,539	164	(56)	463	(20,230)	<b>880</b>
<b>At 31<sup>st</sup> March 2022</b>	<b>182,339</b>	<b>7,691</b>	<b>15</b>	<b>4,866</b>	<b>1,370</b>	<b>196,281</b>
<b>Accumulated Depreciation and Impairment</b>						
As 1 <sup>st</sup> April 2021	3,526	3,968	0	106	1,036	<b>8,636</b>
Opening Balance Adjustment	(47)	0	0	0	47	<b>0</b>
Depreciation Charge	3,556	1,127	0	57	0	<b>4,740</b>
Depreciation written out to the Revaluation Reserve	(2,953)	0	0	(5)	0	<b>(2,958)</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	(935)	0	0	(108)	0	<b>(1,043)</b>
Impairment losses/(reversals) recognised in the Revaluation Reserve	273	0	0	0	0	<b>273</b>
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	19	0	18	712	<b>749</b>
Derecognition - Disposals	(56)	(1,134)	0	0	0	<b>(1,190)</b>
Derecognition - Other	0	0	0	0	0	<b>0</b>
Reclassification and Transfers	967	0	0	82	(1,049)	<b>0</b>
<b>At 31<sup>st</sup> March 2022</b>	<b>4,331</b>	<b>3,980</b>	<b>0</b>	<b>150</b>	<b>746</b>	<b>9,207</b>
<b>Net Book Value</b>						
<b>At 31<sup>st</sup> March 2022</b>	<b>178,008</b>	<b>3,711</b>	<b>15</b>	<b>4,716</b>	<b>624</b>	<b>187,074</b>
At 31 <sup>st</sup> March 2021	146,640	3,515	71	4,223	18,734	173,183

**2020/21**

	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
<b>Cost or Valuation</b>							
At 1st April 2020	158,215	6,570	144,178	470	4,174	6,701	<b>320,308</b>
Opening Balance Adjustment	13	0	(218)	0	0	0	<b>(205)</b>
Acquisitions/Additions	3,688	1,882	5,222	157	71	13,079	<b>24,099</b>
Revaluation Increases/Decreases recognised in the Revaluation Reserve	(5,001)	0	0	0	112	0	<b>(4,889)</b>
Revaluation Increases/Decreases to Surplus/Deficit on the Provision of Services	(4,358)	0	0	(386)	0	0	<b>(4,744)</b>
Derecognition - Disposals	(42)	(969)	0	0	(36)	0	<b>(1,047)</b>
Derecognition - Other	0	0	0	0	0	0	<b>0</b>
Reclassification and Transfers	(2,349)	0	0	(170)	8	(10)	<b>(2,521)</b>
<b>At 31st March 2021</b>	<b>150,166</b>	<b>7,483</b>	<b>149,182</b>	<b>71</b>	<b>4,329</b>	<b>19,770</b>	<b>331,001</b>
<b>Accumulated Depreciation and Impairment</b>							
As 1st April 2020	3,031	3,964	51,679	229	7	630	<b>59,540</b>
Opening Balance Adjustment <sup>1</sup>	(36)	0	(218)	0	0	0	<b>(254)</b>
Depreciation Charge	3,174	888	3,758	0	30	0	<b>7,850</b>
Depreciation written out to the Revaluation Reserve	(2,190)	0	0	0	(1)	0	<b>(2,191)</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	(763)	0	0	0	(1)	0	<b>(764)</b>
Impairment losses/(reversals) recognised in the Revaluation Reserve	16	0	0	0	0	0	<b>16</b>
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	304	25	933	(229)	71	406	<b>1,510</b>
Derecognition - Disposals	(10)	(909)	0	0	0	0	<b>(919)</b>
Derecognition - Other	0	0	0	0	0	0	<b>0</b>
Reclassification and Transfers	0	0	0	0	0	0	<b>0</b>
<b>At 31st March 2021</b>	<b>3,526</b>	<b>3,968</b>	<b>56,152</b>	<b>0</b>	<b>106</b>	<b>1,036</b>	<b>64,788</b>
<b>Net Book Value</b>							
<b>At 31st March 2021</b>	<b>146,640</b>	<b>3,515</b>	<b>93,030</b>	<b>71</b>	<b>4,223</b>	<b>18,734</b>	<b>266,213</b>
At 31st March 2020	155,184	2,606	92,499	241	4,167	6,071	260,768

<sup>1</sup> The opening balance adjustment includes £36,000 to land and buildings, and £218,000 to infrastructure to remove feasibility studies that had been fully impaired in previous years.

## Capital Commitments

As at 31st March 2022, the Authority had entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2021/22 and future years budgeted to cost £4,098,000. Similar commitments at 31st March 2021 were £8,008,000. The major commitments as at 31st March 2022 are as follows:

<b>Capital Scheme</b>	<b>Value £'000</b>
<b>Community Regeneration</b>	<b>268</b>
<b>Neighbourhood services</b>	<b>146</b>
<b>Corporate Services</b>	<b>2,828</b>
<b>Education</b>	<b>924</b>
	<b><u>4,166</u></b>

## Revaluations

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



**15.0 Heritage Assets****2021/22**

	Museum Collection £'000	Civic Regalia £'000	Historic Buildings £'000	Monuments £'000	Total Assets £'000
<b>Cost or Valuation</b>					
At 1 <sup>st</sup> April 2021	3,788	257	3,790	224	8,059
Accquisitions/Additions	0	0	87	0	87
Revaluation Increases/Decreases recognised in the Revaluation Reserve	0	0	(50)	0	(50)
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	56	0	56
<b>At 31<sup>st</sup> March 2022</b>	<b>3,788</b>	<b>257</b>	<b>3,883</b>	<b>224</b>	<b>8,152</b>
<b>Accumulated Depreciation and Impairment</b>					
As 1 <sup>st</sup> April 2021	0	0	621	0	621
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	36	0	36
Derecognition - Disposals	0	0	0	0	0
Derecognition - Other	0	0	0	0	0
Reclassification and Transfers	0	0	0	0	0
<b>At 31<sup>st</sup> March 2022</b>	<b>0</b>	<b>0</b>	<b>657</b>	<b>0</b>	<b>657</b>
<b>Net Book Value</b>					
<b>At 31<sup>st</sup> March 2022</b>	<b>3,788</b>	<b>257</b>	<b>3,226</b>	<b>224</b>	<b>7,495</b>
At 31 <sup>st</sup> March 2021	3,788	257	3,169	224	7,438

**2020/21**

	Museum Collection £'000	Civic Regalia £'000	Historic Buildings £'000	Monuments £'000	Total Assets £'000
<b>Cost or Valuation</b>					
At 1st April 2020	3,788	257	3,825	54	7,924
Acquisitions/Additions	2	0	27	0	29
Revaluation Increases/Decreases recognised in the Revaluation Reserve	0	0	(91)	0	(91)
Revaluation Increases/Decreases to Surplus/Deficit on the Provision of Services	(2)	0	29	0	27
Derecognition - Disposals	0	0	0	0	0
Derecognition - Other	0	0	0	0	0
Reclassification and Transfers	0	0	0	170	170
<b>At 31st March 2021</b>	<b>3,788</b>	<b>257</b>	<b>3,790</b>	<b>224</b>	<b>8,059</b>
<b>Accumulated Depreciation and Impairment</b>					
As 1st April 2020	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	27	0	27
Derecognition - Disposals	0	0	0	0	0
Derecognition - Other	0	0	0	0	0
Reclassification and Transfers	0	0	0	0	0
<b>At 31st March 2021</b>	<b>0</b>	<b>0</b>	<b>621</b>	<b>0</b>	<b>621</b>
<b>Net Book Value</b>					
<b>At 31st March 2021</b>	<b>3,788</b>	<b>257</b>	<b>3,169</b>	<b>224</b>	<b>7,438</b>
At 31st March 2020	3,788	257	3,231	54	7,330

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:

<b>Financial Assets</b>	<b>Non-Current</b>		<b>Current</b>	
	<b>31st March</b>	<b>31st March</b>	<b>31st March</b>	<b>31st March</b>
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Investments at Amortised Cost	89	89	17,007	24,001
<u>Debtors:</u>				
Gellideg Co-operative Loan	347	367	20	20
Welsh Water Loan	0	0	1	1
Home Loans	684	508	0	0
VVP	742	708	162	77
Transforming Towns	308	0	0	0
Other	1,390	88	0	0
<b>Total Financial Assets</b>	<b>3,560</b>	<b>1,760</b>	<b>17,190</b>	<b>24,099</b>
Non - Financial Assets	0	0	52,648	38,381
<b>Total</b>	<b>3,560</b>	<b>1,760</b>	<b>69,838</b>	<b>62,480</b>

<b>Financial Liabilities</b>	<b>Non-Current</b>		<b>Current</b>	
	<b>31st March</b>	<b>31st March</b>	<b>31st March</b>	<b>31st March</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Borrowings at Amortised Cost	61,778	65,382	53,403	59,834
<b>Total Financial Liabilities</b>	<b>61,778</b>	<b>65,382</b>	<b>53,403</b>	<b>59,834</b>
Non - Financial Liabilities				
Finance Lease and Other	1,209	1,768	0	54
Creditors	431	431	33,198	21,753
<b>Total</b>	<b>1,640</b>	<b>2,199</b>	<b>33,198</b>	<b>21,807</b>

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

	<b>2021/22 Total</b>	<b>2020/21 Total</b>
	<b>Surplus or Deficit on the Provision of Services</b>	<b>Surplus or Deficit on the Provision of Services</b>
	<b>£'000</b>	<b>£'000</b>
<b>Interest Expense</b>	3,506	3,914
<b>Interest Revenue: Financial assets measured at amortised cost</b>	(34)	(50)
<b>Net (Gain)/loss for the year</b>	<b>3,472</b>	<b>3,864</b>

## Financial Instruments – Fair Values

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31<sup>st</sup> March 2022, 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

Fair Value	31st March 2022		31st March 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	£'000	£'000	£'000	£'000

### *Financial Liabilities held at amortised cost*

Long-term loans from PWLB	2	35,562	45,961	39,387	56,281
Long-term LOBO Loans	2	12,217	17,112	12,221	19,075
Other long term loans		13,999	12,086	13,774	13,116
Short term loans		53,403		59,834	

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.

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

**17.0 Short-term Debtors**

The breakdown of Debtors at 31<sup>st</sup> March 2022 is as follows:

	<b>31st March 2022 £'000</b>	<b>31st March 2021 £'000</b>
Trade receivables	8,035	6,173
Prepayments	3,492	1,593
Other receivable amounts	41,304	30,713
<b>Total</b>	<b>52,831</b>	<b>38,479</b>

**18.0 Debtors for local taxation**

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

	<b>31st March 2022 £'000</b>	<b>31st March 2021 £'000</b>
Up to 1 Year	2,172	2,186
Between 1 and 2 Years	1,548	1,309
Between 2 and 3 Years	1,042	1,016
Between 3 and 4 Years	799	615
Between 4 and 5 Years	490	449
Greater than 5 Years	1,384	1,258
<b>Total</b>	<b>7,435</b>	<b>6,833</b>

**19.0 Cash and Cash Equivalents**

This balance recognises the net cash position of the Authority in providing its services to the public. The balance at 31<sup>st</sup> March 2022 is as follows:

<b>31st March 2021 £'000</b>	<b>31st March 2022 £'000</b>
7,126 Bank Current Accounts	8,057
<b>7,126 Total Cash and Cash equivalents</b>	<b>8,057</b>

**20.0 Assets Held for Sale**

The breakdown of assets held for sale at 31<sup>st</sup> March 2022 is as follows:

	<b>Non-current</b>	
	<b>2021/22</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance outstanding at the start of the year</b>	939	291
Assets newly classified as held for sale	1	921
Revaluation losses	0	0
Revaluation gains	0	0
Impairment losses	0	0
Assets declassified as held for sale	(937)	(10)
Assets sold	0	(263)
<b>Balances outstanding at year end</b>	<b>3</b>	<b>939</b>

Assets held for sale at 31<sup>st</sup> March 2022 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 31<sup>st</sup> March 2022 is as follows:

<b>Short-term Creditors</b>	<b>31st March 2022 £'000</b>	<b>31st March 2021 £'000</b>
Trade Payables	(19,585)	(13,935)
Other Payables	(13,613)	(7,818)
<b>Total</b>	<b>(33,198)</b>	<b>(21,753)</b>

**22.0 Provisions**

The balance on provisions at 31<sup>st</sup> March 2022 is derived as follows:

	Insurance Claims	Pengarnddu	City Deal	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1st April 2021</b>	<b>(755)</b>	<b>(1,283)</b>	<b>(81)</b>	<b>(2,119)</b>
Additional provisions made in 2021/22	(285)	0	(16)	<b>(301)</b>
Amounts used in 2021/22	369	0	0	<b>369</b>
Unused amounts reversed in 2021/22	141	0	0	<b>141</b>
<b>Balance at 31st March 2022</b>	<b>(530)</b>	<b>(1,283)</b>	<b>(97)</b>	<b>(1,910)</b>

The Authority expects that the provisions recognised at 31<sup>st</sup> March 2022 will substantially be utilised within 12 months of that date, the split of short and long term provisions is as follows:

	Short term	Long term	Total	Short term	Long term	Total
	2020/21	2020/21	2020/21	2021/22	2021/22	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Insurance Claims	(226)	(529)	<b>(755)</b>	(299)	(231)	<b>(530)</b>
Pengarnddu	(1,283)	0	<b>(1,283)</b>	(1,283)	0	<b>(1,283)</b>
Provision						
City Deal	0	(81)	<b>(81)</b>	0	(97)	<b>(97)</b>
	<b>(1,509)</b>	<b>(610)</b>	<b>(2,119)</b>	<b>(1,582)</b>	<b>(328)</b>	<b>(1,910)</b>

**Insurance Claims Provision**

This provision reflects the Authority's outstanding insurance claims obligations at 31<sup>st</sup> March 2022. 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 31<sup>st</sup> March 2022 is as follows:

**Restated**

<b>31st March 2021 £'000</b>	<b>31st March 2022 £'000</b>
34,738 Revaluation Reserve	43,086
(2,356) Financial Instruments Reserve	(2,207)
139,389 Capital Adjustment Account	139,715
(206,415) Pensions Reserve	(179,385)
(2,527) Accumulated Absences Account	(2,948)
<b>(37,171) Total Unusable Reserves</b>	<b>(1,739)</b>

**Revaluation Reserve**

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

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

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

<b>Restated 2020/21 £'000</b>	<b>2021/22 £'000</b>
<b>38,857 Balance at 1st April</b>	<b>34,738</b>
1,822 Upward revaluation of assets	10,084
(4,627) Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the provision of services	(659)
<b>(2,805) Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the provision of services</b>	<b>9,425</b>
(1,034) Difference between fair value depreciation and historical cost depreciation	(965)
(280) Accumulated gains on assets sold or scrapped	(112)
<b>(1,314) Amounts written off to the Capital Adjustment Account</b>	<b>(1,077)</b>
<b>34,738 Balance at 31st March</b>	<b>43,086</b>

**Capital Adjustment Account**

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



credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and subsequent costs.

<b>Restated</b>		<b>2021/22</b>
<b>2020/21</b>		
<b>£'000</b>		<b>£'000</b>
<b>125,414 Balance at 1st April</b>		<b>139,389</b>
0 Opening Balance Adjustment		<b>(246)</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
(9,847) • Charges for depreciation and impairment of non current assets	(11,836)	
(3,492) • Revaluation losses on property, plant and equipment	(7,847)	
(3,689) • Revenue expenditure funded from capital under statute	(5,454)	
(390) • 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	(429)	
<b>(17,418)</b>		<b>(25,566)</b>
1,314 Adjusting amounts written out to the Revaluation Reserve		<b>1,077</b>
<b>(16,104)</b> Net written out amount of the cost of non-current assets consumed in the year		<b>(24,489)</b>
Capital financing applied in the year:		
418 • Use of Capital Receipts Reserve to finance new capital expenditure	(25)	
19,454 • Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	21,197	
562 • Application of grants to capital financing from the Capital Grants Unapplied Account	871	
2,704 • Statutory provision for the financing of capital investment charged against the General Fund	2,454	
6,941 • 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	593	
<b>30,079</b>		<b>25,090</b>
0 Movements in the market Value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		<b>(29)</b>
<b>139,389 Balance at 31st March</b>		<b>139,715</b>

### Financial Instruments Adjustment Account

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

The Authority uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance through the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for

spreading the burden on the Council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

<b>2020/21</b>	<b>2021/22</b>
<b>£'000</b>	<b>£'000</b>
<b>(2,455) Balance at 1st April</b>	<b>(2,356)</b>
<b>102</b> Premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with Statutory Requirements	<b>102</b>
<b>(3)</b> Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	<b>47</b>
<b>(2,356) Balance at 31st March</b>	<b>(2,207)</b>

### Pensions Reserve

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

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

<b>2020/21</b>	<b>2021/22</b>
<b>£'000</b>	<b>£'000</b>
<b>(193,267) Balance at 1st April</b>	<b>(206,415)</b>
<b>(6,549)</b> Actuarial gains/(losses) on pensions assets/liabilities	<b>39,444</b>
<b>(6,885)</b> Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the provision of services in the Comprehensive Income and Expenditure Statement	<b>(12,473)</b>
<b>286</b> Net adjustments to Pension strain	<b>59</b>
<b>(206,415) Balance at 31st March</b>	<b>(179,385)</b>

### Accumulated Absences Adjustment Account

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

<b>2020/21</b>	<b>2021/22</b>
<b>£'000</b>	<b>£'000</b>
<b>(1,920) Balance at 1st April</b>	<b>(2,527)</b>
<b>1,920</b> Settlement or cancellation of accrual made at the end of the preceding year	<b>2,527</b>
<b>(2,527)</b> Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<b>(2,948)</b>
<b>(2,527) Balance at 31st March</b>	<b>(2,948)</b>

## **25.0 Cash Flow Statement - Operating Activities**

The cash flows for operating activities include the following items:

<b>2020/21</b>	<b>2021/22</b>
<b>£'000</b>	<b>£'000</b>
243 Rents ( after rebates )	767
28,076 Council Tax receipts	30,859
18,582 National non-domestic rate receipts from national pool	19,680
78,227 Revenue Support Grant	82,979
16,623 DWP grants for benefits	14,842
34,290 Other government grants	44,036
(24) Interest received	33
14,970 Cash received for goods and services	14,658
(2,881) Other operating cash receipts	(1,970)
<b>188,106 Cash Inflows Generated from Operating Activities</b>	<b>205,884</b>
(81,737) Cash paid to and on behalf of employees	(91,993)
(71,942) Cash Payments to Suppliers	(73,051)
(3,933) Interest paid	(3,518)
(16,010) Housing Benefit paid out	(14,821)
(3,111) Levies paid	(3,263)
(5,041) Precepts	(5,326)
<b>(181,774) Cash Outflows Generated from Operating Activities</b>	<b>(191,972)</b>
<b>6,332 Net Cash Flows from Operating Activities</b>	<b>13,912</b>

**26.0 Cash Flow Statement – Investing Activities**

<b>2020/21</b>	<b>2021/22</b>
<b>£'000</b>	<b>£'000</b>
(23,581) Purchase of Property, Plant and Equipment	(26,417)
(3,689) Other capital cash payments	(5,454)
(304,359) New Short term and long term investments made	(181,112)
290,200 Repayments of investments	188,000
404 Sale of fixed assets	0
14,794 Capital grants received	20,453
<b>(26,231) Net Cash Flows Generated from Investing Activities</b>	<b>(4,530)</b>

**27.0 Cash Flow Statement – Financing Activities**

<b>2020/21</b>	<b>2021/22</b>
<b>£'000</b>	<b>£'000</b>
483 New long-term loans raised	1,845
108,808 New short-term loans raised	62,119
(87,553) Repayments of amounts borrowed	(72,415)
<b>21,738 Cash Flows Generated from Financing Activities</b>	<b>(8,451)</b>

**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 and Cwm Taf Morgannwg University Health Board. This partnership was formalised with the introduction of a Section 33 Agreement (The Agreement) in accordance with Section 33 of the National Health Service (Wales) Act 2006 together with the NHS bodies and Local Authorities (Partnership Agreements) Wales regulations 2000 SI 2993 as amended. Partners contribute an underlying contribution in line with those covered by the Section 33 agreement. Any deficit or surplus arising on the pooled budget is adjusted at the end of the financial year based on the actual spend on community equipment for each partner.

The pooled budget is hosted by Rhondda Cynon Taf County Borough Council on behalf of all partners to the agreement. For 2021/22 Merthyr Tydfil County Borough Council paid a contribution of £144,497 (£139,801 for 2020/21) into the pool, total expenditure for 2021/22 was £3,436,25 (£3,316,613 for 2020/21), total income was £3,272,492 in 2021/22 (£3,011,505 for 2020/21).

**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 Morgannwg University Health Board and Merthyr Tydfil County Borough Council. The Care Home Pooled Fund is managed by the Residential & Nursing Care Pooled Fund Manager under the direction of the Cwm Taf Care Home Accommodation Pooled Fund Operational Management Board

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

For 2021/22 Merthyr Tydfil County Borough Council paid a contribution of £4,478,282 (£4,478,477 for 2020/21) into the pool, total partner income was £52,717,377 for 2021/22 (£54,306,465 for 2020/21) and total pool expenditure was £52,704,129 (£54,291,118 for 2020/21).

## **29.0 Members' Allowances**

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

	<b>2021/22</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
Salaries and Allowances	644	644
Pension Contributions	79	73
National Insurance Contributions	49	49
Expenses		0
<b>Balance at 31st March</b>	<b>772</b>	<b>766</b>

**30.0 Officers' Remuneration**

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

<b>2021/22</b>	<b>Salary, Fees and Allowances £</b>	<b>Compensation for loss of Office £</b>	<b>Pension Contributions £</b>	<b>Total £</b>
<b>Chief Executive</b>	127,135	0	31,112	<b>158,247</b>
<b>Deputy Chief Executive</b>	99,888	0	25,272	<b>125,160</b>
<b>Director of Social Services</b>	85,946	0	21,724	<b>107,670</b>
<b>Director of Education</b>	85,131	0	21,538	<b>106,669</b>
<b>Director of Neighbourhood Services</b>	79,520	0	20,119	<b>99,639</b>
<b>Chief Finance Officer</b>	77,315	0	19,561	<b>96,876</b>
<b>Head of Legal &amp; Monitoring Officer</b>	77,315	0	19,561	<b>96,876</b>
<b>Head of Policy &amp; Improvement</b>	73,988	0	18,719	<b>92,707</b>
<b>Head of Adult Services</b>	72,433	0	18,326	<b>90,759</b>
<b>Head of Housing &amp; Regeneration</b>	71,698	0	18,140	<b>89,838</b>
<b>Head of Children Services</b>	70,144	0	17,746	<b>87,890</b>
<b>Head of Engineering &amp; Highways</b>	70,673	0	17,880	<b>88,553</b>
<b>Head of Prevention</b>	66,017	0	16,691	<b>82,708</b>
<b>Head of HR &amp; Org. Development</b>	65,972	0	16,691	<b>82,663</b>
<b>Head of ICT</b>	65,972	0	16,691	<b>82,663</b>
<b>Head of Revenues, Benefits &amp; Customer Services</b>	65,398	0	16,111	<b>81,509</b>
<b>Head of Planning, Performance &amp; Resources</b>	65,972	0	0	<b>65,972</b>
<b>Head of Public Protection</b>	63,680	0	16,111	<b>79,791</b>
<b>Head of Additional Learning Needs &amp; Inclusion *</b>	45,045	0	11,396	<b>56,441</b>
<b>Head of Achievement &amp; Wellbeing **</b>	28,514	0	7,210	<b>35,724</b>
<b>Total</b>	<b>1,457,756</b>	<b>0</b>	<b>350,599</b>	<b>1,808,355</b>

The highest paid employee during 2021/222 was the Chief Executive, whose remuneration of £127,135 excluding pension contributions was 5.63 times the median remuneration of the workforce £22,571. The Chief Executives Salary includes returning officer fees of £4,162.25.

The Chief Executive post became permanent on the 17/06/21 and the Deputy Chief Executive post became permanent on 09/09/21.

\*Head of Additional Learning Needs and Inclusion – Employment commenced 26/07/21

\*\*Head of Achievement and Wellbeing – Employment commenced 01/11/21

2020/21	Salary, Fees and Allowances	Compensation for loss of Office	Pension Contributions	Total
	£	£	£	£
Interim Chief Executive	121,155	0	30,652	151,807
Interim Deputy Chief Executive	98,412	0	24,898	123,310
Chief Officer Social Services	83,935	0	21,218	105,153
Chief Officer Education Officer	83,865	0	21,218	105,083
Chief Officer Neighbourhood Services	76,094	0	19,252	95,346
Head of Finance	75,985	0	19,224	95,209
Head of Legal & Governance	75,985	0	19,224	95,209
Head of Corporate Services	72,715	0	18,397	91,112
Head of Adult Social Services	68,215	0	17,258	85,473
Head of Housing & Regeneration	68,071	0	17,222	85,293
Head of Planning, Performance & Resources	65,568	0	0	65,568
Head of HR & Org. Development	64,837	0	16,404	81,241
Head of ICT	64,837	0	16,404	81,241
Head of Community Wellbeing	64,837	0	16,404	81,241
Head of Revenue Benefits & Finance	60,334	0	15,264	75,598
Head of Protection and Safety	60,321	0	15,261	75,582
Head of Children Services & Safeguarding (current post start date 01/06/20)	52,235	0	15,311	67,546
Head of Children Services & Safeguarding* (old post)	13,526	0	2,984	16,510
<b>Total</b>	<b>1,270,927</b>	<b>0</b>	<b>306,595</b>	<b>1,577,522</b>

The highest paid employee during 2020/21 was the Chief Executive whose remuneration of £121,155 excluding pension contributions was 5.46 times the median remuneration of the workforce £22,183. There were no returning officer fees.

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:

	2021/22	2020/21
Remuneration Band	Number of Employees	Number of Employees
£60,000 - £64,999	8	13
£65,000 - £69,999	13	12
£70,000 - £74,999	11	6
£75,000 - £79,999	4	4
£80,000 - £84,999	2	5
£85,000 - £89,999	4	2
£90,000 - £94,999	2	0
£95,000 - £99,999	1	3
£100,000 - £104,999	1	0
£105,000 - £109,999	0	0
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	0	1
£120,000 - £124,999	1	0
	<b>47</b>	<b>46</b>

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

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

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band £'000	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
£0 - £20,000	0	0	11	18	11	18	80	175
£20,001 - £40,000	0	0	4	0	4	0	109	0
£40,001 - £60,000	0	0	0	2	0	2	0	94
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	1	0	1	0	86
<b>Total cost included in bandings and in the CIES</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>21</b>	<b>15</b>	<b>21</b>	<b>189</b>	<b>355</b>

Under the Powers of a Capitalisation Direction in place from 1<sup>st</sup> 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.

Capital receipts were not used to fund capital expenditure in 2021/22. Below is a summary of the service area restructure for 2020/21 and the 5 year saving as a result of the restructure:

<b>Service Area</b>	<b>2021/22 5 Year Gross Saving £'000</b>	<b>2021/22 Capitalised Cost £'000</b>	<b>2020/21 5 Year Gross Saving £'000</b>	<b>2020/21 Capitalised Cost £'000</b>
Social Services Adult Services restructure	0	0	92	9
Social Services Children's Services restructure	0	0	280	7
Support Services restructure	0	0	1,990	123
Education Department restructure	0	0	416	5
Public Protection & Housing restructure	0	0	670	8
Grounds Maintenance restructure	0	0	309	25
Highways & Engineering Dept Restructure	0	0	326	25
Senior Management restructure	0	0	960	123
	<b>0</b>	<b>0</b>	<b>5,043</b>	<b>325</b>

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:

	<b>2021/22 £'000</b>	<b>2020/21 £'000</b>
Fees payable with regard to external audit services carried out by the appointed auditor for the year	161	160
Fees payable in respect of statutory inspections	100	101
Fees payable for the certification of grant claims and returns for the year	36	33
<b>Total</b>	<b>297</b>	<b>294</b>

### 32.0 Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2021/22:

	<b>2021/22</b>	<b>Restated</b>
	<b>£'000</b>	<b>2020/21</b>
		<b>£'000</b>
<b>Credited to Taxation and Non-specific Grant Income and Expenditure</b>		
Revenue Support Grant	(82,979)	(78,227)
Non-Domestic Rates	(19,680)	(18,582)
<u>Capital Grants and Contributions</u>		
Transforming Towns	(4,833)	(5)
Intermediate Care Fund (ICF)	(1,217)	(20)
General Capital Grant	(2,804)	(1,582)
Storm Damage Grant	(2,629)	(1,860)
Local Transport Fund	(1,831)	(7,433)
Active Travel Fund	(1,451)	(203)
Resilient Roads Fund	(1,406)	(936)
Schools Additional Capital Grant	(993)	(975)
Targeted Regeneration Investment Fund	(787)	(1,100)
Coal Tip Safety	(592)	0
Valleys Regional Park Discovery Gateway	(491)	(400)
Free School Meals Capital	(476)	0
Pontmorlais Townscape Heritage Initiative	(335)	(114)
Road Safety Capital	(308)	0
EV Charging Infrastructure Grant	(300)	0
Flying Start	(278)	(25)
Local Authority Roads Refurbishment	(252)	(251)
Childcare Offer Grant	(249)	(73)
Valleys Task Force	(181)	(559)
Schools Maintenance Grant	0	(949)
ULEV Transformation Fund	(71)	(646)
Hwb In School Infrastructure Grant	0	(517)
Circular Economy Fund	0	(409)
Local Sustainable Transport Covid Grant	0	(395)
Safer Streets Grant	(52)	(322)
Reducing Infant Class Size Grant	(42)	(269)
City Deal Capital Grants and Contributions	(204)	(98)
Other Capital Grants and Contributions	(952)	(1,043)
<b>Total</b>	<b>(125,393)</b>	<b>(116,993)</b>

	<b>2021/22</b>	<b>Restated 2020/21</b>
	<b>£'000</b>	<b>£'000</b>
<b>Credited to Services</b>		
<u>Education Directorate</u>		
Children and Communities Grant	(4,376)	(4,125)
Education Grant	(3,716)	(2,423)
Pupil Deprivation Grant	(2,307)	(2,324)
Education Improvement Grant	(2,159)	(2,154)
Misc Central South Consortia Grants	(878)	(131)
Youth Service Revenue Grant	(329)	(262)
Inspire 2 Achieve	(357)	(373)
Inspire 2 Work	(255)	(226)
Furlough Grant	(8)	(388)
Local Government Hardship Fund	(18)	(124)
Other Revenue Grants	(1,908)	(900)
 <u>Social Services Directorate</u>		
Social Care Recovery Fund	(1,482)	0
Social Care Winter Pressures Grant	(1,298)	(316)
Workforce and Sustainability Grant	(1,073)	(856)
Intermediate Care Fund	(759)	(930)
Supporting Sustainable Social Services	(526)	(492)
Children and Communities Grant	(31)	(45)
Local Government Hardship Fund	(20)	(80)
Other Revenue Grants	(741)	(362)
 <u>Economy and Public Protection</u>		
Housing Support Grant	(2,873)	(2,183)
Concessionary Fares Grant	(2,181)	(2,079)
UK Community Renewal Fund	(763)	0
Domestic Abuse Grant	(538)	(436)
Children and Communities Grant	(533)	(516)
Communities for Work	(422)	(415)
Kickstart	(304)	0
Bridges Into Work 2 Grant	(298)	(275)
Housing First for Young People	(281)	(261)
Intermediate Care Fund	0	(20)
Furlough Grant	(1)	(52)
Local Government Hardship Fund	(30)	(444)
Other Revenue Grants	(2,523)	(1,988)
 <u>Neighbourhood Services</u>		
Residual Waste Grant	(312)	(312)
Sustainable Waste Management Grant	(384)	(289)
Local Government Hardship Fund	(60)	(271)
Other Revenue Grants	(537)	(786)

Governance and Resources

Local Government Hardship Fund	(211)	(788)
Furlough Grant	0	(15)
Other Revenue Grants	(649)	(566)

Corporate

Housing Benefit Subsidy	(14,784)	(16,021)
Local Government Hardship Fund	(7,063)	(8,211)
Cyber Security Operations Centre Grant	(3,314)	0
Cost of Living Support Scheme Discretionary Fund	(590)	0
Discretionary Housing Payments Grant	(203)	(278)
Coronavirus Childcare Assistance Grant	0	(271)
Other Revenue Grants	(51)	(32)

<b>Total</b>	<b>(61,146)</b>	<b>(53,020)</b>
--------------	-----------------	-----------------

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

	<b>2021/22</b>
	<b>£'000</b>
<b>Current Liabilities</b>	
<b>Grants Receipts in Advance (Revenue Grants)</b>	
UK Community Renewal Fund	(491)
Education Grant	(489)
Housing Benefit Subsidy	(363)
WLGA Brexit Funding	(96)
Adult Education	(76)
Electoral Reform Support Grant	(58)
Sport Wales Grant (inc Free Swim Grant)	(32)
Welsh Education Strategic Properties	(10)
SLA Annex Grant	(8)
Local Transport Fund	(8)
Youth Service Revenue Grant	(7)
Food Poverty Grant	(6)
Unaccompanied Asylum Seeking Children (UASC)	(5)
Supporting Service Children in Education	(4)
Misc Central South Consortia Grants	(4)
Digital Democracy Grant	(3)
Additional Learning Needs Grant	(1)
<b>Total</b>	<b>(1,661)</b>

	<b>2020/21</b>
	<b>£'000</b>
<b>Current Liabilities</b>	
<b>Grants Receipts in Advance (Revenue Grants)</b>	
Housing Benefit Subsidy	(304)
Education Grant	(132)
Local Government Hardship Fund	(91)
Pontmorlais THQ	(91)
Digital Democracy Grant	(76)
Electoral Reform Support Grant	(69)
Sport Wales Grant (inc Free Swim Grant)	(44)
RDP	(43)
WLGA Brexit Grant	(50)
Youth Service Revenue Grant	(29)
ALN Innovation Grant	(29)
Adult Education	(28)
LNP Cymru Grant	(19)
Street Games Grant	(12)
Storm Damage Grant	(10)
Local Transport Fund	(8)
Supporting Service Children in Education	(5)
Play Opportunities Grant	(1)
<b>Total</b>	<b>(1,041)</b>

As part of the COVID-19 response, the Council is responsible for paying grants to third parties, before being reimbursed by Welsh Government. Where the Council is deemed to be acting as an intermediary between government and the third party, the Council should be deemed an agent (under 2.6.2.1 of the Code). In such cases transactions will not be reflected in an authority's financial statements, with the exception of cash collected or expenditure incurred by the Council on behalf of the Welsh Government or the third party, in which case there is a debtor or creditor position.

With regards to these transactions, the Council has received £24.5m in such grants in 2020-21, of which £22.7m has been paid out, leaving a creditor balance of £1.8m reflected in the accounts. The Council received a further £0.4m in 2021-22, and paid out a further £1.5m, leaving a creditor balance of £1.7m and a debtor balance of £1m reflected in the accounts.

### **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 £20,585,000 were outstanding at 31 March 2022 and £17,156,000 were outstanding as at 31 March 2021.

**Members of the Authority** have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2021/22 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 2021/22		Balances at 31 March 2022	
	Expenditure incurred by Authority £000	Income received by Authority £000	Owed by Authority (Creditors) £000	Owed to Authority (Debtors) £000
<b>Companies / voluntary bodies in which Members' interests declared</b>				
Cwm Taf Care & Repair	349	(1)	(5)	0
Pant Boys & Girls Club	121	(10)	0	0
Nursery Rhymes	79	0	(9)	0
Dwylo Bach Pre-Nursery	54	(5)	(4)	3
Merthyr & The Valleys Mind	97	(1)	(28)	0
Merthyr Town Football Club	80	0	(1)	22
The Cyfarthfa Foundation	75	0	0	0
Other companies / voluntary bodies in which Members' interests are declared	235	(17)	(18)	4
<b>Companies / voluntary bodies in which Officers' interests declared</b>				
The Big Heart of Merthyr Tydfil	20	(5)	0	0
<b>Outside Bodies on which the Authority is represented</b>				
Merthyr Tydfil Leisure Trust	2,724	(211)	(71)	133
Merthyr Valley Homes*	571	(160)	(38)	370
Safer Merthyr Tydfil	743	(1)	(193)	0
JV Redstart (Capita Glamorgan Consultancy)	455	0	0	0
Citizen Advice Bureau	308	(1)	0	0
Welsh Local Government Association	81	(827)	(4)	65
Other Bodies on which the Authority is represented	1	(3)	(1)	0

\*The Authority provided a loan to Merthyr Valleys Homes in the 2014/15 financial year, and the balance outstanding at 31 March 2022 is £367,200. The Authority is represented on the Board.

Description	In-year Transactions 2020/21		Balances at 31 March 2021	
	Expenditure incurred by Authority £000	Income received by Authority £000	Owed by Authority (Creditors) £000	Owed to Authority (Debtors) £000
<b>Companies / voluntary bodies in which Members' interests declared</b>				
Voluntary Action Merthyr Tydfil	87	0	(10)	0
Cwm Taf Care & Repair	115	(19)	(4)	0
Pant Boys & Girls Club	80	(10)	(4)	0
Nursery Rhymes	49	0	(1)	0
Dwylo Bach Pre-Nursery	50	0	(1)	0
Merthyr & The Valleys Mind	59	0	(4)	0
Other companies / voluntary bodies in which Members' interests are declared	172	(38)	(4)	23
<b>Companies / voluntary bodies in which Officers' interests declared</b>				
Youth Cymru	2	0	0	0
<b>Outside Bodies on which the Authority is represented</b>				
Merthyr Tydfil Leisure Trust	2,748	(377)	(48)	207
Merthyr Valley Homes*	250	(143)	(12)	392
Safer Merthyr Tydfil	544	(1)	(175)	0
JV Redstart (Capita Glamorgan Consultancy)	83	0	3	0
Citizen Advice Bureau	213	(1)	0	0
Welsh Books Council	35	0	0	0
Other Bodies on which the Authority is represented	6	(284)	(5)	93

\*The Authority provided a loan to Merthyr Valleys Homes in the 2014/15 financial year, and the balance outstanding at 31 March 2021 is £387,600 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 PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	<b>2021/22</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
<i>Opening Capital Financing Requirement</i>	108,702	104,188
<i>Capital Investment</i>		
Property, Plant and equipment	26,101	24,031
Investment Properties	0	0
Revenue Expenditure Funded from Capital under Statute	5,454	3,610
Joint Committee Additions	73	(150)
<i>Sources of finance</i>		
Capital receipts	(28)	(418)
Government grants and other contributions	(21,866)	(19,840)
Direct revenue Contributions	(435)	(733)
Minimum Revenue Provision	(2,099)	(1,986)
<i>Closing Capital Financing Requirement</i>	<b>115,902</b>	<b>108,702</b>
<i>Explanation of movements in year</i>		
Increase in underlying need to borrow (supported by government financial assistance)	1,566	1,577
Increase in underlying need to borrow (unsupported by government financial assistance)	7,659	5,151
Impact of Joint Committees	73	(228)
Minimum Revenue Provision	(2,099)	(1,986)
<i>Increase/(decrease) in Capital Financing Requirement</i>	<b>7,199</b>	<b>4,514</b>

### 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 2021/22 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.

	<b>31st March 2022 £'000</b>	<b>31st March 2021 £'000</b>
Other land and Buildings	9	18
Vehicles, Plant, Furniture and Equipment	208	127
	<b>217</b>	<b>145</b>

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

	<b>31st March 2022 £'000</b>	<b>31st March 2021 £'000</b>
Finance lease liabilities (net present value of minimum lease payments)		
• current	(79)	(54)
• non-current	(134)	(76)
Finance costs payable in future years	(13)	(2)
Minimum lease payments	<b>(226)</b>	<b>(132)</b>

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

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31st March 2022 £'000</b>	<b>31st March 2021 £'000</b>	<b>31st March 2022 £'000</b>	<b>31st March 2021 £'000</b>
Not later than one year	84	62	(79)	54
Later than one year and not later than five years	116	70	(134)	76
Later than five years	26	0		0
	<b>226</b>	<b>132</b>	<b>(213)</b>	<b>130</b>

**Operating Leases**

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

	<b>31st March 2022 £'000</b>	<b>31st March 2021 £'000</b>
Not later than one year	630	410
Later than one year and not later than five years	1,687	1,021
Later than five years	41	9
	<b>2,358</b>	<b>1,440</b>

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

	<b>2021/22 £'000</b>	<b>2020/21 £'000</b>
Minimum lease payments	621	465
	<b>621</b>	<b>465</b>

#### **Authority as Lessor**

##### ***Operating Leases***

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

	<b>31st March 2022 £'000</b>	<b>31st March 2021 £'000</b>
Not later than one year	62	238
Later than one year and not later than five years	160	175
Later than five years	509	548
	<b>731</b>	<b>961</b>

#### **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 2021/22 the Authority paid £4,851,000 to the Teachers' Pensions (£4,721,000 in 2020/21) in respect of teachers' pension costs, which represents 23.68% of teachers' pay (23.68% in 2020/21).

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 £5.043 million in contributions into the scheme in 2022/23. The employers pension contribution rate is to remain at 23.68% in 2022/23.

### **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 1<sup>st</sup> April 2014) and have the option to take part of their pension as a tax-free lump sum.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement (Unfunded Teachers' Discretionary Benefits) – this is an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.
- The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amounts required by statute as described in the accounting policies note.

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

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

	Local Government £m		Discretionary £m	
	2021/22	2020/21	2021/22	2020/21
<b>Comprehensive Income and Expenditure Statement</b>				
Cost of services:				
Service cost comprising				
• current service cost	18.72	12.52	0.00	0.00
• past service cost	0.73	0.39	0.02	0.01
• (gain)/loss from settlements	0.00	0.00	0.00	0.00
• adjustment to pension strain	(0.06)	(0.29)	0.00	0.00
Financing and Investment Income and Expenditure				
• Net interest expense	3.84	3.93	0.38	0.39
<b>Total post employment Benefits charged to the Surplus or Deficit on provision of services</b>	<b>23.23</b>	<b>16.55</b>	<b>0.40</b>	<b>0.40</b>
Remeasurement of the net defined benefit liability comprising:				
• Return on plan assets (excluding the amount included in the net interest expense)	(0.96)	(79.74)	0.00	0.00
• Actuarial gains and losses arising on changes in demographic assumptions	(5.13)	0.00	(0.24)	0.00
• Actuarial gains and losses arising on changes in financial assumptions	(34.18)	89.49	(0.54)	1.82
• Actuarial gains and losses arising on changes in experience	1.57	(4.70)	0.07	(0.33)
• Other		0.00		0.00
<b>Total post employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(15.47)</b>	<b>21.60</b>	<b>(0.31)</b>	<b>1.89</b>
<b>Movement in Reserves Statement</b>				
• reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the code Actual amount charged against the General Fund Balance for pensions in the year:	(23.23)	(16.55)	(0.40)	(0.40)
Employers contributions payable to scheme	10.25	9.40		
Retirement benefits payable to pensioners			0.97	0.95

**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 £m		Discretionary Benefits £m	
	2021/22	2020/21	2021/22	2020/21
Present Value of the defined benefit obligation	(508.66)	(525.71)	(17.13)	(18.41)
Fair value of plan assets	346.40	337.76	0.00	0.00
Sub-total	(162.26)	(187.95)	(17.13)	(18.41)
Other movements in the (liability)/asset	0.00	(0.06)	0.00	0.00
<b>Net liability arising from the defined benefit obligation</b>	<b>(162.26)</b>	<b>(188.01)</b>	<b>(17.13)</b>	<b>(18.41)</b>

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

	Local Government £m		Discretionary Benefits £m	
	2021/22	2020/21	2021/22	2020/21
Opening fair value of scheme assets	337.76	252.44	0.00	0.00
Interest Income	7.10	5.81	0.00	0.00
Remeasurement gain/(loss)				
• The return on plan assets, excluding the amount in the net interest expense	1.00	79.75	0.00	0.00
Contributions from the employer	10.25	9.40	0.97	0.95
Contributions from employees into the scheme	2.37	2.18	0.00	0.00
Benefits paid	(12.08)	(11.82)	(0.97)	(0.95)
Net increase in assets from disposals/acquisitions	0.00	0.00	0.00	0.00
<b>Closing fair value of scheme assets</b>	<b>346.40</b>	<b>337.76</b>	<b>0.00</b>	<b>0.00</b>

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

	£m		£m	
	2021/22	2020/21	2021/22	2020/21
Opening balance at 1 April	525.71	427.91	18.41	17.47
Opening Balance Adjustment	0.00	0.00	0.00	0.00
Current Service cost	18.72	12.52	0.00	0.00
Interest Cost	10.94	9.74	0.38	0.39
Contributions from scheme participants	2.37	2.18	0.00	0.00
Remeasurements (gains) and losses				
• Actuarial gains and losses arising on changes in demographic assumptions	(5.13)	0.00	(0.24)	0.00
• Actuarial gains and losses arising on changes in financial assumptions	(34.17)	89.49	(0.54)	1.82
• Actuarial gains and losses arising on changes in experience	1.57	(4.70)	0.07	(0.33)
Past service cost	0.73	0.39	0.02	0.01
Losses/(gains) on curtailment	0.00	0.00	0.00	0.00
Benefits paid	(12.08)	(11.82)	(0.97)	(0.95)
Net increase in assets from disposals/acquisitions	0.00	0.00	0.00	0.00
<b>Closing balance at 31 March</b>	<b>508.66</b>	<b>525.71</b>	<b>17.13</b>	<b>18.41</b>

**Local Government Pension Scheme assets comprised**

	As at 31st March 2022	As at 31st March 2021
	£m	£m
Equities	233.47	244.88
Property	25.29	21.28
Government Bonds	41.57	28.03
Corporate Bonds	44.68	41.54
Cash	1.39	2.03
	<b>346.40</b>	<b>337.76</b>

**Basis for Estimating Assets and Liabilities**

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

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

The significant assumptions used by the actuary have been:

	Local Government		Discretionary Benefits	
	2021/22	2020/21	2021/22	2020/21
Longevity at 65 at accounting date				
Males	21.60	21.80	21.60	21.80
Females	23.90	24.10	23.90	24.10
Longevity at 45 at accounting date				
Males	22.60	22.80		
Females	25.40	25.60		
Discount rate	2.70%	2.10%	2.70%	2.10%
CPI Inflation	3.00%	2.70%	3.00%	2.70%
Pension increases	3.00%	2.70%	3.00%	2.70%
Pension accounts revaluation rate	3.00%	2.70%		
Salary increases	4.25%	3.95%		

The duration of the defined benefit obligation (i.e. the weighted average of the time until payment of future cash flows) for scheme members at 31<sup>st</sup> March 2022 was calculated by the actuary as 20.4 years (20.4 years at 31<sup>st</sup> March 2021).

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%)	498.49	508.66	519.34
Rate of increase in salaries (increase or decrease by 0.1%)	510.19	508.66	507.13
Rate of increase in pensions (increase or decrease by 0.1%)	517.81	508.66	500.01
Post retirement mortality assumption (increase or decrease by 1 year)	526.46	508.66	491.37

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

The authority expects to pay £10.92 million contributions into the scheme in 2022/23.

### 38.0 **Contingent liabilities**

As at 31<sup>st</sup> March 2022, 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 2021/22 reported to Council on 3<sup>rd</sup> March 2021 set limits for investments for 2021/22 of:

- £10 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 2021/22 financial year was also reported to Council on 1<sup>st</sup> December 2021.

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:

### 2021/22

<b>Description</b>	<b>Balance outstanding as at 31st March 2022 £000</b>	<b>Historic Experience of Default %</b>	<b>Estimated exposure to non- repayment at 31st March 2022 £000</b>
Sundry Debtors	2,662	1.40	37
Council Tax	7,435	11.47	853

### 2020/21

<b>Description</b>	<b>Balance outstanding as at 31st March 2021 £000</b>	<b>Historic Experience of Default %</b>	<b>Estimated exposure to non- repayment at 31st March 2021 £000</b>
Sundry Debtors	1,846	1.47	27
Council Tax	6,833	15.40	1,053

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 2022		31st March 2021	
	Sundry	Council Tax	Sundry	Council Tax
	£'000	£'000	£'000	£'000
Up to 1 Year	2,138	2,172	1,364	2,186
Between 1 and 2 Years	309	1,548	261	1,309
Between 2 and 3 Years	128	1,042	113	1,016
Between 3 and 4 Years	51	799	47	615
Between 4 and 5 Years	10	490	23	449
Greater than 5 Years	26	1,384	38	1,258
<b>Total</b>	<b>2,662</b>	<b>7,435</b>	<b>1,846</b>	<b>6,833</b>

### Liquidity Risk

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

	2021/22				
	£'000				
	PWLB	LOBO	Other	Market Loans	Total
Less than one year	3,824	0	563	49,016	<b>53,403</b>
Between one and two years	2,550	0	121	0	<b>2,671</b>
Between two and five years	6,354	0	1,667	0	<b>8,021</b>
More than five years	26,659	12,217	12,210	0	<b>51,086</b>
	<b>39,387</b>	<b>12,217</b>	<b>14,561</b>	<b>49,016</b>	<b>115,181</b>

	2020/21				
	£'000				
	PWLB	LOBO	Other	Market Loans	Total
Less than one year	3,187	0	636	56,011	<b>59,834</b>
Between one and two years	3,824	0	55	0	<b>3,879</b>
Between two and five years	6,992	0	1,298	0	<b>8,290</b>
More than five years	28,571	12,221	12,421	0	<b>53,213</b>
	<b>42,574</b>	<b>12,221</b>	<b>14,410</b>	<b>56,011</b>	<b>125,216</b>

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

### Market Risk

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

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

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

The Authority's strategies for managing interest rate risk are set out in the Treasury Management Policy and Annual Investment Strategy. All the Public Works Loan Board Loans are fixed rate whereas the £12 million Commerzbank 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 2021/22 would have been as follows:

**£'000**

Increase in interest payable on variable rate borrowings	<b>540</b>
Increase in interest payable on variable rate investments	<b>(179)</b>
Impact on Surplus or Deficit on Provision of Services	<b>361</b>

#### **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 31<sup>st</sup> December 2020 is detailed below. There is a nine month window for auditing the financial statements and the 2021 financial statements are expected in October 2022:

	31st December 2020 £'000	Restated 31st December 2019 £'000
<b>Expenditure</b>		
Cost of Sales	7,293	4,455
Administration Expenses	605	876
<b>Total Expenditure</b>	<b>7,898</b>	<b>5,331</b>
<b>Income</b>		
Turnover	(8,795)	(5,951)
<b>Operating (Profit)/loss</b>	<b>(897)</b>	<b>(620)</b>
Net finance cost	728	505
Income tax charge	169	115
<b>Total Comprehensive expense income for the year</b>	<b>0</b>	<b>0</b>

	31st December 2020 £'000	Restated 31st December 2019 £'000
<b>Fixed Assets</b>		
Deferred Tax	11	12
	<b>11</b>	<b>12</b>
<b>Current Assets</b>		
Trade and Other Receivables	1,865	1,013
Cash	1,420	1,098
	<b>3,285</b>	<b>2,111</b>
<b>Current Liabilities</b>		
Trade and Other Payables	(1,285)	(830)
Financial Liabilities	(1,759)	(1,208)
Income tax payable	(252)	(85)
	<b>(3,296)</b>	<b>(2,123)</b>
<b>Net Assets</b>	<b>0</b>	<b>0</b>
<b>Capital and reserves</b>		
Profit and loss account	0	0
<b>Total equity</b>	<b>0</b>	<b>0</b>

### Joint Operations

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

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

***Glamorgan Archives***

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

The net financial impact on the Authority's accounts as a result of including Glamorgan Archives' transactions is not considered material and so has not been included within the statement of accounts for 2021/22.

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

***Llwydcoed Crematorium Joint Committee***

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

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

The Authority has included its share of the joint operation within the 2021/22 financial statements.

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

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

The Central South Consortium is managed and administered by the Central South Consortium Joint Committee, under powers conferred by the Local Government (Wales) Act 1994. The Joint Committee is made up of 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 6.36%.

The Authority has included its share of the joint operation within the 2021/22 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 2021/22.

**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 2021/22 financial statements.

Investment Properties included within the Balance Sheet of £1,141,000 solely relate to the inclusion of Merthyr Tydfil CBC's share of the Cardiff Capital Region City Deal joint arrangement. Other significant balance sheet items that reflect CCRCD balances include Cash, Other Long-term Liabilities and the Capital Adjustment Account.

**Other Entities****Merthyr Tydfil Leisure Trust**

Merthyr Tydfil Leisure Trust was set up on the 1<sup>st</sup> April 2015. The Authority transferred the function of providing existing Leisure and Cultural Services within the County Borough to the Trust. The Trust has been set up as a Not for Profit Distributing Organisation 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 2021/22 the Trust were paid a management Fee as agreed in a Contractual framework of £2,424,000 (£2,424,000 in 2020/21) 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.



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

# **ANNUAL GOVERNANCE STATEMENT 2021/22**

---

***December 2022***

## 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, the Council needs to make sure that when decisions are made, the Council takes into account the impact they could have on people, now and in the future.

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

The Act also establishes Public Services Boards (PSB) for each Local Authority area. The Cwm Taf PSB is a collection of public bodies working together to improve the economic, social, environmental and cultural well-being of people who live, work and visit the Cwm Taf areas of 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.

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. In addition, further CIPFA Guidance Bulletin 06 (Application of the Good Governance Framework 2020/21) was issued in February 2021.

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

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 31<sup>st</sup> March 2022 and up to the date of approval of the Annual Governance Statement and Statement of Accounts.

## **3. IMPACT OF COVID 19 PANDEMIC**

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
- Payments in excess of a thousand 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

Welsh Government issued the Local Authorities (Coronavirus) (Meetings) (Wales) Regulations that came into force 22<sup>nd</sup> April 2020 which included:

- provision for remote access to local authority meetings, removing the need for a specified number of members to be in any one location so long as at a minimum, members are able to hear each other. This does not preclude video conferencing, live streaming and other means of communication where this is available.
- changes to the administration arrangements which support local authority meetings, including making provision for a number of activities to be conducted electronically during the pandemic. This includes electronic publishing of notices of the time and place of meetings, meeting papers, reports and minutes.
- observing the public right of access through electronic means during the pandemic.

The Council has progressed its digital democracy programme considerably, committee meetings (including Council and Cabinet meetings) are held through a digital platform and accessible to the public. The Council has accessed external funding to ensure that this is continued, including development of hybrid meetings where Elected Members or Officers can be part of the meeting remotely or at the location. This development has been done as part of delivering the Council's Recovery, Transformation and Improvement (RTI) Plan.

There have been some delays in responding to the pandemic for some areas of business, but this has not had a significant impact on the Council with alternative arrangements being put into place. Feedback from regulators has been positive regarding the Council's response to the pandemic.

To respond to the pandemic, the Council has developed a resource list, which includes its staff. This has enabled the Council to monitor capacity and skills effectively and efficiently and, where required, reallocate staff and other resources to meet the needs of our residents and Council priorities.

Welsh Government provided a number of specific grants through its Hardship Fund 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.

This additional Welsh Government funding covered all the eligible additional financial pressures incurred as a result of the pandemic, equating to circa £10 million in total.

The Council acted promptly to collaborate both between internal departments and with external partners (these have been existing arrangements and new ones) to meet the needs of its residents. An example of this is how the Council is top performing when administering Welsh Government business grants.

As with other Councils, the Council has accessed additional funding to safeguard its financial position. The Council has also accessed external funding to further deliver against its RTI Plan. The

Council has had increased engagement between its Corporate Management Team (CMT) and Cabinet during the pandemic.

There has been an increase in the use of digital technology. This includes infrastructure development and more hardware and software solutions, to ensure it still delivers its services. This also includes engagement and consultation. The Council's telephony system has been adapted to support how people contact the Council. Improved links between services have been made to ensure public engagement continues. This is highly relevant for those who may not have access to digital platforms. As a result, the Council has been able to continue to engage but will be looking to reintroduce face-to-face means (in addition to these enhancements) when safe to do so. As part of the RTI Plan, the Council has increased engagement and involvement of the residents of the County Borough, together with understanding the effectiveness of these approaches. The Council's corporate dashboard (developed as part of the RTI Plan) also monitors compliments and complaints. This data is fed into how the Council engages with residents. Fact sheets have been produced in how the Council has responded to the pandemic and the Council has worked with partners in how critical work programmes (e.g. mass testing) are communicated.

The Council has also played a key role in supporting the Test Trace Protect (TTP) Service as well as delivering the first Whole Town Testing Programmes in Wales, The Cwm Taf Morgannwg University Health Board Vaccination Programme, and the implementation of a second phase Targeted Community Testing Programme. These emergency response services did not previously exist and demonstrated the Authorities ability to create and deliver new service solutions in partnership, within extremely challenging timeframes.

The delivery of the Vaccination Programme demonstrated a highly developed partnership delivery capacity between health, the voluntary sector, and the Council. Volunteer staff were trained and seconded while much logistic and emergency planning support was supplied. In parallel with the vaccination programme the Authority delivered a second phase of community testing which was targeted at the most deprived communities in the County Borough.

This way of working aligns to the Council's RTI Plan and will be built upon as the Council recovers from the pandemic and continues its transformation and improvement journey.



## Recovery

A RTI Plan has been developed with the aim of establishing a council wide approach to the recovery of the organisation. The RTI Plan 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); and
- Identify this as an opportunity unlike any other to fundamentally think about the way in which the Council operates.

The Council 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.

Managers have identified service risks due to the pandemic. These are included in their business planning (e.g. operational risk registers and business continuity plans) and the Council's corporate risk register. This has enabled the Council to consider risk-based approaches, increased reviews on risk have taken place this year. However, as with other Councils and indeed sectors, the longer term impacts of the pandemic are not yet fully known.

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 CMT, Recovery Group and RTI Plan 2020-25.

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.**

Working with staff, the Council has identified a number of Core Values and associated behaviours:

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

Cabinet members have been 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.

In January 2022, a new Induction process was developed to allow new starters the opportunity to learn about the Council and the main policies and procedures including the staff handbook and code of conduct. 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. An Apprenticeship induction process has been implemented. The first induction took place on the 8 September 2021 and CMT and Senior Leadership Team (SLT) support the Corporate Induction for the Apprenticeship group.

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 monitoring the Council's governance and promoting high

standards of ethical conduct among Members and Officers in order to maintain public confidence in Local Government.

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

The functions of the Monitoring Officer include support to the Standards Committee in its promotion of high standards; acting on Ombudsman reports; and conducting investigations into certain categories of complaints against councillors remitted by the Ombudsman. Any complaints received against Councillors are dealt with under the Council's internal dispute resolution procedure or referred to the Ombudsman for investigation. Complaints are only referred to the Standards Committee if the Ombudsman considers that there is an appropriate outcome in doing so. The Council received 4 complaints against Councillors during 2021/22 and they were dealt with by way of informal resolution.

The Training Needs Analysis (TNA) now forms part of the Personal Development Review forms, these are expected to be completed by Councillors with their Leaders. 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 process also identifies any specific training required to assist with their continued learning and development.

The Council's Procurement Policy and Strategy 2019-2022 stipulates 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 implementation of the Integrated Impact Assessment (IIA) was introduced to support effective decision making and ensure compliance with other legislation that the Council is subject to. The IIA incorporates the Council's Wellbeing Objectives, the Sustainable Development principle (the five ways of working processes), Welsh Language, Equalities, Biodiversity, and was updated in March 2021 to reflect changes of the new social-economic duty. The IIA has been applied to business cases and projects as part of the Councils project management framework.

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 Anti-Fraud, Bribery and Corruption Policy and a Counter Fraud Strategy & Framework 2021/22 to 2024/25. The Policy, Strategy & Framework identifies roles and responsibilities, aims and objectives, fraud risks, an action plan and a fraud response plan flowchart.

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. The team continue to review their listening and engagement processes to increase stakeholder participation. Currently the team are re-establishing the Customer Focus Panel and looking at how better to engage with the 16-25 year olds. The draft Communications, Consultation and Engagement Strategy reflects elements of the Council's improvement plan moving forward, this will be presented to Scrutiny Committee in January 2023 and Full Council for approval in February 2023. 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
- Leader's Blog
- Social Media including Facebook and Twitter
- Video links
- Council's Website
- Electronic Signage Facilities
- Improved telecommunication access channels
- Specific consultation on change programmes e.g. Chief Executive 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 16,000 followers to its Facebook site, 11,500 following the Council Twitter site and nearly 2,000 using Instagram as an additional engagement platform.

The public were engaged as part of the process to undertake the Wellbeing Assessment to inform the Wellbeing Plan on behalf of the Public Services Board (PSB) and further engagement and consultation was undertaken to inform the Council's Wellbeing Statement and objectives linked to the Wellbeing of Future Generations (Wales) Act 2015 (the Act). This is being reviewed at a regional level (a wide-ranging project team across Cwm Taf Morgannwg) and local level (the Council through

an internal project team). A population needs and well-being assessment is currently being undertaken across Cwm Taf Morgannwg. This will lead to the development of a new PSB plan and reviewed and renewed Corporate Well-being Plan.

Communication and engagement activities are primarily undertaken using a digital consultation hub Smart Survey and there has been increased engagement through digital platforms in relation to public consultations. This portal is published through the Council's website ([www.merthyr.gov.uk](http://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 and members of this group were reviewed in 2021 to ensure that all sections of the community are included, however there was limited interest expressed during this process.

The draft Participation Strategy will be presented and scrutinised at Scrutiny Committee in January 2023, before being presented and approved by Full Council in February 2023.

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

Two of the Council's Core Values and associated behaviours are 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 PSB for Cwm Taf and the PSB for Bridgend.

Feedback from public consultations and engagement activities (where there would be any significant service change or high level public interest) will be fed back to Corporate Management Team (CMT), Cabinet and Full Council. Councillor workshops would also be held where feedback from the public consultations and engagement activities are discussed.

Throughout the duration of any consultation and engagement exercise, a challenge group will be set up and will meet on a regular basis to review the consultation and consider any changes needed to the process based on public feedback. The challenge group will include relevant service area officers, Legal representative, Communication and Consultation Officer. The Local Ward Member will be kept informed of stakeholder views during the consultation and also the outcome when the process is concluded.

The PSB 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. As stated above, a population needs and well-being assessment is currently being undertaken across Cwm Taf Morgannwg. This

will lead to the development of a new PSB plan and reviewed and renewed Corporate Well-being 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.

All Council agendas, reports and minutes are available on the Council's website in both English and Welsh languages as they are published. Since September 2020 and due to the COVID-19 pandemic all meetings are held remotely via Microsoft Teams, as a result the committee meetings are recorded and published on the Council's website.

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 COVID-19 pandemic did not allow officers to meet with members of the public face to face. Therefore, in order to prevent any obstacles for the public to submit a complaint or discuss a complaint in detail Teleconferences and Teams meetings were set up for those members of the public who had the technology. Mitel softphones were provided the Complaints Officers along with headphones in order to maintain a clear conversation and reduce outside noise. This was an advantage for those members of the public who did not have the ability to produce a written complaint. However, from April 2022 the One Stop Shop has been reopened to the public which now allows the Complaints Officer to meet with complainants in person.

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.

Compliments and complaints form part of the Council's corporate dashboard, data can be used to inform the quarterly business reviews. Social Services complaints are reported to Cabinet and Scrutiny Committee. In 2021/22, a total of 487 corporate complaints were received by the Council, this is a significant increase on the previous year. Further data is set out in the Corporate Annual Report which was reported to Governance and Audit Committee in November 2022.

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

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.

Following setting a balanced budget for 2019/2020, the Council took a proactive step and requested support from Welsh Government (WG) to address key challenges. The Minister for Housing and Local Government appointed an Improvement and Assurance Board to carry out a rapid assessment exercise. The Improvement and Assurance Board has now stood down with their last board meeting being held on the 16 March 2022. To respond to the outcomes of this assessment, the Council developed a Recovery, Transformation and Improvement (RTI) Plan and is keeping its governance arrangements regarding its delivery.

The RTI Plan is a live document that enables the Council to focus on sustainability when recovering from the pandemic, transforming the way we work and improving delivery of outcomes for our residents. The RTI plan will provide a 5-year improvement path and identifies 3 areas that need to be addressed urgently to be able to fully deliver local well-being objectives. These are:

- Improving our Education Standards;
- Increasing our Resilience in Social Care; and
- Economic Recovery.

As well as these three priorities, the Council has identified key cross-cutting and enabling work programmes. These not only support the delivery of our three priorities but also in addressing continuous improvement and audit recommendations. These are:

- Digital Transformation;
- Commercial Programme;
- Healthy Organisation (supporting the workforce);
- Governance Improvement; and
- Environmental Well-being through the Waste Hierarchy and Decarbonisation.

Officers, Elected Members and Scrutiny Members are working together to further refine the RTI Plan to support the Council's continuous improvement.

The Economic Recovery work programme aims to work with partners and also engage with the public to establish a 15-year economic vision for Merthyr Tydfil. This will inform the work currently being redesigned for the corporate well-being plan and vision going forward.

The Council has an approved vision that is at the heart of delivering the local Wellbeing Objectives and PSB objectives. This aligns with the seven national Wellbeing Goals and Five Ways of Working

(Long Term; Preventative; Integration; Involvement; Collaboration). The Council also has a Statement of Wellbeing and a 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. The Cwm Taf Morgannwg region has recently undertaken population needs and well-being assessment to feed into the review and renew of PSB Wellbeing Plan. The findings of this assessment will also inform the review and renewal of the Council's Corporate Well-being Plan. As in previous versions, findings are reflected in the PSB Wellbeing Plan and the Council Wellbeing Statement and Focus on the Future documents. The same approach is taken to change projects and budget setting, i.e. using data and information to inform decisions. This is then used in setting budgets and local Wellbeing objectives.

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

Performance is monitored through self-evaluation and performance challenge. Service performance is also challenged at scrutiny committee meetings. Officer scrutiny is done through senior management board meetings, CMT meetings and quarterly performance and improvement reviews (using the Council's Corporate Dashboard). The Council produces an annual performance report, this is to be replaced with a self-assessment report in line with the Local Government and Elections (Wales) Act 2021.

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

The Council's updated Corporate Risk Register is presented to Governance and Audit Committee and Cabinet for approval, along with an Annual Report on risk management. This happens twice a year, with at least a further two risk items on the Governance and Audit Committee agenda. Reporting on risk management is an integral part of the Council's risk governance arrangements. Lead CMT Officers are invited to attend Governance and Audit Committee on a rolling programme basis to report on progress in managing their Corporate Risks. Workshops are held at least quarterly with the Corporate Management Team (CMT). Further workshops are held with CMT and the Cabinet. The Council is also working with other Councils to strengthen its risk policy/strategy and delivery through ALARM membership and SWAP Internal Audit Services (ALARM is a not-for-profit



professional membership association that has supported risk management professionals for over 30 years). Training arrangements remain in place and are being strengthened. The Council is in the process of further developing its risk appetite including risk categories and levels.

Budget consultation exercises are held throughout the County Borough in evaluating customer priorities for the allocation of scarce resources. These usually 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. Due to the Covid-19 pandemic the Budget consultation for 2022/23 undertaken during November 2021 to February 2022 was limited to an online survey only with the exception of one roadshow held at Merthyr College.

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 Council has continued to undertake its residents survey with results informing decisions going forward. This data will be used in the Council's self-assessment.

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 Government 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 Act 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. The Welsh Government Procurement Policy Statement was updated in March 2021. The Welsh public sector will follow ten principles for procurement, based on the Well-being of Future Generations (Wales) Act Goals and key Welsh Government policies.

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 Act as appropriate.

In terms of ensuring fair access to services the Council undertook consultation and engagement for the Strategic Equality Plan (SEP) for 2020-2024 in line with the requirements of the Equality Act 2010. Five Equality Objectives are set out in the Plan:

- Inclusive Engagement and Participation:  
Engage with Citizens to participate and have their voices heard to understand and respond to the needs of Merthyr communities.
- Community Cohesion:  
Promote and facilitate inclusive, safe and cohesive communities.
- Inclusive and Diverse Workforce:  
Create an inclusive and diverse workforce, which reflects the communities in Merthyr Tydfil.
- Gender/Equal Pay:  
Ensure equity of pay across the Council. Accessible services, understand and remove the barriers people face when accessing the Council services.
- Accessible Services:  
Understanding and removing the barriers people face when accessing our services.

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."

The Socio-economic Duty came into force on 31 March 2021 which means that the Council must give due regard to the need to reduce inequalities of outcomes resulting from socio-economic disadvantage, when making strategic decisions. To ensure this duty is met, the Integrated Impact Assessment (IIA) was updated to include additional sections and came into force on 31 March 2021 (following consultation and engagement with Senior Managers). The additional sections are:

- Socio-economic Disadvantage;
- Consultation and Engagement;
- Data and Evidence; and
- Monitoring and Review.

Within the socio-economic disadvantage section, the new elements to assess impact against are:

- Low Income/Income Poverty;
- Low and/or No Wealth;
- Material Deprivation;
- Area Deprivation;

- Socio-economic Background; and
- Socio-economic Disadvantage.

Guidance and easy read versions of the guidance and prompt sheets have been developed.

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's Welsh Education Strategic Plan.
- The opportunities for people to use Welsh at work, at home and at play.
- The opportunities for people to use Welsh in the community.
- The opportunity for children and young people to use Welsh.
- 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 RTI Steering Group which is also 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-evaluation and performance challenge. Service performance is also challenged at Scrutiny Committee meetings (and other functions of scrutiny) and officer scrutiny in the form of quarterly performance improvement reviews. Additional workshops are in place for Elected Members and Scrutiny Members, which focuses on key changes, for example due to legislation and the Council's Recovery, Transformation and Improvement (RTI) Plan. Specific workshops have taken place regarding improving the Council's Scrutiny Function.

The challenge of documents is carried out by various relevant Boards as part of the governance arrangements, the Improvement and Assurance Board (in place through Welsh Government as part of the request by the Council for Welsh Government support) has now been stood down. All reports to Cabinet and Council require an Equalities Integrated Impact Assessment (IIA) (as part of the Council's IIA). The challenge against the Wellbeing of Future Generations (Wales) Act 2015 (the Act) 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. Changes have been made (especially to the Council's IIA document) in light of the new socio-economic duty. The Council's IIA is embedded within its project management framework.

Corporate Management Team (CMT) assesses reports prior to Cabinet and Council with feedback from documentation and Boards being available. A fortnightly meeting between Cabinet and CMT is in place.

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 CMT and Scrutiny functions. Education and Social Services have additional control cycles to meet external requirements (including safeguarding protocols). A Cabinet Forward plan 2021-22 is available on the website. Additional informal workshops are in place. These allow Officers, Elected Members and Scrutiny Members the time to work together to drive the RTI Plan. A greater focus is being placed on the 'Governance and Audit Committee' forward plan. This aligns to the new Local Government and Elections Act 2021.

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 considered by CMT and Cabinet members. Following this an additional report is presented to Full Council for a decision to be made. This decision is 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 will be held with support by 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.

Capacity has been built upon across support services as well as front line services. This includes strengthening how the Council uses information and data to review service performance. A quarterly business review style process is being designed (quarterly performance and improvement reviews (QPIRs)), this is being done in collaboration with Elected Members. The Council is working with the WLGA and other Council's to ensure it is working/transforming in line with the new Local Government and Elections Act 2021 requirements.

The Medium Term Financial Plan aids financial planning and corporate decision making and is integrated with the Council's Wellbeing Objectives, Asset Management Plan, Healthy Organisation Plan, Financial Context, Revenue Budget, Capital Programme, Reserves Strategy and Treasury Management Policy.

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

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.**

Delivery of corporate change is monitored and supported by a Steering Group as part of the Council's Recovery, Transformation and Improvement (RTI) Plan governance. This group links with the Council's Budget Board. Any savings from projects are monitored by the Budget Board along with the wider financial position. Performance is monitored through self-evaluation and performance challenge. Performance is also challenged at Scrutiny Committee meetings. Officer challenge has been built into the Council's governance through quarterly performance and improvement reviews and Corporate Management Team (CMT) meetings and improved use of data.

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 2021/22. The Draft Corporate Asset Management Plan has been reviewed by the Asset Management Group and presented to Scrutiny Committee however this is yet to be approved by Full Council. This is scheduled to be reported to Full Council in January 2023. The Draft Corporate Asset Management Plan includes a property portfolio which is closely aligned to service requirements and corporate priorities. There is a robust property review exercise in place which analyses service requirements recommending property rationalisation where appropriate and delivers on the release of surplus property to fund the capital programme.

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.

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 e.g. when budget saving proposals are presented. In addition, benchmarking information is used to support 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 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, Socio-economic duty and Biodiversity, to support effective decision making and ensuring compliance with other pieces of legislation that the Council is subject to.

There has been an increased amount of partnership working as part of the RTI Plan and in the Council's response to the impacts of the Covid-19 pandemic. For example, partnership work includes (but is not limited to) the Council forming part of 2 Welsh Government Digital Transformation Fund projects:

- Data Project – RCT, Bridgend, Powys Councils; and
- Cloud based training provision for Social Care – Blaenau Gwent and Caerphilly Councils.

The Council has also worked with the WLGA and several other Councils in responding to the new Local Government and Elections Act 2021. All of these projects allow the Council to better deliver the RTI Plan, meaning the Council can, in turn, better deliver the well-being objectives to achieve the Councils vision.

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 Councils project management framework. The IIA was introduced for Council and Cabinet Reports as of October 2018. The IIA has been expanded to include the introduction of the socio-economic duty, as such the socio-economic duty will be considered in the Councils decision making.

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.

From experiences gained in the 2017 election where a large number of new Councillors were elected, an extensive induction programme has been formulated to ensure returning and new members in 2022 have a clear picture about roles and responsibilities and the functioning of the organisation immediately after the election. This involved workshops, briefing sessions and provision of written and verbal information.

Induction, training and development for Councillors has continued together with close working relationships between CMT and Cabinet including a number of joint meetings being held. The Assurance Board and WLGA have provided specific support in training and development. Staff and Members have adapted to remote access and agile working which enables participation, time can be used more effectively.

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 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 need to detail and more clearly define roles and to be able to distinguish between the respective roles and responsibilities. Specific support on this area has been provided from the Assurance Board as well as involvement in member training from the WLGA.

A performance management system has been in place and this has been reviewed with an updated performance management appraisal system called Focus on your performance having recently been launched. Workshops took place with Managers to discuss new templates and how to ensure that personal development plans to capture training and development needs are included. Staff are required to set objectives with their line manager and are required to meet with their line manager every 4-6 weeks to review progress. In addition, every 6 months they have an interim review and a performance review takes place in April of each year.

The Healthy Organisation plan was developed in 2020 - 2021 within the Recovery, Transformation and Improvement (RTI) plan to look at the workforce plans across the Council to ensure workforce initiatives were put in place to ensure we have the right staff with the right skills.

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. The Occupational Health Service is supported by the Cohort software system. The Service Level Agreement has continued with Case UK Ltd to access the Able Future DWP scheme in relation to mental health support, which is 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 Act).

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

- Delivering the Council's Wellbeing Objectives.
- The wellbeing of our communities and future generations.
- The organisation (the 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, and review risk management arrangements on a periodic basis.

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.

Risks, together with the related risk mitigation actions, are monitored and reported in the Corporate Risk Register. Elements of the Council's RTI plan form many of the mitigation actions. The RTI Plan was reported in the Governance, Performance, Business Change and Corporate Services Scrutiny Committee in March 2021. In addition to this, risk reports are also presented to the Governance and Audit Committee.

The Council has six scrutiny committees; the Transformation, Commercialisation & Corporate Centre Scrutiny Committee; the Learning and LGES (Local Government Education Services) Scrutiny Committee; the Neighbourhood Services, Planning and Countryside Scrutiny Committee; Regeneration, Public Protection & Housing (also Crime and Disorder Committee); and the Social Services Scrutiny Committee. These committees meet approximately every six weeks. There is also a Joint Scrutiny Committee with membership including all the Scrutiny Councillors and Co-opted members and Governance and Audit Committee Members. The Joint Scrutiny Committee meets

when there is an issue or item that affects all the scrutiny committees. The Joint Scrutiny Committee met in January 2021 to consider budget proposals for 2021/22.

The scrutiny committees are made up of elected local members (Councillors) who are not part of the Council's Cabinet, along with co-opted representatives. Their role is to hold the executive to account by monitoring performance, challenging the Council's spending proposals, reviewing services, contributing to policy development, examining the work of other local public service providers and promoting public engagement in the democratic process. In addition to having publicly appointed co-opted members on each of the scrutiny committees, there are voluntary sector represented co-opted members, and Youth Forum co-opted members.

Strengthening the Councils scrutiny function forms part of the Council's Recovery, Transformation and Improvement (RTI) Plan. This includes Officers, Elected Members and Scrutiny Members working together to develop and deliver the programme. The Council is working with the WLGA and other external experts on strengthening its scrutiny arrangements; the Council is also working with other Councils to offer peer challenge. Scrutiny self-evaluation has taken place for the first time, this includes views from Officers, Elected Members and Scrutiny Members. This is being used to shape the Councils improvement and develop a strategy-on-a-page. The Council is collaborating with the WLGA to develop an e-learning module for Officers, Elected Members and Scrutiny Members regarding governance and scrutiny. Forward plans will include the Council's RTI Plan and use the Cabinet Forward Plan.

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 2021-22 no Cabinet decisions have been subject to "call-in". Cabinet members are requested to attend scrutiny committee meetings where they are available to respond to challenge on their areas of responsibility, Cabinet Member attendance has improved significantly in 2021/22.

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

The Constitution 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 2021-22 was presented to Full Council in July 2022.

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 (PSB). Training will be provided to Councillors on the Joint PSB Scrutiny Committee on their role by the WLGA. Following Local Government elections in May 2022 the Council is enhancing its programme of training for Councillors.

The RTI Board members include Cabinet Members, monthly updates are received, outcomes and progress are reported to Corporate Management Team (CMT) and Senior Leadership Group. Quarterly reports are provided to Cabinet for information on progress. Progress towards outcome achievement is challenged at Transformation, Commercialisation & Corporate Centre Scrutiny committee meetings. Senior Management meetings are in place for each directorate to present reports on service delivery plans.

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 an approved Risk Management Strategy that includes a Corporate Risk Management Policy Statement. The Risk Management Policy and Strategy has been updated 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. Risk appetite and opportunity risks are focuses for improvement.

Each Corporate Risk is allocated to a Portfolio Member, Lead CMT Officer and Lead Officers to ensure that there are clear lines of responsibility and awareness at all levels of the Council. To support the management of each Corporate Risk, Team Members and Key Partners are also identified within the Corporate Risk Register.

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

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 currently based on the widely used PESTLE Model (Political, Economic, Social, Technological, Legal and Environmental). Other models such as SWOT (Strengths; Weaknesses; Opportunities; Threats) analysis and 'bow tie' analysis can also be used and are featured in the review of the Council's risk policy/strategy. This is currently being revisited as part of reviewing the Council's risk policy/strategy. The introduction of the Local Government and Elections (Wales) Act 2021, where Councils will focus on effective, efficient and economic use of resources, will be built into our governance and risk management. This is being done in reviewing the Council's risk policy/strategy.

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 Director and Service Risk Registers.
  - The identified issues in the Director and Service Risk Registers.
  - Risk Identification Workshops for CMT and Councillors.

Risk appetite and tolerance is also being revisited as part of the Council's reviewed risk policy/strategy. 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 Budget Board, which includes the Cabinet and CMT, meet on a monthly basis to scrutinise service performance against budgets. Where financial issues exist, Directors, with respective Cabinet Portfolio Members, are challenged and are required to provide explanations and potential solutions. Cabinet formally consider Budget Monitoring statements on a quarterly basis.

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, Governance and 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. A Constitution working group has been set up to review the Constitution, the financial procedure rules will form part of this process. It is anticipated that the constitution will be finalised and presented to Full Council in January 2023.

The annual budget process encompasses medium term financial planning with the intention that budget decisions are aligned to wellbeing objectives, asset management planning and the Healthy Organisation Plan. The Council's approved Medium Term Financial Plan covers a 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).

Audit Wales issued the Council's Assessment of Progress to Address Key Concerns in March 2021. The report set out Audit Wales assessment of the Council's progress in addressing the concerns identified in the Audit Wales letter issued to the Council in May 2019, and also those identified in the September 2019 John Gilbert report, and the December 2019 Improvement and Assurance Board's Rapid Assessment report. Within the report Audit Wales captured the current challenges facing the Council and the following key themes/areas that the Council need to focus its attention:

- Governance
- Leadership
- Transformation
- Capacity
- Medium-term financial position and financial resilience
- Service challenges
- Performance management
- Partnership working

The Audit Wales report of March 2021 also set out the requirement for the Council to respond at a meeting one month after receiving the report. A report was presented to Full Council/Annual General Meeting and Mayor's Installation (AGM) on the 7 May 2021 which set out the Council's response to the Audit Wales report in March 2021, it summarised the actions already completed and the further actions the Council will undertake in order to address the recommendations. Recommendations and actions are monitored on the Council's Audit Action Plan (AAP) system, monitoring is regularly undertaken by the Corporate Management Team (CMT).

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 Annual Internal Audit Report for the financial year 2021/2022 incorporating the Head of the Regional Internal Audit Service opinion was reported to the Council's Governance and Audit Committee in July 2022. Based upon the work undertaken during the year the Head of Internal Audit gave a Reasonable Assurance opinion on the internal control environment, risk management and governance arrangements for 2021/2022.

The Governance and 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. In 2021/22, the Audit Committee became the 'Governance and Audit Committee' as set out in the Local Government and Elections (Wales) Act 2021. In line with requirements of the Act Lay members have been appointed so that a third of the membership are Lay members from May 2022. A Lay member was elected as the Chair of the Governance and Audit Committee in July 2022.

The Council's Data Protection Officer sits on the All Wales Data Protection Officer Group, All Wales Data Protection Officer for Schools Forum and the South Wales Information Forum where issues relating to personal data sharing are discussed. We have also created and hosted a Regional Cwm Taf General Data Protection Regulations (GDPR) Forum with representatives from the Cwm Taf Morgannwg Teaching Health-board (CTMHB), Rhondda Cynon Taf County Borough Council (RCTCBC) and Bridgend County Borough Council (BCBC) on a monthly basis. The Council has an Information Governance Forum which is chaired by the Senior Information Risk Owner (SIRO), Chief Executive, and has representatives for all Council departments which takes place quarterly. Local data sharing arrangements are discussed during these meetings.

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.

The Council's RTI Plan was agreed by the Minister and the Improvement and Assurance Board that had been put in place by Welsh Government following the Council's request for support. This plan addresses the points raised by Audit Wales. The Council has invested £705,000 in staffing during the first phase of the Council's capacity exercise during 2020/21, as part of second phase in 2021/22 a further investment of £725,000 was approved in October 2021. A further set of capacity reviews have been delivered to strengthen various areas across the Council and support the delivery of the RTI Plan. Capacity review has also been built into Council governance.

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. In addition to this data quality, validation, analysis and the general use of data is included in the Council's RTI Plan. The RTI Plan is currently being developed to align with the Act.

**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. Since September 2020 and due to the COVID-19 pandemic all committee meetings are held remotely via Microsoft Teams, these committee meetings are recorded and published on the Council's website.

Reports are subject to officer challenge as part of governance arrangements (e.g. RTI Steering Group) and prior to Cabinet and Council via Corporate Management Team (CMT), and Service Management meetings. This provides a means for ensuring a balance between the correct level of information and data 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 2020/21 was published in October 2021, meeting the Council's duty. The Council has issued the forward looking plan Focus on the Future – Well-being in our Community 2017-2022. In 2021/22 the self-assessment report replaced the Annual Performance Report and there is no longer a deadline within the Local Government and Elections (Wales) Act 2021, the self-assessment report was approved by Full Council in November 2022.

Annual Financial Statements are presented to Full Council for approval following external Audit by Audit Wales, 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 or proposals for improvement received from Audit Wales are also taken into account, the annual audit summaries and standalone reports are being taken into consideration in improvement design.

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 CMT including the Chief Executive, Monitoring Officer, Section 151 Officer, and also Councillors via the Governance and Audit Committee.

The assessment process involves comparing existing arrangements within the Council against the checklist published by CIPFA/SOLACE. This checklist is updated by key officers, evidence is provided

to support any changes that have taken place in the year. The checklist, evaluations and evidence are independently evaluated by the Regional 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 CMT and Governance and Audit Committee; and also Audit Wales.

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'.

The Council has introduced a process and software system (Audit Action Plan (AAP) system) for monitoring External Audit, Regulation and Inspection reports and their actions/recommendations. This involves performance checking all reports and maintaining a monitoring system. Reports are presented to the CMT and Senior Leadership Team which includes an update on progress made against each action/recommendation. The Governance and Audit Committee can use this data to inform discussions and/or have access to the data if they require.

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 (the Act).

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 Audit Wales, ESTYN, the Social Services Regulators (Care Inspectorate Wales (CIW)) and other key regulators, commissioners and stakeholders. There has been an increased amount of partnership working and peer challenge as part of the Recovery, Transformation and Improvement (RTI) Plan and in the Councils response to the impacts of the Covid-19 Pandemic. The Council is working with the WLGA and several other Councils in responding to the new Local Government and Elections Act 2021. This includes peer challenge which will help the Council better deliver its well-being objectives to achieve the Councils vision. This will be built on as the Council further develops its processes in responding to the new Act. The Council is also in the process of reviewing and renewing its Corporate Well-being Plan.

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 entered into a shared service arrangement for the provision of internal audit services. The Regional Internal Audit Service commenced operational activity in April 2019 and is operated in collaboration between Merthyr Tydfil, Rhondda Cynon Taf, Bridgend and Vale of Glamorgan Councils. 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 Governance and 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 Audit Committee changed to the 'Governance and Audit Committee' from the 1 April 2021 in line with the Local Government and Elections Act 2021. The Committee Terms of Reference are compliant with best practice guidance and have been updated to reflect the Local Government and Elections Act 2021. In line with requirements of the Act Lay members have been appointed so that a third of the membership are Lay members from May 2022. A Lay member was elected as the Chair of the Committee in July 2022.

The Governance and Audit Committee, CMT and other officers are consulted on areas for inclusion in the Annual Internal Audit Plan. At the end of the financial year the Head of Regional Internal Audit Service 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.

Audit Wales as 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.

## 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 (CMT) including the Chief Executive, Monitoring Officer, Section 151 Officer, and also Councillors via the Governance and Audit Committee.

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

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

The Regional Internal Audit Service (RIAS) and key officers of the Council carried out a review based on CIPFA/SOLACE guidance to complete the Annual Governance Statement, gaps in governance arrangements are identified and a review the effectiveness of existing arrangements.

A number of recommendations to strengthen the governance arrangements were made in the 2019/20 AGS, progress against these recommendations is detailed below:

No.	Recommendation	Progress
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.	Implemented  The majority of Councillors have completed a PDR there is no requirement for them to complete them. Democratic Services are taking their requests into consideration when procuring appropriate training.
2	The updated Anti-Fraud, Corruption and Bribery policy and associated protocols need to be formally approved.	Implemented  The Anti-Fraud, Corruption and Bribery Policy and the Counter Fraud Strategy was presented to Governance and Audit Committee on the 10 January 2022 and the approved by Full Council on the 30 March 2022.

No.	Recommendation	Progress
3	The Whistleblowing Policy needs to be publicised to staff.	Implemented
4	An Annual Report on corporate complaints should be reported to Cabinet and Audit or Scrutiny Committee.	<p>Implemented</p> <p>The Annual Report on corporate complaints was to the Governance and Audit Committee on 14 February 2022.</p> <p>The Annual Report on corporate complaints will be reported to Cabinet and Scrutiny by October 2022.</p>
5	Forward Plans should be made available on the intranet.	Implemented
6	The Corporate Asset Management Plan requires updating and reviewing.	<p>Partly Implemented</p> <p>The new Asset Management Plan has been agreed by the Asset Management Board and reported to Scrutiny Committee. This has recently been amended slightly to take account of a recent audit by Audit Wales and will be reported to Asset Management Board in December 2022 and then scheduled for Full Council in January 2023.</p>
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.	<p>Partly Implemented</p> <p>The Council has worked with the WLGA and an external expert (a member of the IAB that was with MTCBC until earlier this year) in implementing this. Peers from a neighbouring Council has also provided input on key materials. This has provided another form of external challenge. Materials and principles from official sources (e.g. WLGA, Audit Wales and others) have been used.</p> <p>Key principles and an overarching aim have been agreed. This will be used to inform a scrutiny strategy on a page, forward work programmes and future training and development. Support materials have been developed, which include: a practical</p>

No.	Recommendation	Progress
		<p>guide to scrutiny for members; fact sheets; slides; basic animations; useful links; and e-learning.</p> <p>A robust e-learning programme was rolled out in July 2022. This includes Elected Member training and part of the Manager's Curriculum.</p> <p>The Council has approved its performance management and quality assurance framework alongside the corporate well-being plan (published in April 2022).</p> <p>The Council has launched its quarterly performance and improvement reviews (QPIRs). This is an officer led scrutiny of the Council's performance and improvement.</p>
8	<p>Previous recommendation</p> <p>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.</p>	<p>Partly Implemented.</p> <p>A Constitution working group has been set up to review the Constitution. WLGA has been instrumental in securing external lawyers to provide a draft revised All-Wales model Constitution which will be amended and adopt.</p> <p>It is anticipated that the constitution will be finalised and presented to Full Council in January 2023. The financial procedure rules will form part of this process.</p>
9	<p>Previous Recommendation</p> <p>Within the Council's Constitution the Leader and Chief Executive have defined distinctive leadership roles that are set out in a number of areas. This area needs to be reviewed owing to the need for more clearly define and distinguish between the respective roles and responsibilities.</p>	<p>Partly Implemented</p> <p>Whilst this forms part of the Constitution it has also been the subject of ongoing work between the Chief Executive and the Leaders in position since 2017. With the recent election and a new Leader now in place the close working relationship that has been established will continue to be supported to ensure their respective roles are clear.</p>

No.	Recommendation	Progress
10	The Risk Management Policy and Strategy 2014 requires updating.	<p>Implemented</p> <p>The Risk Management Strategy/Policy 2022 was presented and approved at Full Council on 7<sup>th</sup> September 2022.</p>
11	<p>Previous Recommendation</p> <p>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 needs to be reviewed to align with the Wellbeing of Future Generation (Wales) Act 2015 and be in line with Councils Improvement Plan.</p>	<p>Partly Implemented</p> <p>The Council has created a corporate data team as part of its recent restructure. The Council has also used its apprenticeship scheme to develop this service. The Council is working with neighbouring Councils to strengthen skill sets and upskilling staff. The Council is planning to develop its capacity further including developing funding applications to do this.</p> <p>The Council is involved in regional projects and working with other Councils regarding externally funded projects. This is supporting areas of priority such as social care, HR and organisational development.</p> <p>The Council has developed a corporate dashboard to inform decision making. This is continuously being strengthened and links to the in-house developed audit action plan (AAP) system. The AAP system monitors all recommendations made to the Council by external regulators. Reports from the AAP system are reported monthly to CMT and are also reported to Governance and Audit Committee.</p> <p>The Council has launched its quarterly performance and improvement reviews (QPIRs). This is an officer led scrutiny of the Councils performance and improvement.</p> <p>The Recovery, Transformation and Improvement (RTI) Steering Group and RTI Board is in place to keep its governance arrangements regarding the delivery of its Recovery, Transformation and Improvement (RTI) Plan.</p>

2021/22 saw the Covid-19 pandemic continue to have a major impact on how the Council has had to operate and the governance arrangements and processes that were put in place to ensure it could continue to support residents and businesses during this difficult and challenging year.

Throughout 2021/22 the Council has maintained and reviewed its system of internal control in a number of ways. In particular:

The RIAS has undertaken planned reviews of internal control procedures, risk management and governance arrangements across departments and across a range of functions within the Council. Reports were published upon completion of assignments and circulated to management. The RIAS implemented new processes including the use of Audit Management software for recording all Internal Audit recommendations, which are subject to regular follow up processes.

Covid-19 also changed how audit work was carried out in 2021/22 as it did in 2020/21 and all staff have worked from home for the year. Audits have been conducted remotely using various digital solutions, holding remote meetings, sharing of screens and sending of data and evidence electronically. As restrictions are removed and where necessary some audits are being conducted on site.

Whilst there was a steep learning curve both for audit staff and auditees all have adjusted well to the new ways of working. Audits have taken longer in some instances due to responses to draft reports taking longer than usual where services have been under more pressure. Internal Audit was asked to defer some audits due to pressures on some services caused by the COVID 19 pandemic.

It is likely that the service will continue to be delivered remotely for the foreseeable future with an element of office based/face to face working introduced over time.

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

The Annual Internal Audit Report for the financial year 2021/22 incorporating the Head of Regional Internal Audit's Annual opinion was reported to the Council's Governance and Audit Committee in July 2022.

Taking into account the results of internal audit work completed for the financial year 2021/22, internal controls and risk management were found to be Reasonable Assurance.

Given the progress made in addressing previous concerns around governance the Head of Internal Audit's opinion on governance is also Reasonable Assurance.

**Therefore, the Head of Internal Audit's annual opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control for 2021-22 is:**

***Reasonable Assurance***

The Scrutiny committees have examined a number of issues as part of their work programme in 2021/22. These were reported in the Annual Report to Full Council in July 2022.

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

From a broad governance perspective, the Improvement and Assurance Board appointed by the Minister for Housing and Local Government with independent external members in 2019 continued to be in place during 2021/22. However, the Improvement and Assurance Board has now stood down with their last board meeting being held on the 16 March 2022.

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

By complying with the principles and standards within the FM Code authorities will be able to demonstrate their financial sustainability. Whilst the FM Code is designed to be flexible to the nature, needs and circumstances of individual authorities, it is up to each authority to determine the extent to which it complies with the FM Code and to identify what action it may wish to take to better meet the standards that the FM Code sets out. Full compliance is expected for the 2021/22 financial year since the 2020/21 financial year acted as a shadow year.

The Council has made an assessment of its current compliance with the 6 principles (leadership, accountability, transparency, standards, assurance and sustainability) and the 17 Standards outlined in the FM Code. The assessment has identified that the Council can demonstrate compliance with all of the Standards, but it is recognised that further improvements can be made to enhance compliance during 2022/23.

The Significant Governance Issues identified for 2021/22 are shown in section 6 and take into account the definition identified in Appendix 1.

The Significant Governance Issues identified in 2020/21 together with the updated current position regarding their status is included in section 7.



**6. SIGNIFICANT GOVERNANCE ISSUES 2021/22**

Issues	2021/22 AGS Position & Action Taken/Planned
<p><b>Financial Pressures: Limited financial resources versus increasing demand for services and capital projects causes budget pressures which impact upon the delivery of public services.</b></p> <p><b>E.g. Reduction in funding from the Welsh Government, lack of investment income, capital receipts, costly care packages, reductions in grant funding.</b></p>	<p>The Medium Term Financial Plan (MTFP) 2021/2022 to 2024/2025 was approved by Council of 3rd March 2021 and indicated a revised estimated budget deficit of £13 million over the 4 year period 2021/22 to 2024/25. The MTFP 2022/23 to 2025/26 was presented for approval to Council on 2nd March 2022 and indicated an estimated cumulative budget deficit of circa £16.4 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 set at a minimum of £5.722 million for the duration of the MTFP 2022/23 to 2025/26. 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><b>Further COVID-19 implications.</b></p>	<p>The implications of Covid-19 had a significant impact on the financial performance in 2021/22 and without Welsh Government support it would have been impossible to stay within Budget. Following the +9% settlement increase for 2022/23, Welsh Government has provided indicative settlements of +3.5%</p>

<b>Issues</b>	<b>2021/22 AGS Position &amp; Action Taken/Planned</b>
	<p>for 2023/24 and +2.4% for 2024/25. Owing to the cost of living crisis with spiralling inflation and increasing bank rates together with recovering from the covid pandemic, the Council is faced with significant financial challenges resulting from additional costs, loss of income and supporting the local economy and the council tax payers.</p> <p>The Welsh Government provided financial support for the whole of 2021/22 to support Local Authorities with their significant financial challenges from both additional costs and loss of income. Without continued Welsh Government financial support the Council would have been faced with significant budget deficits requiring in-year service reductions and/or utilisation of reserves.</p> <p>The Council has set out a number of principles which align to the Council's RTI Plan and will be built upon as the Council recovers from the pandemic and continues its transformation and improvement journey.</p>
<b>Impact of the flooding</b>	<p>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 has received notification of £5.4 million support for 2020/21 to 2021/22 with a further £3 million financial support expected to be confirmed for 2022/23.</p>
<b>Capacity Issues for the Council</b>	<p>Audit Wales, supported by the Welsh Government's Improvement and Assurance Board, 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. A first phase of the Council's capacity exercise was undertaken during 2020/21 with investment of £705,000 approved February 2021. The second phase of the capacity exercise was undertaken during 2021/22 with further investment of £725,000 approved October 2021. Potential further capacity issues are currently being considered subject to affordability.</p>
<b>Educational Attainment</b>	<p>The recent Estyn inspection of the Local Authority recognised the journey of travel outlined with the Raising Aspirations, Raising Standards policy. This remains the driver for school improvement across all schools, it is in the process of being refreshed in light of changes to the curriculum and ongoing pressures</p>

Issues	2021/22 AGS Position & Action Taken/Planned
<b>Strengthen Performance Management Arrangements</b>	<p>as a result of both the pandemic and the cost of living crisis. Working closely with Central South Consortium Joint Education Service (CSC) enables the Local Authority to be increasingly confident about the performance of its schools.</p> <p>To accompany its member led scrutiny, the Council has developed and implemented an officer led quarterly performance and improvement review process. This is used alongside the Council's self-evaluation process and has been built into the Council's existing governance and forms part of the Council's approved Performance Management and Quality Assurance Framework (this was approved as part of the Council's Corporate Well-being Plan).</p> <p>A corporate dashboard has been developed to inform Corporate Management Team (CMT) meetings. This will continue to be strengthened in line with the requirements of the Council and will be used as part of the Council's Self-Assessment Report (meeting the requirements of the Local Government and Elections (Wales) Act 2021).</p> <p>On a staff level, the Council has implemented its new e-performance module. This allows the effective and efficient monitoring of 1-2-1 meetings with staff and focus on the performance process. This supports the Council performance improvement but also capacity balancing and succession planning.</p>
<b>Strengthen scrutiny arrangements</b>	<p>Following analysis of a self-evaluation survey (carried out with all those involved in the scrutiny function) and several workshops with Members, the Council has further strengthened its scrutiny improvement plans. The Council has continued to engage, and work with, the WLGA on this. The Council has also worked with independent support provided through the WLGA (a member of the Improvement and Assurance Board that was in place within the Council). Peers from other Councils have provided feedback on key elements of the improvement plans to ensure continuous improvement and challenge is built in.</p> <p>Work programmes have been developed, led by Members, and are being implemented. This has strengthened integration across the delivery of strategies and the forward plans for scrutiny. Further developments to the forward work programmes are in place with a framework for Chairs to use to ensure the right issues are scrutinised. This forms part of the scrutiny improvement plan through a '4 R's' approach i.e. the Right Issues being scrutinised in the Right Way at the Right Time and in the Right Place. As such a focus is being placed on different</p>

Issues	2021/22 AGS Position & Action Taken/Planned
	<p>ways of delivering scrutiny, e.g. pre-decision scrutiny, enquiry days, task and finish groups. Ways to engage the public in the scrutiny process is also being developed and being built into the work programmes. The Council will learn lessons of 2021/22 to promote advertising of co-opted Member vacancies on committees.</p> <p>A practical guide to scrutiny has been developed and shared with all Members to support them in their roles. Training is being delivered, focusing on adding value and the role of scrutiny (in line with the WLGA's 'Improvement Programme – Training Material Overview'). The Council is also making use of on-line material and e-learning training developed by the WLGA. Specific training workshops are being delivered by the WLGA (e.g. Scrutiny Chairing). More practical changes are also being implemented such as earlier pre-meetings to enable additional information to be provided or a greater chance to develop questions and lines of enquiry. Quarterly Technical Meetings and Scrutiny Surgeries are being developed to allow scrutineers to gain a better understanding of issues to improve the level of scrutiny.</p> <p>An overarching aim of 'making a difference together' is being tested with Members to form the basis of a strategy on a page for scrutiny. This will help assess the impact of scrutiny.</p>
<b>Curriculum Compliance</b>	<p>As the Curriculum for Wales is rolled out there are a number of compliance issues that schools may face. These were not factored into the roll-out by Welsh Government and the Local Authority together with Central South Consortium Joint Education Service (CSC) are working closely together to ensure that schools are aware of these and are fully compliant.</p>
<b>Property Maintenance Inspection Plans &amp; Regimes</b>	<p>One completed Internal Audit review issued in 2021/22 in relation to Property Maintenance Inspection Plans &amp; Regimes has been given an audit opinion of <b>no assurance</b>, that is, no assurance can be placed on the current systems of internal control, governance and risk management.</p> <p>The objective of the audit was to evaluate the system of internal control with a view to delivering reasonable assurance to the Authority over the adequacy of the internal control environment. The audit work undertaken identified weaknesses in the system of control and also a level of non-compliance to the Authority's Rules &amp; Policies which puts the Authority's objectives at risk. The</p>

Issues	2021/22 AGS Position & Action Taken/Planned
	<p>overall opinion on the internal control environment was graded Poor and resulted in 13 audit recommendations being made, 8 of which were of a high priority. All recommendations have been agreed by management, and progress against these recommendations will be monitored in accordance with routine internal audit monitoring procedures. This audit area will also be included in the internal audit plan for a follow up review during 2022/23. The key issues identified during the audit were:</p> <ul style="list-style-type: none"> <li>○ Compliance inspections need to be undertaken as a matter of urgency and monitored closely.</li> <li>○ Compliance visit surveys require updating to include detailed information of the inspection undertaken independently and legislation. Any actions reported on the survey should be monitored for completeness.</li> <li>○ The 2020/21 completed compliance visit surveys completed remotely should be inspected by the Statutory Compliance Officer to ensure the actions are addressed.</li> <li>○ RAMIS (IT system) requires urgent updates from Building Managers or Property Services Officers providing an independent check/verification to confirm all overdue maintenance works have been addressed/actioned. Additionally, the system should include legislation and statutory guidelines for all buildings/properties.</li> <li>○ The Contract Monitoring spreadsheet requires updating to ensure the correct detail is recorded.</li> <li>○ Contracts must be reviewed to ensure compliance with the Financial Procedure Rules and Procurement and Contracting Rules.</li> <li>○ Training should be provided to all Building Managers and officers who are required to update the RAMIS (IT system).</li> </ul> <p>The matter was reported to the Governance and Audit Committee on 10<sup>th</sup> January 2022 and the Building &amp; Property Services Manager attended the Committee meeting on the 14<sup>th</sup> February 2022 and advised that positive progress was being made in implementing the recommendations.</p> <p>Internal Audit will conduct a follow up review during 2022/23 with the outcome reported to management and the Committee.</p>

**7. SIGNIFICANT GOVERNANCE ISSUES 2020/21 - UPDATE**

Issues	CURRENT POSITION (2022)
<p><b>Financial Pressures: Limited financial resources versus increasing demand for services and capital projects causes budget pressures which impact upon the delivery of public services.</b></p> <p><b>E.g. Reduction in funding from the Welsh Government, lack of investment income, capital receipts, costly care packages, reductions in grant funding.</b></p>	<p>The Council received a Welsh Government revenue settlement of +9.0% for 2022/23 with indicative all Wales average settlements of +3.5% for 2023/24 and +2.4% for 2024/25. A balanced budget for 2022/23 was approved by Council in March 2022 with budget deficits of £5.5 million, £4.9 million and £6.0 million projected for 2023/24, 2024/25 and 2025/26 respectively, based on assumptions within the Medium Term Financial Plan.</p> <p>Spiralling inflation costs, interest rate increases, unprecedented energy cost increases and a pay award in excess of that budgeted has revised the budget deficit for 2023/24 alone to £14.8 million.</p> <p>Corporate Management Team with Cabinet are actively engaged in formulating proposals to address the projected budget deficits.</p> <p>See Section 6 – ‘Significant Governance Issues 2021/22’ for the current position and action taken / planned to address the issue.</p>
<p><b>Further COVID-19 implications.</b></p>	<p>Welsh Government support through the Hardship Fund continued throughout 2021/22 ceasing on 31st March 2022. Through Local Authority and Welsh Local Government Association representation, Welsh Government is being reminded of the significant financial pressures continuing to be faced by Local Authorities.</p>
<p><b>Impact of the flooding</b></p>	<p>The Council has received notification of £5.4 million support for 2020/21 to 2021/22 with a further £3 million financial support expected to be confirmed for 2022/23. It is recognised however that a proportion of the capital repair projects will probably ‘slip’ into 2023/24.</p>

Issues	CURRENT POSITION (2022)
<b>Capacity Issues for the Council</b>	<p>The Council has conducted a capacity exercise outlining areas of concern. These have or are being addressed. This could mean working differently and/or adding capacity. The first phase of the capacity exercise resulted in the Council investing £705k for 2021/22 (£749k for 2022/23 and £786k for 2023/24) into staffing. The second phase resulted in £725k for 2021/22 (£873k for 2022/23 and £911k for 2023/24) of additional investment in staffing, resulting in a further 21.5 Full Time Equivalent positions added to the structure.</p> <p>In addition to the capacity exercise, the Council approved £802k for 2021/22 (£675k for 2022/23 and £725k for 2023/24) in staffing resource to support the delivery of the Council Recovery, Transformation and Improvement (RTI) Plan.</p> <p>The Council has also continued to use external funding to support its capacity needs. There are several examples of this from across the Council. One of these examples being the social services transformation grant supporting a member of staff in delivering adult services projects.</p> <p>Addressing capacity is a corporate risk for the Council. Mitigation actions have been approved as part of the Council's governance arrangements. As part of this process, the Governance and Audit Committee and Scrutiny Committees have challenged the Council's position regarding single points of dependency (SPODs). This has been reviewed as part of the capacity exercises. Capacity need has been built into the Council's budgeting process.</p> <p>A further capacity review is to be initiated to establish whether or not capacity concerns are still prominent within Council services. This may result in a further investment requirement.</p>
<b>Educational Attainment</b>	<p>The Council has continued with the ambitions set out in the Raising Aspirations Raising Standards Strategy but the timeline has needed to be altered due to the ongoing pandemic situation. Changes to accountability measures and processes for the assessment of GCSEs mean it is difficult to make an evaluative statement regarding end of KS4 standards. However the continued use of the corporate panel process for all secondary schools ensures that officers at a senior level in the Council are aware of targets and progress of KS4 learners. Systems to map progress of all learners are being developed.</p>

Issues	CURRENT POSITION (2022)
<b>Senior Management Permanency</b>	<p>Permanent appointments of the Chief Executive and Deputy Chief Executive have been made and are in place. Following the permanent appointment of the Chief Executive, a new role in the senior management structure has been agreed; Director of Governance &amp; Resources. Due to the wide range of services provided within the centre and the potential move over time of the commercial function to this area, a senior strategic lead would provide additional capacity to improve corporate governance. This post has been advertised but has not yet been filled.</p>
<b>Strengthen Performance Management Arrangements</b>	<p>The Council has developed and is delivering an officer led quarterly performance and improvement review process. Findings are being built into existing governance arrangements. This will be used alongside scrutiny committee outcomes and the Council's self-evaluation process.</p> <p>A corporate dashboard has been developed to inform corporate management team meetings. This is being developed further so that it can be used wider. This has been used to strengthen the Council's annual performance report.</p> <p>A performance management and quality assurance framework and governance framework are being developed this formed part of the Council's Corporate Well-being Plan report to Council in March 2022.</p> <p>On a staff level, the Council has implemented its new e-performance module. This allows the effective and efficient monitoring of 1-2-1 meetings with staff and focus on the performance process. This supports the Council performance improvement but also capacity balancing and succession planning.</p>
<b>Strengthen scrutiny arrangements</b>	<p>The Council has held several workshops following a self-evaluation survey regarding the scrutiny function. The Council has engaged with, and is working with, the WLGA on this improvement. Work programmes have been developed working with Members and are being implemented. This has strengthened integration across the delivery of strategies and the forward plans for scrutiny.</p> <p>Workshops were held with Members and officers (with support from the WLGA) regarding the scrutiny structure and what scrutiny needs to deliver to support the Council. This formed part of Councillor inductions in 2022.</p>



<b>Issues</b>	<b>CURRENT POSITION (2022)</b>
	<p>A strategy on a page will be developed to assess the impact of scrutiny. This will work alongside the work already done regarding meetings before scrutiny committee meetings and reviews of the meeting.</p> <p>Working with the WLGA, the Council developed an e-learning module for Members. This will form part of the Member induction programme and future Councillor training.</p> <p>Ways to engage the public in the scrutiny process is also being developed. This is being built into the work programmes.</p>

## **Approval of the Annual Governance Statement 2021-22**

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.**

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

**Councillor Geraint Thomas  
Leader of the Council**

**Ellis Cooper  
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.

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

### **Opinion on financial statements**

I have audited the financial statements of Merthyr Tydfil County Borough Council for the year ended 31 March 2022 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

In my opinion the financial statements:

- give a true and fair view of the financial position of Merthyr Tydfil County Borough Council as at 31 March 2022 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22.

### **Basis of opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the council in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Emphasis of Matter – effects of COVID-19 on the valuation of the Council's property assets**

I draw attention to Note 4 to the financial statements which describes a material valuation uncertainty clause in the valuation report of certain property items revalued in 2019-20 arising from circumstances caused by the COVID-19 pandemic. My opinion is not modified in respect of this matter.

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

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

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

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

**Other Information**

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

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

I have nothing to report in this regard.

**Report on other requirements****Opinion on other matters**

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

**Matters on which I report by exception**

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

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

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

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 20, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing Merthyr Tydfil County Borough Council's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

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

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

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

My procedures included the following:

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

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

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

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

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

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

**Certificate of completion of audit**

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

Adrian Crompton  
Auditor General for Wales  
23<sup>rd</sup> January 2023

24 Cathedral Road  
Cardiff  
CF11 9LJ

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