

MERTHYR TYDFIL COUNTY BOROUGH COUNCIL



Cyngor Bwrdeistref Sirol
MERTHYR TUDFUL
MERTHYR TYDFIL
County Borough Council

MYNEGIAD CYFRIFON AM Y FLWYDDYN YN DIWEDDU 31 MAWRTH 2023

STATEMENT OF ACCOUNTS FOR YEAR ENDED 31 MARCH 2023

L Hull 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 61,000 and an area of approximately 11,000 hectares of which 2,300 hectares lies within the Brecon Beacons National Park.

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

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

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

Organisational Structure

The Council consists of 30 Elected Members representing 11 electoral divisions with the political balance at 31st March 2023 being 15 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 31st March 2023, the Cabinet consisted of 6 Cabinet Members led by the Leader of the Council as Chair who also has responsibility for the Portfolio for Housing and Regeneration. Cabinet Portfolios are as follows:

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

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

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

- Deputy Chief Executive – supporting the Cabinet Member for Housing and Regeneration, and responsible for community regeneration, commercialisation, employability and housing and the Cabinet Member for Public Protection, Crime and Disorder and responsible for public protection and crime and disorder

- Director of Education – supporting the Cabinet Member for Education and responsible for schools and education
- Director of Social Services – supporting the Cabinet Member for Social Services and responsible for children’s services, adult services, safeguarding and youth services
- Director of Neighbourhood Services – supporting the Cabinet Member for Neighbourhood Services and responsible for refuse and waste, highways and engineering, planning and countryside, bereavement services, grounds maintenance, street cleansing and fleet management
- 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 2023/24 to 2026/27 approved by Council on 8th March 2023 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 17th 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 21st 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 2nd March 2022.

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

1. An Aspirational Merthyr Tydfil focused on learning

We will strengthen how we enable people to grow and reach their potential.

2. A Healthier Merthyr Tydfil

We will empower people to live independent and dignified lives.

3. A Safe and Prosperous Merthyr Tydfil

We will support how our economy recovers and grow.

4. A Clean and Green Merthyr Tydfil.

We will support the creation of a safe, clean and green environment now and in the future.

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

Performance Against Wellbeing Objectives

The Council's Corporate Self-Assessment report for 2021/22 was approved by Council on 9th November 2022. The following judgements against wellbeing objectives were reported:

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

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

Based on the judgements identified in the four wellbeing themes the overall judgement was adequate where strengths outweigh weaknesses, but important aspects require improvement. The ambition is to be able to provide the data and evidence to move to a judgement of good for the 2022/23 Self-Assessment report.

Under the Local Government Elections Act 2021, the Self-Assessment report replaces the former Annual Performance Report and was presented to the Governance and Audit Committee on 24th October 2022 before being approved at Council on 9th November 2022. The Self-Assessment report reflects progress from three perspectives:

- External
- Internal
- Regulatory and partner

In compliance with the Local Government Elections Act 2021, following Council approval the approved Self-Assessment report was taken back to the Governance and Audit Committee on 27th February 2023 for noting.

Core Financial Statements

This document presents the Statement of Accounts for Merthyr Tydfil County Borough Council for the financial year ended 31st March 2023. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

The financial statements – accompanied by a Statement of Responsibilities, Independent Auditor's Report, and explanatory notes – are set out on pages 23 to 106, 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 2022/23

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.

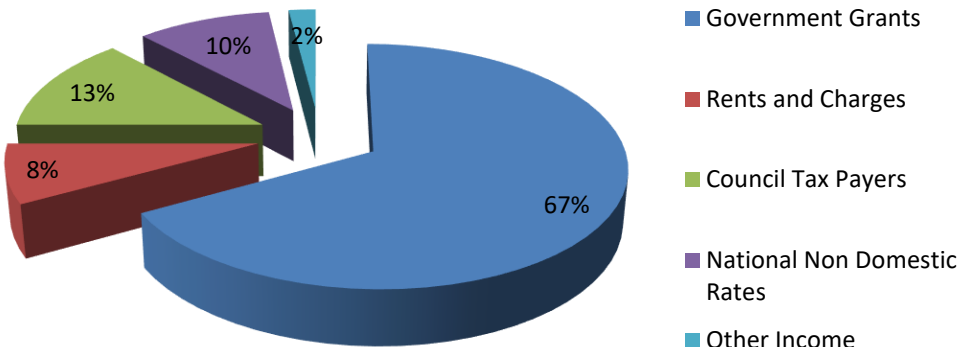
The following illustrations show, in broad terms, the Authority's revenue activities for the financial year ended 31st March 2023, that is, where the money comes from and what it is spent on.

Where the Money Comes From

Description	£'000	%
Government Grants	141,166	67
Rents and Charges	16,510	8
Council Tax Payers	26,891	13
National Non Domestic Rates	21,226	10
Other Income	5,106	2
Total	210,899	100

The largest single item is Government Grants which provides 67% of the total, whereas 8% comes from the services provided through rents, fees and charges. Council Tax income accounts for only 13% of the total income.

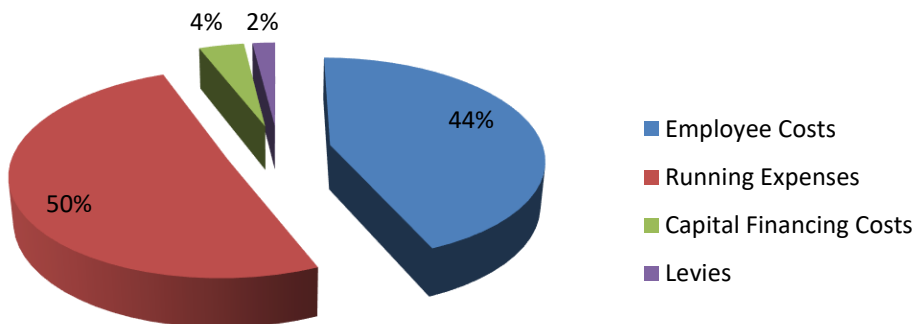
Where the Money Comes From



What the Money is Spent On

Description	£'000	%
Employee Costs	92,139	44
Running Expenses	108,283	50
Capital Financing Costs	7,425	4
Levies	3,378	2
Total	211,225	100

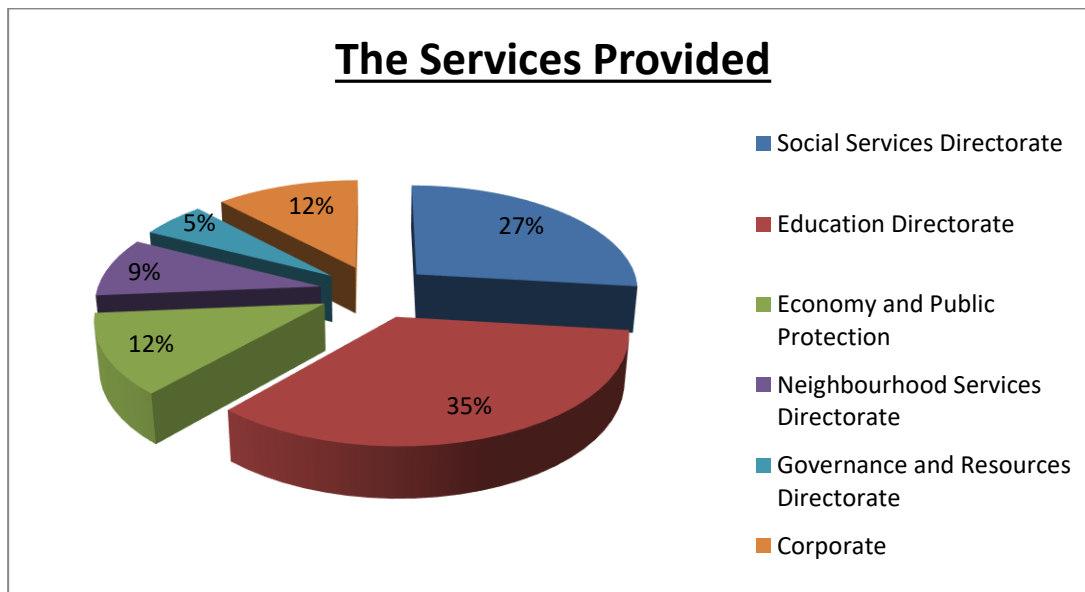
What the Money is Spent On



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

The Services Provided

Description	£'000	%
Social Services Directorate	56,735	27
Education Directorate	73,213	35
Economy and Public Protection	25,601	12
Neighbourhood Services Directorate	18,881	9
Governance and Resources Directorate	11,471	5
Corporate	25,324	12
Total	211,225	100



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 24, but they exclude:

- the precept collected in Council Tax for South Wales Police (£5.615 m for 2022/23, 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 £0.326 m net revenue deficit (i.e. the difference between the income and expenditure figures shown above) reconciles to the £3.466 m outturn shown in the Expenditure and Funding Analysis on page 24, because we recognised an additional £3.140 m in the accounts from our share of joint committees.

Revenue Outturn to Budget

The General Fund Revenue outturn to budget for 2022/23 is as follows:

Description	Revised Budget 2022/23 £'000	Outturn £'000	Variance £'000	Variance %
Education	55,674	55,917	243	0.44
Social Services	39,582	38,335	-1,247	-3.15
Neighbourhood Services	11,807	11,669	-138	-1.17
Economy and Public Protection	8,302	7,337	-965	-11.62
Governance and Resources	8,588	8,223	-365	-4.25
Corporate Costs	19,953	18,884	-1,069	-5.36
Contributions and Recharges	-830	-148	682	-82.17
Net Expenditure (a)	143,076	140,217	-2,859	-2.00
Transfer to Earmarked Reserves	0	1,355	1,355	n/a
Net Expenditure (b)	143,076	141,572	-1,504	-1.05

(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 £127,000 resulting from additional placements and associated transport costs.

School Transport – net budget deficit of £885,000 resulting from increased contract prices.

School Meals Service – net budget surplus of £226,000 owing to grant received for the administration and roll out of the Universal Primary Free School Meals initiative.

Additional Support – net budget surplus of £140,000 resulting from utilisation of the Additional Learning Needs grant.

Additional Learning Needs Team – net budget surplus of £102,000 resulting from contributions from the Children and Communities and Additional Learning Needs grants for salary costs.

Schools Data Management Systems Service – net budget surplus of £119,000 resulting from the receipt of additional grants.

Social Services

Social Care Client Service Strategies – net budget surplus of £621,000 resulting from additional grant income in respect of Domiciliary Care, Transition, Complex Care, Staying Well at Home Services, Enhanced Community Services, Transformation and Substance Misuse Specialist Placements.

Supported Placements – net budget surplus of £393,000 mainly resulting from a decrease in the number of placements than budgeted.

Direct Payments – net budget surplus of £371,000 resulting from higher than anticipated income and recovery of balances and lower than anticipated service delivery costs.

Independent Commissioned Day Services – net budget surplus of £174,000 resulting from lower demand than budgeted.

Independent Residential Establishments – net budget surplus of £647,000 mainly resulting from a change in accounting treatment in respect of in-year property charges income.

Children Looked After Residential Placement Services – net budget deficit of £844,000 resulting from increased placements and average cost per placement.

Children Looked After Fostering (Independent Fostering Agencies) – net budget deficit of £367,000 resulting from increased placements and average cost per placement.

Children Looked After Fostering (In-house) – net budget surplus of £184,000 resulting from less placements than budgeted.

Leaving Care Support Services – net budget deficit of £417,000 resulting from higher than anticipated spend within the ‘Stepdown’ provision together with the requirement of additional support for a number of young people.

Neighbourhood Services

Grounds Maintenance – net budget deficit of £174,000 resulting from costs associated with ash dieback.

Recycling Collection – net budget surplus of £378,000 resulting from recycling income exceeding budget and lower than budgeted fleet costs.

Highways Operational – net budget deficit of £107,000 resulting from increased contractor costs offset by savings on running costs and additional income.

Economy and Public Protection

Housing – net budget surplus of £530,000 resulting from additional ‘one-off’ Welsh Government grant towards homelessness costs together with housing benefit income.

St Tydfil's Shopping Centre – net budget deficit of £166,000 resulting primarily from the loss of income relating to termination of commercial tenancies together with repair and maintenance costs in respect of vacant properties and additional business rates liabilities.

Ukrainian Refugee Programme – net budget surplus of £248,000 resulting from tariff income exceeding actual expenditure for families housed in Merthyr Tydfil. The surplus is transferred to a earmarked reserve to fund future costs of the programme.

Governance and Resources

Parking Services – net budget surplus of £163,000 resulting from additional income from Penalty Charge Notices, pay and display charges and parking permits.

Corporate Costs

Capital Financing Costs – budget surplus of £649,000 resulting from slippage in the Capital Programme leading to a reduced Minimum Revenue Provision (MRP) charge to revenue than budgeted, together with changes to borrowing strategy.

Council Tax Benefit Payments – budget surplus of £275,000 resulting from significantly lower caseload than anticipated.

Administration Grant Income – receipt of additional grant income of £201,000 in respect of the reimbursement of the Council for the administration of the 'Winter Fuel Support', 'Cost of Living Support' and 'Unpaid Carers Support' Welsh Government initiatives.

Contributions and Recharges

Corporate Vacancy Factor – budget surplus of £958,000 reflecting greater staff savings than anticipated arising from the time elapsed between posts becoming vacant and subsequently re-filled.

Contribution from Budget Reserve – budget deficit of £701,000 reflecting unrequired contribution owing to the reported significant surplus outturn.

Pay Award / Employer National Insurance Contribution – net budget deficit of £1.193 million resulting from greater than anticipated pay award for 2022/23 offset by the Chancellor of the Exchequer's reversal of the proposed 1.25% increase in National Insurance Contribution.

Reserves

For 2022/23 the Council is reporting a transfer of £1.355 million to committed and requested earmarked reserves as outlined below.

Description	Value £'000	Description	Value £'000
Retained Leisure	8	Schools Data Management	20
Environmental Health	34	Human Resources	27
Catering	110	Household Waste Recycling	40
Rights of Way	13	Engineering	15
Ukrainian Refugee Programme	320	Retirement / Severance	24
Afghan Relocation Programme	32	Capital Financing Costs	649
Strategic Education Projects	15	Physical Regeneration	48
		Total	1,355

It is proposed that the remaining surplus of £1.504 million is transferred to the Budget Reserve to assist with budget setting over the medium term.

Capital Outturn to Budget

The Capital Outturn to Budget for 2022/23 is as follows:

Description	Revised Budget £'000	Out turn to Date £'000	Variance	
			£'000	%age
Expenditure:				
Education:				
21st Century Schools Programme	9,220	9,303	83	0.90%
Other Education	3,989	3,939	(50)	-1.25%
Physical Regeneration Programmes	7,701	7,378	(323)	-4.19%
Engineering & Transport	8,679	8,276	(403)	-4.64%
Land, Buildings and Corporate	10,781	9,582	(1,199)	-11.12%
Total	40,370	38,478	(1,892)	-4.69%
Financed By:				
Borrowing	15,888	16,192	304	1.91%
Grants and Contributions	23,671	21,796	(1,875)	-7.92%
Own Resources	811	490	(321)	-39.58%
Total	40,370	38,478	(1,892)	-4.69%

In 2022/23, the Authority spent £38.478 million on capital projects compared to the planned Capital Programme of £40.370 million.

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

Physical regeneration programme

Pontmorlais Scheme- £83,000 underspend – delays were experienced due to additional structural works and longer than expected lead times on specialist glazing materials required. The scheme has been extended until the end of June 2023 to accommodate these delays and no loss of funding expected.

Regional Bus Core - £60,000 underspend – slower progress was achieved on schemes identified within the programme than anticipated. Funding not utilised will be lost but the scheme will continue in 2023/24 with a revised allocation.

RTA Metro plus Rail Station - £161,000 underspend – delays were experienced due to extensive public consultation requirements. A revised allocation of funding will be made in 2023/24.

Engineering and Transport Infrastructure

EV infrastructure utilising Solar Energy - £234,000 underspend – Difficulties in equipment manufacture, contractor staffing issues and difficulties in connecting to the National Grid resulted in unavoidable delays and requirement to scale back the scheme.

Storm Damage - £250,000 underspend – a shortfall in actual works in comparison to that estimated for 2022/23. Unutilised funding can be carried forward to finance further schemes in 2023/24.

Land, Buildings and Corporate

3G Pitch and ATP resurfacing - £450,000 underspend– Grants were issued too late in the 2022/23 financial year to be utilised and permission has been granted for funding to be carried forward for use in 2023/24.

Afon Taf Flood lighting - £108,000 underspend – Planning and Biodiversity issues resulted in delays to the scheme. Funding can be carried forward for use in 2023/24.

Electric Vehicle Purchase - £95,000 – delays experienced in the delivery of vehicles, delivery is expected by the end of June 2023.

Civic Centre Roof and Windows - £78,000 underspend – changes in material specifications reduced costs significantly.

Financial Health

At 31st March 2023 the Authority's general balances and reserves not earmarked for any specific purpose totals £5.722 million (31st March 2022 - £5.722 million), equating to 3.75% of the Council's Budgeted Net Revenue Expenditure for 2023/24. As per the Terms of Reference of the Council's Budget Board the overarching aim is:

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

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

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

In addition, the Council holds further usable reserves at 31st March 2023 in respect of the Insurance Fund (£2.375 million), Schools Balances (£3.949 million) and Earmarked Reserves (£24.942 million), with corresponding balances at 31st March 2022 of £2.375 million, £6.339 million and £26.009 million respectively. In supporting Local Authorities through the pandemic additional monies were made available by the Welsh Government.

For the 2023/24 financial year, the Authority budgeted for an increase in net revenue expenditure of 6.54% from the 2022/23 budget (adjusted for Welsh Government net transfers into the Local Government Settlement) resulting from increased Welsh Government Funding of 7.0% and Council Tax increase of 4.7%.

The Authority's Medium Term Financial Plan 2023/24 to 2026/27 clearly outlines the financial challenges faced by the Authority over the medium term.

Borrowing Facilities

The Authority, when appropriate, will borrow from the Public Work Loans Board (PWLB), or from the Market if interest rates are considered favourable, to part finance expenditure on capital projects. This borrowing is typically on a long-term basis and is governed by the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities whereby authorised limits for borrowing by Local Authorities are set and approved by a full Council meeting. For the 2022/23 Statement of Accounts, borrowing to support capital expenditure fell within authorised borrowing limits approved by a full Council meeting of elected members on 2nd March 2022.

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 2022/23 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 £64.91 million (£179.38 million as

at 31st March 2022). 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.

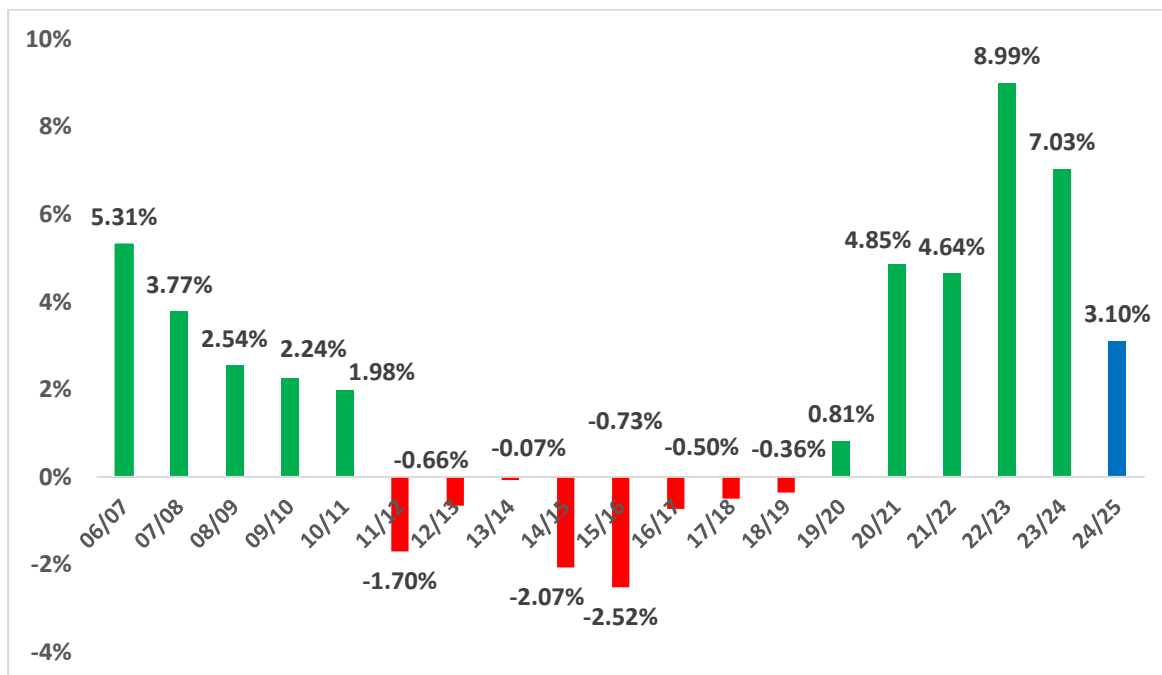
Financial Climate

Wales Fiscal Analysis state that unforeseen higher inflation has significantly eroded the real terms value of the Welsh Government's plans for day-to-day spending from 2022/23 to 2024/25. The losses from higher inflation since budgets were set last year could amount to approximately £800 million in 2023/24 and £600 million in 2024/25

Even with additional funding over the next two years, Wales Fiscal Analysis project that annual council tax increases of 2% would leave local authorities £345 million short of the amount required to meet cost and demand pressures by 2024/25. If the next UK government sticks to the lean spending plans pencilled in by the current government, this funding gap could grow to £660 million by 2027/28. This would almost certainly imply a return to an era of spending cuts and above-inflation council tax increases after a brief hiatus over the pandemic.

In its Welsh Budget Outlook document published December 2022, Wales Fiscal Analysis describes the current economic situation as a fiscal and budgetary 'perfect storm', a set of economic circumstances more severe than either the UK's withdrawal from the European Union or a global pandemic that required previously unimaginable shutdowns of the economy. Record global energy prices and inflation, anaemic post-pandemic economic recovery, and a self-inflicted experiment in unfunded tax cuts that severely weakened the UK's economic credibility have all reopened the austerity politics playbook that had only recently been ditched by the UK government.

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



It is evident from Figure 1 that even though the revenue settlements for the period 2020/21 to 2023/24 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. Owing to unprecedented additional unavoidable pressures arising from pay awards, high inflation, spiralling energy costs and increasing interest rates a settlement increase of 7% for 2023/24 is insufficient to address the Authority's cost requirements and still results in a 7% real term reduction. The Authority has prudently budgeted for a settlement increase of 2.4% for 2025/26 and 2.0% for 2026/27.

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) 2023/24 to 2026/27 currently states that the Council is faced with identifying and delivering budget efficiencies of £10.5 million for 2024/25 and £23.3 million for the period 2024/25 to 2026/27.

The Council has budgeted for funding increases of 3.1% for 2024/25, 2.4% for 2025/26 and 2.0% for 2026/27, together with a Council Tax increase of 4.7% 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 2024/25 is expected to be announced between October 2023 and December 2023.









The Capital Programme for 2023/24 to 2026/27 indicates a core funded Capital Programme of £36.268 million for 2023/24 and £88.609 million for the 4 year period, with the 2023/24 capital expenditure financed from Capital Grants (£4.713 million), Borrowing (£31.055 million) and from the Council's own resources (£0.5 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 £6.6 million of support for capital projects for the period 2020/21 to 2022/23, inclusive of £2.1 million for 2022/23. Further monies are expected for 2023/24 since a proportion of capital repair projects have 'slipped' into 2023/24.

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 2022/23 updated for March 2023 and provides a summary of the Corporate Risks, in terms of risk type, risk description, risk score and trend against last year. The final report for 2022/23 will be reported to Cabinet on 12th July 2023.

Risk Type	Description of Risk	Risk Score (March 2022)	Risk Score (Oct 2022)	Risk Score (March 2023)	Trend	Lead Councillor / CMT Officer
Finance	The risk that the Council does not balance the budget and is not financially sustainable.	Impact = 5 Likelihood = 2 Risk Score = 10	Impact = 5 Likelihood = 4 Risk Score = 20	Impact = 5 Likelihood = 3 Risk Score = 15		Cabinet Member for Governance and Resources Chief Finance Officer
	The Council is not sustainable going forward.	Impact = 5 Likelihood = 3 Risk Score = 15	Impact = 5 Likelihood = 4 Risk Score = 20	Impact = 5 Likelihood = 4 Risk Score = 20		
Cyber Attack	The risk that the Council is exposed to a cyber attack that could cause a catastrophic failure.	Impact = 5 Likelihood = 4 Risk Score = 20	Impact = 5 Likelihood = 4 Risk Score = 20	Impact = 5 Likelihood = 4 Risk Score = 20		Cabinet Member for Governance and Resources Chief Finance Officer
School Attainment	The risk that all learners do not perform at expected levels.	Impact = 5 Likelihood = 5 Risk Score = 25	Impact = 4 Likelihood = 4 Risk Score = 16	Impact = 4 Likelihood = 4 Risk Score = 16		Cabinet member for Education Director – Learning
Capacity	The risk that the Council loses staff with the skills and capacity to deliver on key outcomes and targets.	Impact = 4 Likelihood = 3 Risk Score = 12	Impact = 4 Likelihood = 3 Risk Score = 12	Impact = 4 Likelihood = 4 Risk Score = 16		Cabinet Member for Governance and Corporate Services Head of HR
Capacity	The risk that the Council fails to recruit and retain staff leading to single points of dependency	Impact = 4 Likelihood = 3 Risk Score = 12	Impact = 4 Likelihood = 3 Risk Score = 12	Impact = 4 Likelihood = 4 Risk Score = 16		Cabinet Member for Governance and Corporate Services Head of HR
Compliance (previously referred to as Governance)	The risk that the Council does not meet statutory requirements, laws and regulations.	Impact = 4 Likelihood = 4 Risk Score = 16	Impact = 4 Likelihood = 3 Risk Score = 12	Impact = 4 Likelihood = 3 Risk Score = 12		Cabinet Member for Governance and Corporate Services Monitoring Officer
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 Risk Score = 15	Impact = 5 Likelihood = 3 Risk Score = 15	Impact = 5 Likelihood = 3 Risk Score = 15		Cabinet Member for Social Services Director – Social Services

Risk Type	Description of Risk	Risk Score (March 2022)	Risk Score (Oct 2022)	Risk Score (March 2023)	Trend	Lead Councillor / CMT Officer
Performance	The risk that the Council's statutory regulators issue a formal recommendation to the Council for improvement.	Impact = 4 Likelihood = 5 Risk Score = 20	Impact = 4 Likelihood = 3 Risk Score = 12	Impact = 4 Likelihood = 4 Risk Score = 16		Cabinet Corporate Management Team
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 Risk Score = 20	Impact = 5 Likelihood = 4 Risk Score = 20	Impact = 5 Likelihood = 5 Risk Score = 25		Cabinet Member for Regeneration and Housing Deputy Chief Executive
Climate Change and Net Zero	Due to the effects of Climate Change the Council may not be prepared for changes to weather patterns etc leading to flooding and risk to properties		Impact = 4 Likelihood = 4 Risk Score = 16	Impact = 4 Likelihood = 4 Risk Score = 16		Cabinet Member for Neighbourhood Services and Director for Neighbourhood Services
Waste Management Target	The risk that the Council fails to meet the Target leading to financial penalties		Impact = 4 Likelihood = 4 Risk Score = 16	Impact = 5 Likelihood = 4 Risk Score = 20		Cabinet Member for Neighbourhood Services and Director for Neighbourhood Services
WCCIS	Due to the instability of WCCIS the system may not record records accurately leading to inaccurate data as staff may complete assessments with no historical data leading to the quality of work and links to safeguarding risks		Impact = 4 Likelihood = 4 Risk Score = 16	Impact = 4 Likelihood = 3 Risk Score = 12		Cabinet Member for Social Services Director – Social Services
Town Centre Safety	Town Centre Safety - Due to the amount of Anti-Social Behaviour and perception of crime residents and visitors may not visit the Town Centre leading to loss of revenue for car parks and business vacating premises		Impact = 4 Likelihood = 4 Risk Score = 16	Impact = 4 Likelihood = 4 Risk Score = 16		Cabinet Member for Regeneration and Housing Deputy Chief Executive

Risk Type	Description of Risk	Risk Score (March 2022)	Risk Score (Oct 2022)	Risk Score (March 2023)	Trend	Lead Councillor / CMT Officer
Community Focused Schools	The risk that the Sustainable Communities for Learning major capital investment projects in schools are not delivered to time, budget or at all.			Impact = 4 Likelihood = 4 Risk Score = 16		Cabinet member for Education Director – Learning
Home to School Transport	The risk of increasing costs for Home to School Transport and ALN Transport.			Impact = 5 Likelihood = 4 Risk Score = 20		Cabinet member for Education Director – Learning

City Deal

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

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

The Wider Investment Fund is made up of:

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

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

The Joint Working Agreement Business Plan was approved by all 10 constituent Councils in March 2018, with Merthyr Tydfil approving at a Council meeting on 7th March 2018. Merthyr Tydfil's contribution to the first investment in 2017/18 was £0.954 million with a further £0.485 million paid in 2018/19, there was no contribution for 2019/20 and a contribution of £0.079 million in 2020/21.

Annual Governance Statement

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

Council Tax Collection

Council Tax collection continued to be challenging during 2022/23 resulting from the impact of Covid-19 including the impact on household income of the cost of living crisis. Although the collection rate improved by 0.3% from 94.4% in 2021/22 to 94.7% in 2022/23, it was still 0.8% less than the pre-pandemic 95.5% of 2019/20. In monetary terms this equates to £260,000 less council tax collected during 2022/23 than pre-pandemic.

The Way Ahead

The Council is currently in the process of identifying budget efficiencies for 2024/25 and for the 4-year period of the Medium Term Financial Plan approved March 2023. The Transformation Programme will build upon the principles of the Council's Recovery, Transformation and Improvement (RTI) Plan in identifying sustainable efficiency savings whilst recognising the priorities within the RTI Plan. Transformational work programmes identified within the Plan include Digital Transformation and the Commercial Programme.

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

Further Information

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

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

The Authority is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

The Chief Finance Officer has also:

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

Signed

Date

27th November 2023

L Hull
Chief Finance Officer

Chief Finance Officer's Certificate

I hereby certify that the statement of accounts on pages 23 to 108 present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2023.

Signed

Date 27th November 2023

**L Hull
Chief Finance Officer**

Council Chairman's Certificate

I hereby certify that the Council approves the statement of accounts on pages 23 to 108 for the year ended 31st March 2023.

Signed

Date 27th November 2023

**Councillor Malcolm Colbran
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 2021/22			2022/2023			
Net Expenditure Chargeable to the General Fund Balances	Adjustments between the funding and Accounting basis (Note 7)	Comprehensive Income and Expenditure Statement	Description	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
31,677	1,677	33,354	Social Services Directorate	38,895	2,072	40,967
49,521	7,593	57,114	Education Directorate	58,319	7,284	65,603
4,970	14,344	19,314	Economy and Public Protection Directorate	6,620	12,325	18,945
9,627	7,183	16,810	Neighbourhood Services Directorate	11,466	6,935	18,401
7,186	1,411	8,597	Governance and Resources Directorate	8,502	1,612	10,114
(3,383)	708	(2,675)	Corporate Costs	5,001	265	5,266
99,598	32,916	132,514	Net Cost of Services	128,803	30,493	159,296
(115,304)	(20,451)	(135,755)	Other Income and Expenditure	(125,337)	(19,552)	(144,889)
(15,706)	12,465	(3,241)	(Surplus)/Deficit	3,466	10,941	14,407
25,711			Opening General Fund Balance	41,698		
282			Adjustment for Cardiff Capital Region City Deal	96		
15,705			Plus Surplus/Deficit on General Fund Balance in Year	(3,466)		
41,698			Closing General Fund Balance at 31st March	38,328		

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 2021/22				2022/23		
Gross Expenditure	Gross Income	Net expenditure	Description	Gross Expenditure	Gross Income	Net expenditure
£'000	£'000	£'000		£'000	£'000	£'000
51,133	(17,779)	33,354	Social Services Directorate	57,091	(16,124)	40,967
69,999	(12,885)	57,114	Education Directorate	78,218	(12,615)	65,603
36,375	(17,061)	19,314	Economy and Public Protection Directorate	36,806	(17,861)	18,945
22,308	(5,498)	16,810	Neighbourhood Services Directorate	25,426	(7,025)	18,401
11,354	(2,757)	8,597	Governance and Resources Directorate	12,696	(2,582)	10,114
26,356	(29,031)	(2,675)	Corporate Costs	23,097	(17,831)	5,266
217,525	(85,011)	132,514	Cost of Services	233,334	(74,038)	159,296
		9,017	Other operating expenditure (Note 11)			9,226
			Financing and Investment (income) and expenditure (Note 12)			8,434
		7,699	Taxation and non-specific grant (income) and expenditure (Note 13)			(162,549)
			(Surplus) or Deficit on the Provision of Services			14,407
		(3,241)				
			(Surplus) or deficit on revaluation of property, plant and equipment assets			(7,407)
			Remeasurement of the net defined benefit liability/(asset)			(126,687)
		(39,414)				
			Other Comprehensive (Income) and Expenditure			(134,094)
		(48,841)				
			Total Comprehensive (Income) and Expenditure			(119,687)
		(52,082)				

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.

2022/23

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

* Adjustments in relation to removing the Cardiff Capital Region City Deal from the Single Entity Accounts.

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
Balance at 31st March 2021	25,711	34	922	26,667	(37,171)	(10,504)
Movement in reserves during 2021/22						
Total Comprehensive Income and Expenditure	3,241	0	0	3,241	48,841	52,082
Adjustments between accounting basis and funding basis under regulations (Note 9)	12,465	(28)	667	13,104	(13,165)	(61)
Increase or Decrease in 2021/22	15,706	(28)	667	16,345	35,676	52,021
Single Entity adjustment	281	53	0	334	(244)	90
Balance at 31st March 2022 carried forward	41,698	59	1,589	43,346	(1,739)	41,607

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

Balance Sheet

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

31 March 2022	Notes	31 March 2023
£'000		£'000
282,636 Property, Plant and Equipment	14	305,615
7,495 Heritage Assets	15	8,028
1,141 Investment Properties	40	2,506
89 Long Term Investments	16	358
3,471 Long Term Debtors	16	2,652
294,832 Long-term Assets		319,159
17,007 Short-term Investments	16	25,681
3 Assets Held for Sale	20	653
191 Inventories		179
52,831 Short-term Debtors	17	41,312
8,057 Cash and Cash Equivalents	19	6,096
78,089 Current Assets		73,921
(53,403) Short-term Borrowing	16	(35,550)
(33,198) Short-term Creditors	21	(32,943)
(1,582) Short-term Provisions	22	(1,433)
0 Other Current Liabilities	16	0
0 Capital receipts in advance		(108)
(88,183) Current Liabilities		(70,034)
(431) Long-term Creditors	16	(431)
(328) Provisions	22	(260)
(61,778) Long-term Borrowing	16	(91,225)
(179,385) Defined Benefit Pension Scheme Liability	24	(64,910)
(1,209) Other Long-term Liabilities	16	(4,950)
(243,131) Long-term Liabilities		(161,776)
41,607 Net Assets		161,270
43,346 Usable Reserves	23	40,151
(1,739) Unusable Reserves	24	121,119
41,607 Total Reserves		161,270

Cash Flow Statement

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

<u>2021/22</u>	<u>2022/23</u>
<u>£'000</u>	<u>£'000</u>
205,884 Cash Inflows Generated from Operating Activities	236,348
(191,972) Cash Outflows Generated from Operating Activities	(227,259)
13,912 Net Cash Flows from Operating Activities (Note 25)	9,089
(4,530) Net Cash Flows from Investing Activities (Note 26)	(24,465)
(8,451) Net Cash Flows from Financing Activities (Note 27)	13,416
931 Net increase or decrease in Cash and Cash equivalents	(1,960)
Cash and Cash Equivalents at the Beginning of the	
7,126 Reporting Period	8,056
Cash and Cash Equivalents at the End of the Reporting	
8,057 Period (Note 19)	6,096

Notes to the Statement of Accounts

1.0 Accounting Policies

1.1 General

The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year-end of 31st March 2023. 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 2022/23, 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 2022/23, a prior period adjustment has been reflected within the statement of accounts to restate comparative figures into the 2022/23 format.

Statements and notes that have been restated for the new structure are the CIES, EFA, EFA Note 7 and 8, MIRS and Grant Income Note 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:

Amendments to	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement			
Social Services Directorate	7,197	(6,379)	818
Education Directorate	(5,042)	5,796	754
Economy and Public Protection Directorate	392	(158)	234
Neighbourhood Services Directorate		0	0
Governance and Resources Directorate	259	(171)	88
Corporate Costs	(2,806)	912	(1,894)
	0	0	0

A prior period amendment has been made to the treatment of REFCUS expenditure financed by grant, it is now included within net cost of service income not in Capital Grants and Contributions within Taxation and non-specific grant (income) and expenditure (Note 13). In addition REFCUS expenditure has been reclassified between Directorates to reflect structural changes

Amendments to	Gross Expenditure	Gross Income	Net Expenditure
Comprehensive Income and Expenditure Statement	£'000	£'000	£'000
Social Services Directorate	0	0	0
Education Directorate	0	(234)	(234)
Economy and Public Protection Directorate	1066	(3,664)	(2,598)
Neighbourhood Services Directorate	(1,066)	(635)	(1,701)
Governance and Resources Directorate	0	0	0
Corporate Costs	0	0	0
	0	(4,533)	(4,533)
Taxation and non-specific grant (income) and expenditure (Note 13)			4,533

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 29th 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 2022/23 the Llwydcoed Crematorium Joint Committee, the Central South Consortium Joint Committee and the Cardiff Capital Region City Deal Joint Committee are included within the Authorities financial statements. The Authority has reflected its share, 46.6% of the transactions and balances of the Llwydcoed Crematorium Joint Committee and 6.33% of the transactions and balances of the Central South Consortium Joint Committee and 3.94% of the Cardiff Capital Region City Deal Joint Committee into the Authority's Accounts on a line-by-line basis.

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- | | |
|--|---|
| • Infrastructure – 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. As per Accounting Policy 1.11 this has not been included within the draft financial statements for 2022/23.

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 2022/23 Code has been issued and relevant standards are:

- IFRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 year).
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

The Authority does not expect any of the new or amended standards within the 2022/23 Code to have a material impact on the Financial Statements.

3.0 Critical Judgements in Applying Accounting Policies

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

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

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

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

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

The items in the Authority's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual results differ from Assumptions
Property, Plant and Equipment	A source of uncertainty is the valuation of fixed assets, which depends on judgements made in relation to build costs, useful economic life as well as the condition and location of the assets. A firm of independent valuers is engaged to provide the Authority with expert advice about the assumptions applied (further information on the valuation is included in 1.14 of the Accounting Policies).	If the Useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge would increase by £314,000 for Buildings and £214,000 for Infrastructure for every year that useful lives had to be reduced.
Fair Value Measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Authority's assets and liabilities. Where level 1 inputs are not available, the Authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value.	The Authority uses a selection of valuation methods to measure the fair value of its surplus assets, financial assets and liabilities. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth and discount rates – adjusted for regional factors (for some financial assets). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement.
Provisions	Significant judgements relate to the requirement for accounting provisions. Details regarding the judgements made in determining the provision values at 31 st March 2023 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 £30,200 to the provision.

Pensions Liability	<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 £6.31 million.</p>
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Arrears	<p>At 31 March 2023, the Authority had amounts it was owed for items such as Sundry Debts, Council Tax and Housing Benefit overpayments. The Authority has made an allowance for non collection against these debts (totalling £12.049m excluding counterparty debt) of £919.9k (7.6%), however in the current economic climate it is not guaranteed that this level of allowance will be sufficient.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of impairment for doubtful debts would increase the provision to £1.84m</p>
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5.0 Material Items of Income and Expenditure

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

There are no material items of income or expense to disclose for the 2022/23 financial statements.

6.0 Events after the reporting period

The statement of Accounts was authorised by the Chief Finance Officer on 29th June 2023. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no Events after the reporting period.

7.0 Note to the Expenditure and funding analysis

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

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	Restated Adjustments between Funding and Accounting Basis 2021/22			
	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustments (Note b)	Other Differences (Note c)	Total Adjustments
	£'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	13,322	1,022	0	14,344
Neighbourhood Services Directorate	6,000	1,095	88	7,183
Governance and Resources Directorate	191	1,220	0	1,411
Corporate Costs	1,072	291	(655)	708
Net Cost of Services	24,927	8,211	(222)	32,916
Other income and expenditure from the Expenditure and Funding Analysis	(24,555)	4,203	(99)	(20,451)
Difference between General Fund Surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on Provision of Services	372	12,414	(321)	12,465

Note a - 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 b - 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 c - 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

	2022/23	2021/22
Expenditure/Income	£'000	£'000
Expenditure		
Employee Benefits Expenses	106,240	97,509
Other Service Expenses	114,294	104,589
Depreciation, amortisation, impairment	17,487	19,655
Interest Payments	4,538	3,506
Precepts and Levies	9,021	8,589
(Gain) or loss on the disposal of assets	206	428
Change in Fair Value of Investment Properties	95	4
Total expenditure	251,881	234,280
Income		
Fees charges and other service income	(21,219)	(18,994)
Interest and Investment Income	(878)	(34)
Income from council tax, non-domestic rates	(53,739)	(51,292)
Government Grants and Contributions	(161,638)	(167,201)
Total income	(237,474)	(237,521)
Surplus or Deficit on the Provision of Services	14,407	(3,241)

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.

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

2021/22	Usable Reserves		
Adjustments to the Revenue Resources	General Fund	Capital Receipts	Capital Grants
	£'000	£'000	£'000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements			
• Pensions costs	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
Total adjustments to Revenue Resources	37,654	0	0
Adjustments between Revenue and Capital Resources			
• 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	0	0	0
Total adjustments between Revenue and Capital Resources	(2,455)	0	0
Adjustments to Capital Resources			
• 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
Total Adjustments to Capital Resources	(22,734)	(28)	667
Total Adjustments	12,465	(28)	667

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 2022/23:

	Balance at 1st April 2021	Transfers Out 2021/22	Transfers In 2021/22	Balance at 31st March 2022	Transfers Out 2022/23	Transfers In 2022/23	Balance at 31st March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Reserves	5,335	0	388	5,723	0	0	5,723
Balances held by schools under a scheme of delegation	4,267	(141)	2,213	6,339	(3,323)	933	3,949
Insurance Reserve	2,092	0	283	2,375	0	0	2,375
Other Reserves							
Budget Reserve	1,981	(491)	4,119	5,609	(356)	4,113	9,366
Wales Cyber Security Operation	0	0	3,314	3,314	0	0	3,314
Redundancy Cost Reserve	342	(342)	0	0	0	2,343	2,343
Social Services Winter Pressures Reserve	0	0	1,068	1,068	(159)	0	909
Ffos-Y-Fran (Miller Argent) Account	841	(1,011)	927	757	(315)	386	828
Capital financing cost reserve	20	0	789	809	(809)	649	649
Capital earmarked reserve	427	(67)	230	590	(555)	520	555
Social Services Real Living Wage and Other pressures	0	0	1,000	1,000	(445)	0	555
Pay Award Reserve	696	(229)	0	467	0	0	467
HWB Sustainability Funding	0	0	152	152	0	277	429
City Deal reserve	389	0	0	389	0	0	389
Hardship Funding - Supporting Digital Transformation	490	(10)	0	480	(161)	0	319
Social Services Commitments Reserve	770	0	0	770	(466)	0	304
ISB Allocation Surplus Account	842	(121)	0	721	(423)	0	298
NRSWA Ring-fenced Earmarked Reserve	175	0	25	200	0	62	262
Ukrainian Refugee Programme	0	0	0	0	0	248	248
Neighbourhood Services Earmarked Reserve	285	(24)	0	261	(25)	0	236
BIFFA Profit Sharing Grant Account	169	(5)	0	164	(1) 0	0	163
Inspire Cash match	129	0	24	153	0	0	153
Regeneration Management costs	83	(159)	174	98	0	48	146

	Balance at 1st April 2021 £'000	Transfers Out 2021/22 £'000	Transfers In 2021/22 £'000	Balance at 31st March 2022 £'000	Transfers Out 2022/23 £'000	Transfers In 2022/23 £'000	Balance at 31st March 2023 £'000
Kickstart Grant Reserve	59	0	80	139	(79)	79	139
Communities For Work ESF Grant	111	0	24	135	0	0	135
Levelling Up Fund - capacity building	0	0	125	125	0	0	125
Waste Management Reserve	0	0	154	154	(32)	0	122
Business Change Reserve	0	0	117	117	0	0	117
Highways - S38 Road Agreements	105	0	9	114	0	0	114
Catering reserve	0	0	0	0	0	110	110
Aberfan Grove Field - Equipment Replacement	93	0	7	100	0	6	106
Welsh Government Preliminary flood defences risk assessment	101	0	0	101	0	0	101
COVID Business admin fees	212	(11)	0	201	(100)	0	101
Afon Taf Running Track	0	0	100	100	0	0	100
Planning Fee Reserve	0	0	100	100	0	0	100
Cost of Living Support Scheme - Discretionary Element	0	0	590	590	(499)	0	91
Working Skills for Adults and Bridges 2	338	(15)	68	391	(314)	0	77
Apprenticeships Programme Reserve	200	(48)	0	152	(84)	0	68
West Merthyr Inquiry	127	(6)	0	121	(54)	0	67
Bishop Hedley 3-16 Headteacher	112	0	0	112	(65)	0	47
Schools Broadband Installation Account	119	(21)	0	98	(54)	0	44
Decarbonisation Reserve	0	0	102	102	(67)	0	35
Building Maintenance Mutual Fund Balance	116	(83)	0	33	(13)	0	20
Recovery, transformation and improvement plan Reserve	802	(351)	0	451	(440)	0	11
Hardship Grant Earmarked Reserve	926	(700)	1,856	2,082	(2,082)	0	0
Hardship Funding - Support for council tax collection	449	0	408	857	(857)	0	0
Welsh Government Legacy Fund	300	0	0	300	(300)	0	0
Covid Recovery Reserve	490	(250)	0	240	(240)	0	0
St Tydfils Surplus Reserve	0	0	264	264	(264)	0	0
Social Services Client Deferred Income	0	0	671	671	(671)	0	0
Other	867	(88)	378	1,157	(358)	380	1,179
Single Entity Reserves							
Llwydcoed General Reserve	689	0	5	694	(66)	0	628
Central South Consortium General Reserve	9	0	2	11	0	0	11
Central South Consortium Earmarked Reserves	38	(9)	0	29	0	42	71
Cardiff Capital Region City Deal General Reserve	116	0	384	500	0	47	547
City Deal Earmarked Reserves	0	0	18	18	0	64	82
Total	25,712	(4,182)	20,168	41,698	(13,677)	10,307	38,328

*Opening balances have been restated for comparative purposes.

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

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.

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

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

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.

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

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

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 2023/24. 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.

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

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

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.

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

Ukrainian Refugee Programme Reserve – This consists monies set aside to fund future costs associated with the Ukrainian Refugee Programme.

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

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.

Inspire Cash Match - Monies required to cash match the Inspire Projects for the period 2016 – 2024.

Regeneration Management Costs – the reserve is made of Management costs claimed from LTF/ATF projects to be used towards the funding of the Strategic Infrastructure Project Officer and other requirements in the Regeneration Department.

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

Communities for Work ESF Grant - Monies required to cash match the Project for the period 2016 – 2024.

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

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.

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 2023/2024.

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

Catering Reserve – Monies set aside to support the roll out of the Universal Primary Free School Meals Programme.

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

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

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

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

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.

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 2023/24.

Working Skills for Adults and Bridges 2 – This consists of monies required to cash match the European Structural Funds projects for the period 2016-2024.

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

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.

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

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.

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

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

Hardship Funding – Support for Council Tax Collection – Funding from Welsh Government to assist with reduction in Council Tax Collection rates.

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 2023.

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

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

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

Other - This consists of 38 miscellaneous balances ranging up to a value of £97,613.

11.0 Other operating expenditure

2021/22	2022/23
£'000	£'000
5,303 South Wales Police Precept	5,615
23 Bedlinog Community Council Precept	28
3,040 South Wales Fire and Rescue Authority Levy	3,108
223 Other Levies	270
428 (Gains)/losses on the disposal of non-current assets	205
9,017 Total	9,226

12.0 Financing and Investment Income and Expenditure

2021/22	2022/23
£'000	£'000
3,506 Interest payable and similar charges	4,538
4,223 Net interest on the net defined benefit liability (asset)	4,680
(34) Interest receivable and similar income	(879)
4 Change in Fair Value of Investment Properties	95
7,699 Total	8,434

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

Restated	
2021/22	2022/23
£'000	£'000
(31,631) Council tax income	(32,508)
(19,680) Non-domestic rates income	(21,226)
(82,979) Non-ringfenced government grants (Revenue Support Grant)	(89,391)
(18,198) Capital grants and contributions	(19,418)
20 Corporation Tax Cardiff Capital Region City Deal	(6)
(152,468) Total	(162,549)

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 2023 was £39,066,115 (£40,115,405 as at 31st March 2022) with the Non-Domestic Rate Multiplier being £0.535 (53.5 pence) in the pound (£0.535 (53.5 pence) in the pound for 2021/22). The total number of chargeable properties for 2022/23 was 1,920 (2021/22 – 1,944). The net proceeds from Non-Domestic Rates in 2022/23 was £21,226,200 (2021/22 - £19,679,501).

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 2022/23 was 27,468 (2021/22 – 27,349).

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

Dwellings	Band	Range	Dwellings
2021/22		(Based on 1 April 2003 values)	2022/23
14,058	A	Not exceeding £44,000	14,089
6,671	B	Between £44,000 and £65,000	6,669
2,226	C	Between £65,000 and £91,000	2,263
2,174	D	Between £91,000 and £123,000	2,202
1,492	E	Between £123,000 and £162,000	1,516
566	F	Between £162,000 and £223,000	566
153	G	Between £223,000 and £324,000	154
2	H	Between £324,000 and £424,000	2
7	I	Exceeding £424,000	7
27,349			27,468

	Dwellings 2021/22	Tax Base 2021/22	Dwellings 2022/23	Tax Base 2022/23
Total Number of properties on the valuation list	27,349	27,349	0	27,468.00
Less Exempt properties 100%	822	(822)	873	(873.00)
Less Single Discounts 25%	10,007	(2,502)	9,955	(2,488.75)
Less Multiple Discounts 50%	75	(38)	67	(33.50)
Band D Conversion		(4,788)		(4,711.13)
Losses on Collection		(768)		(774.18)
Tax Base		18,431		18,587.44
Requirement for Merthyr Tydfil County Borough Council		31,866,331		£32,458,707.00
Basic Band D tax for the year		1,728.98		£1,746.27
Payable to South Wales Police		£5,302,893.00		£5,615,451.00
Band D tax for South Wales Police		£287.72		£302.11
*Total Band D tax for the year		£2,016.70		£2,048.38

*Band D community council addition for properties in Bedlinog £23.95 (£19.91 2021/22)

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

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

14.0 Property, Plant and Equipment

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

2022/23

**31st March
2023
£'000**

Infrastructure Assets	101,079
Other PPE Assets	204,536
Total PPE Assets	305,615

**Infrastructure
Assets
£'000**

Net Book Value

At 1 st April 2022	95,562
Acquisitions/Additions	9,475
Derecognition - Disposals	0
Depreciation Charge	(3,958)
Impairment	0
Reclassification and Transfers	0
At 31st March 2023	101,079

Net Book Value

At 31 st March 2022	95,562
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	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
Cost or Valuation						
At 1 st April 2022	182,339	7,691	15	4,866	1,370	196,281
Opening Balance Adjustment	0	(50)	0	0	19	(31)
Acquisitions/Additions	10,339	1,178	0	43	13,713	25,273
Revaluation Increases/Decreases recognised in the Revaluation Reserve	2,935	0	0	658	0	3,593
Revaluation Increases/Decreases to Surplus/Deficit on the Provision of Services	(9,927)	0	0	18	0	(9,909)
Derecognition - Disposals	(595)	(761)	0	0	0	(1,356)
Derecognition - Other	0	0	0	0	0	0
Reclassification and Transfers	(797)	51	0	2	(209)	(953)
At 31st March 2023	184,294	8,109	15	5,587	14,893	212,898
Accumulated Depreciation and Impairment						
At 1 st April 2022	4,331	3,980	0	150	746	9,207
Opening Balance Adjustment	0	(8)	0	0	0	(8)
Depreciation Charge	4,216	1,188	0	39	0	5,443
Depreciation written out to the Revaluation Reserve	(3,814)	0	0	(73)	0	(3,887)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,419)	0	0	(9)	0	(1,428)
Impairment losses/(reversals) recognised in the Revaluation Reserve	23	0	0	28	0	51
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(142)	0	0	(28)	0	(170)
Derecognition - Disposals	(222)	(624)	0	0	0	(846)
Derecognition - Other	0	0	0	0	0	0
Reclassification and Transfers	0	0	0	0	0	0
At 31st March 2023	2,973	4,536	0	107	746	8,362
Net Book Value						
At 31st March 2023	181,321	3,573	15	5,480	14,147	204,536
At 31 st March 2022	178,008	3,711	15	4,716	624	187,074

2021/22

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

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

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

Capital Commitments

As at 31st March 2023, the Authority had entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2022/23 and future years budgeted to cost £40.221 million. Similar commitments at 31st March 2022 were £4.098 million. The major commitments as at 31st March 2023 are as follows:

Capital Scheme	Value £'000
Community Regeneration	377
Neighbourhood services	1,012
Corporate Services	3,226
Education	35,606
	<u>40,221</u>

Revaluations

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

15.0 Heritage Assets

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

2021/22

	Museum Collection £'000	Civic Regalia £'000	Historic Buildings £'000	Monuments £'000	Total Assets £'000
Cost or Valuation					
At 1 st 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
At 31st March 2022	3,788	257	3,883	224	8,152
Accumulated Depreciation and Impairment					
As 1 st 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
At 31st March 2022	0	0	657	0	657
Net Book Value					
At 31st March 2022	3,788	257	3,226	224	7,495
At 31 st March 2021	3,788	257	3,169	224	7,438

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

16.0 Financial Instruments

Financial Instruments – Classifications

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

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

Financial Assets	Non-Current		Current	
	31st March	31st March	31st March	31st March
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Investments at Amortised Cost	358	89	25,681	17,007
<u>Debtors:</u>				
Gellideg Co-operative Loan	326	347	20	20
Welsh Water Loan	0	0	0	1
Home Loans	687	684	0	0
VVP	586	742	165	162
Transforming Towns Loans	404	308	319	0
Other	649	1,390	0	0
Total Financial Assets	3,010	3,560	26,185	17,190
Non - Financial Assets	0	0	40,808	52,648
Total	3,010	3,560	66,993	69,838
Financial Liabilities	Non-Current		Current	
	31st March	31st March	31st March	31st March
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Borrowings at Amortised Cost	91,225	61,778	35,550	53,403
Total Financial Liabilities	91,225	61,778	35,550	53,403
Non - Financial Liabilities				
Finance Lease and Other	4,950	1,209	0	0
Creditors	431	431	32,943	33,198
Total	5,381	1,640	32,943	33,198

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

	2022/23 Total	2021/22 Total
	Surplus or Deficit on the Provision of Services	Surplus or Deficit on the Provision of Services
	£'000	£'000
Interest Expense	4,538	3,506
Interest Revenue: Financial assets measured at amortised cost	(817)	(34)
Net (Gain)/loss for the year	3,721	3,472

Financial Instruments – Fair Values

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2023, 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 2023		31st March 2022	
		Carrying Value	Fair Value	Carrying Value	Fair Value
		£'000	£'000	£'000	£'000
<i>Financial Liabilities held at amortised cost</i>					
Long-term loans from PWLB	2	63,013	62,483	35,562	45,961
Long-term LOBO Loans	2	12,216	11,113	12,217	17,112
Other long term loans		15,996	10,142	13,999	12,086
Short term loans		35,550		53,403	

The fair value of financial liabilities held at amortised costs is lower than their balance sheet carrying value because the authority's portfolio of loans include a number of loans where the interest rate payable is lower 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 31st March 2023 is as follows:

	31st March 2023 £'000	31st March 2022 £'000
Trade receivables	7,405	8,035
Prepayments	2,196	3,492
Other receivable amounts	31,711	41,304
Total	41,312	52,831

18.0 Debtors for local taxation

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

	31st March 2023 £'000	31st March 2022 £'000
Up to 1 Year	2,120	2,172
Between 1 and 2 Years	1,596	1,548
Between 2 and 3 Years	1,273	1,042
Between 3 and 4 Years	893	799
Between 4 and 5 Years	688	490
Greater than 5 Years	1,674	1,384
Total	8,244	7,435

19.0 Cash and Cash Equivalents

This balance recognises the net cash position of the Authority in providing its services to the public. The balance at 31st March 2023 is as follows:

31st March 2022 £'000	31st March 2023 £'000
8,057 Bank Current Accounts	6,096
8,057 Total Cash and Cash equivalents	6,096

20.0 Assets Held for Sale

The breakdown of assets held for sale at 31st March 2023 is as follows:

	2022/23 £'000	2021/22 £'000
Balance outstanding at the start of the year	3	939
Assets newly classified as held for sale	952	1
Revaluation losses	(311)	0
Revaluation gains	10	0
Impairment losses	0	0
Assets declassified as held for sale	0	(937)
Assets sold	(1)	0
Balances outstanding at year end	653	3

Assets held for sale at 31st March 2023 comprise of land and buildings as follows:

- Various pieces of land which are surplus to requirement.

21.0 Short-term Creditors

The breakdown of Creditors at 31st March 2023 is as follows:

	31st March 2023 £'000	31st March 2022 £'000
Trade Payables	(22,065)	(19,585)
Other Payables	(10,878)	(13,613)
Total	(32,943)	(33,198)

22.0 Provisions

The balance on provisions at 31st March 2023 is derived as follows:

	Insurance Claims	Pengarnddu	City Deal	Total
	£'000	£'000	£'000	£'000
Balance at 1st April 2022	(530)	(1,283)	(97)	(1,910)
Additional provisions made in 2022/23	(258)	0	0	(258)
Amounts used in 2022/23	255	0	0	255
Unused amounts reversed in 2022/23	232	0	(12)	220
Balance at 31st March 2023	(301)	(1,283)	(109)	(1,693)

The Authority expects that the provisions recognised at 31st March 2023 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
	2021/22	2021/22	2021/22	2022/23	2022/23	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000
Insurance Claims	(299)	(231)	(530)	(150)	(151)	(301)
Pengarnddu	(1,283)	0	(1,283)	(1,283)	0	(1,283)
Provision						
City Deal	0	(97)	(97)	0	(109)	(109)
	(1,582)	(328)	(1,910)	(1,433)	(260)	(1,693)

Insurance Claims Provision

This provision reflects the Authority's outstanding insurance claims obligations at 31st March 2023. There is an uncertainty around the timing and value of this obligation. Claims are settled when they reach Court, depending on the specific circumstances of the case this can take varying time.

Pengarnddu Provision

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

City Deal Provision

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

23.0 Usable Reserves

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

24.0 Unusable Reserves

The breakdown of Unusable Reserves at 31st March 2023 is as follows:

31st March 2022 £'000	31st March 2023 £'000
43,086 Revaluation Reserve	49,074
(2,207) Financial Instruments Reserve	(2,110)
139,715 Capital Adjustment Account	142,418
(179,385) Pensions Reserve	(64,910)
(2,948) Accumulated Absences Account	(3,353)
(1,739) Total Unusable Reserves	121,119

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.

2021/22 £'000	2022/23 £'000
34,738 Balance at 1st April	43,086
0 Opening Balance Adjustment	(2)
10,084 Upward revaluation of assets	9,122
(659) Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the provision of services	(1,714)
9,425 Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the provision of services	7,408
(965) Difference between fair value depreciation and historical cost depreciation	(1,292)
(112) Accumulated gains on assets sold or scrapped	(126)
(1,077) Amounts written off to the Capital Adjustment Account	(1,418)
43,086 Balance at 31st March	49,074

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.

2021/22		2022/23
£'000		£'000
139,389	Balance at 1st April	139,715
(246)	Opening Balance Adjustment	2
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(11,836)	• Charges for depreciation and impairment of non current assets	(8,764)
(7,847)	• Revaluation losses on property, plant and equipment	(8,724)
(5,454)	• Revenue expenditure funded from capital under statute	(6,916)
(429)	• 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	(510)
(25,566)		(24,914)
1,077	Adjusting amounts written out to the Revaluation Reserve	1,417
(24,489)	Net written out amount of the cost of non-current assets consumed in the year	(23,497)
	Capital financing applied in the year:	
(25)	• Use of Capital Receipts Reserve to finance new capital expenditure	(219)
21,197	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	21,651
871	• Application of grants to capital financing from the Capital Grants Unapplied Account	1,249
2,454	• Statutory provision for the financing of capital investment charged against the General Fund	2,873
593	• 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	739
25,090		26,293
(29)	Movements in the market Value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(95)
139,715	Balance at 31st March	142,418

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.

2021/22	2022/23
£'000	£'000
(2,356) Balance at 1st April	(2,207)
102 Premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with Statutory Requirements	102
47 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	(5)
(2,207) Balance at 31st March	(2,110)

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.

2021/22	2022/23
£'000	£'000
(206,415) Balance at 1st April	(179,385)
39,444 Actuarial gains/(losses) on pensions assets/liabilities	126,687
(12,473) 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	(12,048)
59 Net adjustments to Pension strain	(164)
(179,385) Balance at 31st March	(64,910)

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.

2021/22	2022/23
£'000	£'000
(2,527) Balance at 1st April	(2,948)
2,527 Settlement or cancellation of accrual made at the end of the preceding year	2,944
(2,948) 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	(3,349)
(2,948) Balance at 31st March	(3,353)

25.0 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2021/22	2022/23
£'000	£'000
767 Rents (after rebates)	1,583
30,859 Council Tax receipts	31,767
19,680 National non-domestic rate receipts from national pool	21,226
82,979 Revenue Support Grant	89,391
14,842 DWP grants for benefits	13,572
44,036 Other government grants	39,471
33 Interest received	759
14,658 Cash received for goods and services	18,831
(1,970) Other operating cash receipts	19,748
205,884 Cash Inflows Generated from Operating Activities	236,348
(91,993) Cash paid to and on behalf of employees	(100,250)
(73,051) Cash Payments to Suppliers	(99,697)
(3,518) Interest paid	(4,062)
(14,821) Housing Benefit paid out	(14,229)
(3,263) Levies paid	(3,378)
(5,326) Precepts	(5,643)
(191,972) Cash Outflows Generated from Operating Activities	(227,259)
13,912 Net Cash Flows from Operating Activities	9,089

26.0 Cash Flow Statement – Investing Activities

2021/22	2022/23
£'000	£'000
(26,417) Purchase of Property, Plant and Equipment	(30,719)
(5,454) Other capital cash payments	(6,916)
(181,112) New Short term and long term investments made	(339,495)
188,000 Repayments of investments	330,000
0 Sale of fixed assets	305
20,453 Capital grants received	22,360
(4,530) Net Cash Flows Generated from Investing Activities	(24,465)

27.0 Cash Flow Statement – Financing Activities

2021/22	2022/23
£'000	£'000
1,845 New long-term loans raised	34,360
62,119 New short-term loans raised	59,000
(72,415) Repayments of amounts borrowed	(79,944)
(8,451) Cash Flows Generated from Financing Activities	13,416

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 2022/23 Merthyr Tydfil County Borough Council paid a contribution of £138,178 (£144,497 for 2021/22) into the pool, total expenditure for 2022/23 was £3,168,414 (£3,436,025 for 2021/22), total income was £3,164,007 in 2022/23 (£3,272,492 for 2021/22).

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 2022/23 Merthyr Tydfil County Borough Council paid a contribution of £5,697,561 (£4,788,282 for 2021/22) into the pool, total partner income was £60,544,117 for 2022/23 (£52,717,377 for 2021/22) and total pool expenditure was £60,483,975 (£52,704,129 for 2021/22).

29.0 Members' Allowances

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

	2022/23	2021/22
	£'000	£'000
Salaries and Allowances	686	644
Pension Contributions	84	79
National Insurance Contributions	58	49
Expenses	0	0
Balance at 31st March	828	772

30.0 Officers' Remuneration

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

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

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

The following position commenced employment during the year:

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

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

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

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

Remuneration Band	2022/23	2021/22
	Number of Employees	Number of Employees
£60,000 - £64,999	13	8
£65,000 - £69,999	11	13
£70,000 - £74,999	10	11
£75,000 - £79,999	5	4
£80,000 - £84,999	3	2
£85,000 - £89,999	4	4
£90,000 - £94,999	3	2
£95,000 - £99,999	1	1
£100,000 - £104,999	1	1
£105,000 - £109,999	0	0
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
£125,000 - £129,999	1	1
	52	47

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 agreed by cost band		Total cost of exit packages agreed in each band £'000	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
£0 - £20,000	0	0	4	11	4	11	57	80
£20,001 - £40,000	0	0	2	4	2	4	64	109
£40,001 - £200,000	0	0	3	0	3	0	274	0
Total cost included in bandings and in the CIES	0	0	9	15	9	15	395	189

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:

	2022/23	2021/22
	£'000	£'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	179	161
Fees payable in respect of statutory inspections	119	100
Fees payable for the certification of grant claims and returns for the year	37	36
Total	335	297

32.0 Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2022/23:

	2022/23	Restated
	£'000	2021/22
		£'000
Credited to Taxation and Non-specific Grant Income and Expenditure		
Revenue Support Grant	(89,391)	(82,979)
Non-Domestic Rates	(21,226)	(19,680)
<u>Capital Grants and Contributions</u>		
General Capital Grant	(1,070)	(1,514)
Sustainable Communities for Learning	(7,556)	0
Storm Damage Grant	(2,172)	(2,629)
Active Travel Fund	(1,297)	(1,451)
Schools Additional Capital Grant	(938)	(993)
Housing with Care Fund (HCF)	(775)	0
Community Focused Schools	(747)	0
Free School Meals Capital	(610)	(476)
Sports Council Wales Capital Grant	(450)	(108)
Transforming Towns	(384)	(4,500)
Cardiff Capital Region Challenge Fund	(318)	0
Local Transport Fund	(304)	(1,132)
Resilient Roads Fund	(359)	(1,406)
Local Places for Nature Grant	(287)	(216)
Intermediate Care Fund (ICF)	(27)	(1,217)
Valleys Regional Park Discovery Gateway	0	(491)
Road Safety Capital	0	(308)
EV Charging Infrastructure Grant	0	(300)
Local Authority Roads Refurbishment	0	(252)
City Deal Capital Grants and Contributions	(1,112)	(204)
Other Capital Grants and Contributions	(1,012)	(1,001)
Total	(130,035)	(120,857)
	2022/23	Restated
	£'000	2021/22
		£'000
Credited to Services		
<u>Education Directorate</u>		
Education Grant	(3,533)	(3,542)
Pupil Deprivation Grant	(2,731)	(2,307)
Education Improvement Grant	(2,196)	(2,159)
Central South Consortium Collaboration Grants	(339)	(213)
Misc Central South Consortia Grants	(182)	(821)
Other Revenue Grants	(1,148)	(1,173)

Social Services Directorate

Children and Communities Grant	(4,814)	(4,407)
Regional Integrated Fund (RIF)	(1,193)	0
Workforce and Sustainability Grant	(964)	(1,073)
Inspire 2 Achieve	(346)	(357)
Substance Misuse Grant	(317)	(45)
Childrens Social Services Grant	(316)	0
Youth Service Revenue Grant	(311)	(329)
Education Grant	(303)	(174)
Inspire 2 Work	(257)	(255)
Social Care Recovery Fund	0	(1,482)
Social Care Winter Pressures Grant	0	(1,298)
Intermediate Care Fund	0	(759)
Supporting Sustainable Social Services	0	(526)
Other Revenue Grants	(1,103)	(1,557)

Economy and Public Protection

Housing Support Grant	(2,935)	(2,873)
Concessionary Fares Grant	(1,413)	(2,181)
UK Community Renewal Fund	(1,179)	(763)
Shared Prosperity Fund	(783)	0
Local Transport Fund	(696)	(782)
Homlessness No One Left Out Funding	(547)	0
Children and Communities Grant	(541)	(533)
Domestic Abuse Grant	(493)	(538)
Gypsy & Traveller Grant	(473)	(68)
Communities for Work	(413)	(422)
Pontmorlais Townscape Heritage Initiative	(323)	(351)
Ukrainian Resettlement Programme	(347)	0
Bridges Into Work 2 Grant	(313)	(298)
Housing First for Young People	(263)	(281)
Kickstart	(66)	(304)
General Capital Grant	0	(1,029)
Targeted Regeneration Investment Fund	0	(733)
Transforming Towns Grant	0	(333)
Other Revenue Grants	(3,113)	(2,914)

Neighbourhood Services

Coal Tip Safety Grant	(358)	(386)
Residual Waste Grant	(312)	(312)
Sustainable Waste Management Grant	(275)	(384)
Other Revenue Grants	(695)	(845)

Governance and Resources

Other Revenue Grants	(690)	(866)
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Corporate

Housing Benefit Subsidy	(14,226)	(14,784)
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Cost of Living Support Scheme Discretionary Fund	(120)	(590)
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Cyber Security Operations Centre Grant	0	(3,314)
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Other Grants	(272)	(407)
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Covid-19

Local Government Hardship Fund	(867)	(6,911)
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Other Revenue Grants	(8)	0
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Total

	<u>(51,774)</u>	<u>(65,679)</u>
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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:

	2022/23
	£'000
Current Liabilities	
Grants Receipts in Advance (Revenue Grants)	
Adult Education Grant	(107)
WLGA Brexit Funding	(88)
Mind Our Futures Grant	(88)
Sustainable Food Partnership Fund	(80)
UK Community Renewal Fund	(52)
Education Grant	(82)
Electoral Reform Support Grant	(35)
Other Misc Central South Consortium Funding	(17)
Heritage Lottery Funding - YMCA	(16)
LAPA Sports Development Grant	(11)
National Exercise Referral Scheme	(9)
Over 60's ALS scheme	(8)
EU Settlement Scheme	(6)
Summer Healthy Eating Programme Grant	(6)
Welsh Education Strategic Properties	(4)
Food Poverty Grant	(4)
Tackling Food Poverty Grant	(3)
Parental & Family Relationship Support Grant	(2)
Export Health Certificate Funding	(2)
Summer of Fun / Winter of Wellbeing Grant	(1)
Total	(621)

2022/23
£'000

Current Liabilities	
Grants Receipts in Advance (Capital Grants)	
ULEV Transformation Fund	(71)
Valleys Life Dementia Hub	(21)
Green Recovery Grant	(10)
Crucible Grant	(3)
Access Improvement Grant	(3)
Food Poverty Grant	(1)
Total	(109)

	2021/22
	£'000
Current Liabilities	
Grants Receipts in Advance (Revenue Grants)	
UK Community Renewal Fund	(491)
Education Grant	(489)
Housing Benefit Subsidy	(363)
WPGA 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)
Total	(1,661)

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 carried forward a creditor balance of £1.9m into 2021-22. The Council received £10.6m in 2021-22, paid out £11.2m, and returned £0.1m to Welsh Government, leaving a debtor balance of £1m and a creditor balance of £2.2m reflected in the accounts. The Council received a further £7.6m in 2022-23, paid out £9.2m, and returned £2.5m to Welsh Government, leaving a debtor balance of £3.2m and a creditor balance of £0.3m 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 £11,821,000 were outstanding at 31 March 2023 and £20,585,000 were outstanding as at 31 March 2022.

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2022/23 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 2022/23		Balances at 31 March 2023	
	Expenditure incurred by Authority £000	Income received by Authority £000	Owed by Authority (Creditors) £000	Owed to Authority (Debtors) £000
Companies / voluntary bodies in which Members' interests declared				
Cwm Taf Morganwg Mind/Merthyr Valleys Mind	59	(1)	(20)	0
Pant Boys & Girls Club	92	(10)	(1)	0
The Cyfarthfa Foundation	324	0	0	0
Stephen & George Charitable Trust	69	(2)	(1)	0
Nursery Rhymes Playgroup	69	(1)	0	0
Dwylo Bach Pre School	71	(6)	0	2
Cwm Taf Care & Repair	315	(1)	(18)	0
Other companies / voluntary bodies in which Members' interests are declared	177	(33)	(18)	37
Companies / voluntary bodies in which Officers' interests declared				
The Big Heart of Merthyr Tydfil	41	(10)	0	0
Outside Bodies on which the Authority is represented				
Merthyr Tydfil Leisure Trust	3,455	(482)	(54)	381
Merthyr Valley Homes*	1,002	(174)	(38)	366
Safer Merthyr Tydfil	653	(1)	(217)	0
JV Redstart (Capita Glamorgan Consultancy)	434	0	0	0
Citizen Advice Bureau	334	(1)	(69)	0
Welsh Local Government Association	96	(296)	0	3
Other Bodies on which the Authority is represented	2	(3)	0	0

*The Authority provided a loan to Merthyr Valleys Homes in the 2014/15 financial year, and the balance outstanding at 31 March 2023 is £349,800. The Authority is represented on the Board.

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
Companies / voluntary bodies in which Members' interests declared				
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
Companies / voluntary bodies in which Officers' interests declared				
The Big Heart of Merthyr Tydfil	20	(5)	0	0
Outside Bodies on which the Authority is represented				
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.

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.

	2022/23	2021/22
	£'000	£'000
<i>Opening Capital Financing Requirement</i>	115,902	108,702
<i>Capital Investment</i>		
Property, Plant and equipment	31,579	26,101
Investment Properties	0	0
Revenue Expenditure Funded from Capital under Statute	6,916	5,454
Joint Committee Additions	(1,314)	73
<i>Sources of finance</i>		
Capital receipts	0	(28)
Government grants and other contributions	(21,788)	(21,866)
Direct revenue Contributions	(516)	(435)
Minimum Revenue Provision	(2,291)	(2,099)
<i>Closing Capital Financing Requirement</i>	128,488	115,902
<i>Explanation of movements in year</i>		
Increase in underlying need to borrow (supported by government financial assistance)	1,558	1,566
Increase in underlying need to borrow (unsupported by government financial assistance)	14,633	7,659
Impact of Joint Committees	(1,314)	73
Minimum Revenue Provision	(2,291)	(2,099)
<i>Increase/(decrease) in Capital Financing Requirement</i>	12,586	7,199

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 2022/23 accounts in calculating the provision:

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

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

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

	31st March 2023 £'000	31st March 2022 £'000
Other land and Buildings	3,081	9
Vehicles, Plant, Furniture and Equipment	142	208
	3,223	217

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

	31st March 2023 £'000	31st March 2022 £'000
Finance lease liabilities (net present value of minimum lease payments)		
• current	(59)	(79)
• non-current	(3,168)	(134)
Finance costs payable in future years	(5,988)	(13)
Minimum lease payments	(9,215)	(226)

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March 2023 £'000	31st March 2022 £'000	31st March 2023 £'000	31st March 2022 £'000
Not later than one year	218	84	59	(79)
Later than one year and not later than five years	837	116	226	(134)
Later than five years	8,160	26	2,942	0
	9,215	226	3,227	(213)

Operating Leases

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

	31st March 2023 £'000	31st March 2022 £'000
Not later than one year	685	630
Later than one year and not later than five years	1,524	1,687
Later than five years	47	41
	2,256	2,358

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

	2022/23 £'000	2021/22 £'000
Minimum lease payments	737	621
	737	621

Authority as Lessor

Operating Leases

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

	31st March 2023 £'000	31st March 2022 £'000
Not later than one year	1,062	1,093
Later than one year and not later than five years	2,395	2,241
Later than five years	7,254	7,248
	10,711	10,582

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 2022/23 the Authority paid £5,189,000 to the Teachers' Pensions (£4,851,000 in 2021/22) in respect of teachers' pension costs, which represents 23.68% of teachers' pay (23.68% in 2021/22).

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 £5.577 million in contributions into the scheme in 2023/24. The employers pension contribution rate is to remain at 23.68% in 2023/24.

37.0 Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Authority participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Rhondda Cynon Taf County Borough Council under the Local Government Pension Scheme regulations— this is a funded defined benefit scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. On retirement, members receive an annual pension based on their final salary (or career-

average pensionable salary from 1st April 2014) and have the option to take part of their pension as a tax-free lump sum.

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

Transactions Relating to Post-employment Benefits

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

	Local Government		Discretionary	
	£m		£m	
	2022/23	2021/22	2022/23	2021/22
Comprehensive Income and Expenditure Statement				
Cost of services:				
Service cost comprising				
• current service cost	19.12	18.72	0.00	0.00
• past service cost	0.66	0.73	0.01	0.02
• (gain)/loss from settlements	0.00	0.00	0.00	0.00
• adjustment to pension strain	0.16	(0.06)	0.00	0.00
Financing and Investment Income and Expenditure				
• Net interest expense	4.23	3.84	0.45	0.38
Total post employment Benefits charged to the Surplus or Deficit on provision of services	24.17	23.23	0.46	0.40
Remeasurement of the net defined benefit liability comprising:				
• Return on plan assets (excluding the amount included in the net interest expense)	36.89	(0.96)	0.00	0.00
• Actuarial gains and losses arising on changes in demographic assumptions	(0.20)	(5.13)	0.04	(0.24)
• Actuarial gains and losses arising on changes in financial assumptions	(191.39)	(34.18)	(3.61)	(0.54)
• Actuarial gains and losses arising on changes in experience	30.06	1.57	1.52	0.07
• Other				
Total post employment Benefits charged to the Comprehensive Income and Expenditure Statement	(100.47)	(15.47)	(1.59)	(0.31)
Movement in Reserves Statement				
• reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the code Actual amount charged against the General Fund Balance for pensions in the year:	(24.17)	(23.23)	(0.46)	(0.40)
Employers contributions payable to scheme	11.46	10.25		
Retirement benefits payable to pensioners			0.96	0.97

Pensions Assets and Liabilities recognised in the Balance Sheet

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

	Local Government		Discretionary Benefits	
	£m		£m	
	2022/23	2021/22	2022/23	2021/22
Present Value of the defined benefit obligation	(371.04)	(508.66)	(14.58)	(17.13)
Fair value of plan assets	320.87	346.40	0.00	0.00
Sub-total	(50.17)	(162.26)	(14.58)	(17.13)
Other movements in the (liability)/asset	(0.16)	0.00	0.00	0.00
Net liability arising from the defined benefit obligation	(50.33)	(162.26)	(14.58)	(17.13)

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

	Local Government		Discretionary Benefits	
	£m		£m	
	2022/23	2021/22	2022/23	2021/22
Opening fair value of scheme assets	346.40	337.76	0.00	0.00
Interest Income	9.38	7.10	0.00	0.00
Remeasurement gain/(loss)				
• The return on plan assets, excluding the amount in the net interest expense	(36.89)	1.00	0.00	0.00
Contributions from the employer	11.46	10.25	0.96	0.97
Contributions from employees into the scheme	2.68	2.37	0.00	0.00
Benefits paid	(12.16)	(12.08)	(0.96)	(0.97)
Net increase in assets from disposals/acquisitions	0.00	0.00	0.00	0.00
Closing fair value of scheme assets	320.87	346.40	0.00	0.00

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

	Local Government £m		Discretionary Benefits £m	
	2022/23	2021/22	2022/23	2021/22
Opening balance at 1 April	508.66	525.71	17.13	18.41
Opening Balance Adjustment	0.00	0.00	0.00	0.00
Current Service cost	19.12	18.72	0.00	0.00
Interest Cost	13.61	10.94	0.45	0.38
Contributions from scheme participants	2.68	2.37	0.00	0.00
Remeasurements (gains) and losses				
• Actuarial gains and losses arising on changes in demographic assumptions	(0.20)	(5.13)	0.04	(0.24)
• Actuarial gains and losses arising on changes in financial assumptions	(191.39)	(34.17)	(3.61)	(0.54)
• Actuarial gains and losses arising on changes in experience	30.06	1.57	1.52	0.07
Past service cost	0.66	0.73	0.01	0.02
Losses/(gains) on curtailment	0.00	0.00	0.00	0.00
Benefits paid	(12.16)	(12.08)	(0.96)	(0.97)
Net increase in assets from disposals/acquisitions	0.00	0.00	0.00	0.00
Closing balance at 31 March	371.04	508.66	14.58	17.13

Local Government Pension Scheme assets comprised

	As at 31st March 2023 £m	As at 31st March 2022 £m
Equities	218.51	233.47
Property	25.03	25.29
Government Bonds	33.69	41.57
Corporate Bonds	39.79	44.68
Cash	3.85	1.39
	320.87	346.40

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 2022.

The significant assumptions used by the actuary have been:

	Local Government		Discretionary Benefits	
	2022/23	2021/22	2022/23	2021/22
Longevity at 65 at accounting date				
Males	21.60	21.60	21.60	21.60
Females	24.20	23.90	24.20	23.90
Longevity at 45 at accounting date				
Males	22.90	22.60		
Females	25.70	25.40		
Discount rate	4.70%	2.70%	4.70%	2.70%
CPI Inflation	2.70%	3.00%	2.70%	3.00%
Pension increases	2.70%	3.00%	2.70%	3.00%
Pension accounts revaluation rate	2.70%	3.00%		
Salary increases	3.95%	4.25%		

The duration of the defined benefit obligation (i.e. the weighted average of the time until payment of future cash flows) for scheme members at 31st March 2023 was calculated by the actuary as 17.1 years (20.4 years at 31st March 2022).

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

	Impact on the Defined Benefit Obligation in the scheme		
	Increase in assumption	Base Figure	Decrease in assumption
	£m	£m	£m
Discount Rate (increase or decrease by 0.1%)	364.73	371.04	377.35
Rate of increase in salaries (increase or decrease by 0.1%)	371.78	371.04	370.29
Rate of increase in pensions (increase or decrease by 0.1%)	376.60	371.04	365.47
Post retirement mortality assumption (increase or decrease by 1 year)	380.69	371.04	361.39

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

The authority expects to pay £10.73 million contributions into the scheme in 2023/24.

38.0 Contingent liabilities

As at 31st March 2023, 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.

Due to financial uncertainty of Wellbeing Merthyr – a leisure trust contracted to deliver leisure & cultural services - it is possible that a changed operating model will be required in the future. The financial implications of any changed operating model are uncertain at this time.

- **Merthyr Valleys Homes** - As part of the legal agreements associated with the transfer of the Authority's Housing Stock to Merthyr Valleys Homes (MVH), a number of warranties and indemnities have been provided for a period of 30 years from the transfer date (March 2009), covering areas including environmental pollution and asbestos. The limit to claims made against these warranties is £15,000 for each property (uprated annually by RPI), with the exception of the warranty for environmental pollution and asbestos, where the limits are £40m (environmental pollution) and without limit (asbestos). Claims are subject to a de minimis level below which the Authority is not liable to reimburse MVH, these being £10,000 generally and £3.3m for Asbestos works. Potential liabilities that could arise in respect of environmental pollution have been mitigated by means of insurance policies, providing aggregate cover of £20m. At this stage, there have been no definite claims associated with the warranties provided and it is not possible to determine the extent and value of claims that may arise in the future.
- **Land Reclamation** - A land reclamation site within the boundaries of the Local Authority is expected to shortly cease operations. Remedial works will be required to bring the site up to required public safety standards at a significant cost, which at this stage is unquantifiable. The Council has sought legal advice regarding liability for these remedial works, which would sit with

the operator and/or the landowner, but the ownership position is complex, with the Council owning a small part of the land which is considered unlikely to need remedial works. Final legal advice is due imminently but has not been received at the date of certification.

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 2022/23 reported to Council on 2nd March 2022 set limits for investments for 2022/23 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 2022/23 financial year was also reported to Council on 8th February 2023.

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:

2022/23

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

2021/22

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

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 2023		31st March 2022	
	Sundry £'000	Council Tax £'000	Sundry £'000	Council Tax £'000
Up to 1 Year	2,626	2,120	2,138	2,172
Between 1 and 2 Years	553	1,596	309	1,548
Between 2 and 3 Years	186	1,273	128	1,042
Between 3 and 4 Years	94	893	51	799
Between 4 and 5 Years	37	688	10	490
Greater than 5 Years	28	1,674	26	1,384
Total	3,524	8,244	2,662	7,435

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:

	2022/23				
	£'000				
	PWLB	LOBO	Other	Market Loans	Total
Less than one year	33,404	0	129	2,017	35,550
Between one and two years	1,912	0	130	0	2,042
Between two and five years	5,080	0	1,697	0	6,777
More than five years	56,021	12,216	14,169	0	82,406
	96,417	12,216	16,125	2,017	126,775
	2021/22				
	£'000				
	PWLB	LOBO	Other	Market Loans	Total
Less than one year	3,824	0	563	49,016	53,403
Between one and two years	2,550	0	121	0	2,671
Between two and five years	6,354	0	1,667	0	8,021
More than five years	26,659	12,217	12,210	0	51,086
	39,387	12,217	14,561	49,016	115,181

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 2022/23 would have been as follows:

	£'000
Increase in interest payable on variable rate borrowings	<u>420</u>
Increase in interest payable on variable rate investments	(313)
Impact on Surplus or Deficit on Provision of Services	<u>107</u>

40.0 Interests in other entities

Associates

Capita Glamorgan Consultancy Ltd is a Joint Venture between Capita Property and Infrastructure Limited, Bridgend County Borough Council, Rhondda Cynon Taf County Borough Council and Merthyr Tydfil County Borough Council. The Authority owns 6% of the shares of the Company.

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

An extract from the latest available financial statements as at 31st December 2021 is detailed below. There is a nine month window for auditing the financial statements and the 2022 financial statements are expected in October 2023:

	31st December 2021 £'000	31st December 2020 £'000
Expenditure		
Cost of Sales	6,815	7,293
Administration Expenses	788	605
Total Expenditure	7,603	7,898
Income		
Turnover	(8,430)	(8,795)
Operating (Profit)/loss	(827)	(897)
Net finance cost	673	728
Income tax charge	154	169
Total Comprehensive expense income for the year	0	0

	31st December 2021 £'000	31st December 2020 £'000
Fixed Assets		
Deferred Tax	12	11
	12	11
Current Assets		
Trade and Other Receivables	1,177	1,865
Cash	2,392	1,420
	3,569	3,285
Current Liabilities		
Trade and Other Payables	(895)	(1,285)
Financial Liabilities	(2,362)	(1,759)
Income tax payable	(324)	(252)
	(3,581)	(3,296)
Net Assets	0	0
Capital and reserves		
Profit and loss account	0	0
Total equity	0	0

Joint Operations

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

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

Glamorgan Archives

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

The net financial impact on the Authority's accounts as a result of including Glamorgan Archives' transactions is not considered material and so has not been included within the statement of accounts for 2022/23.

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 2022/23 financial statements.

Central South Consortium Joint Education Service

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

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

The Authority has included its share of the joint operation within the 2022/23 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 12.6% into the Collaboration.

The net financial impact on the Authority's accounts as a result of including the Vale, Valleys and Cardiff Regional Adoption Collaborative is not considered material and so has not been included within the statement of accounts for 2022/23.

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 not included its share of the joint operation within the 2022/23 financial statements as the CCRD Draft Financial Statements were not available by 30th June 2023.

Investment Properties included within the Balance Sheet of £2,506,000 solely relate to the inclusion of Merthyr Tydfil CBC's share of the Cardiff Capital Region City Deal joint arrangement. Other significant balance sheet items that reflect 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 1st April 2015. The Authority transferred the function of providing existing Leisure and Cultural Services within the County Borough to the Trust. The Trust has been set up as a Not for Profit Distributing Organisation and is a Charitable Company Limited by

Guarantee. The Trust is a registered Charity. The Trust is led by a Board of Trustees, which is required to be independent of the Authority. The Board Membership is as follows:

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

Hence the Authority's representation is below 20%.

During 2022/23 the Trust were paid a management Fee as agreed in a Contractual framework of £2,424,000 (£2,424,000 in 2021/22) 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

FINAL ANNUAL GOVERNANCE STATEMENT 2022/23

November 2023

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 on 31st March 2017. In 2023 a population needs and well-being assessment was undertaken across Cwm Taf Morgannwg. 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 31st March 2023 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 has progressed its digital democracy programme considerably, committee meetings (including Council and Cabinet meetings) are held through a hybrid platform and accessible to the public.

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.

Recovery

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, enabling the Council to consider risk-based approaches.

4. COST OF LIVING CRISIS

The Welsh Government (WG) announced a package of measures to help people with support towards the cost of living. The package includes £152M to provide a £150 cost-of-living payment to eligible households (the main scheme) and £25M to provide discretionary support across Wales for other purposes related to living costs. The schemes are intended to provide immediate support as Wales recovers from the pandemic and support households to deal with the impact of increasing energy and other costs. The Discretionary Scheme funding can be used by each local authority to support other households it considers to be in need of assistance with their living costs. Each Local Authority will determine its use of discretionary support as it deems appropriate to address local needs.

WG have awarded Merthyr Tydfil CBC funding of £4,174,753 for the purposes of the Cost of Living Support Scheme, allocated as follows:

- Main Scheme (COLSS) - £3,585,000
- Discretionary Scheme (DCOLSS) - £589,753 Any additional surplus can be repurposed by the authority to use within the discretionary fund.

There are estimated to be 23,673 properties within Merthyr Tydfil CBC that are eligible for the Main Cost of Living Support Scheme payment which totals 3,550,950.

5. 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.

All new starters have the opportunity to learn about the Council during the induction process. The main policies and procedures including the staff handbook and code of conduct are provided during this process. Included within the staff 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. In addition to this the corporate apprenticeship induction process is supported by CMT and Senior Leadership Team (SLT). The Council recently introduced a Managers Induction programme, which has been created for all managers to review the current processes and policies for support and guidance with managing teams. This programme also includes softer skills such as coaching, leadership styles and managing high performing teams.

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's Standards Committee promotes and maintains high ethical principles and these are enshrined within the Code of Conduct for Councillors. All Councillors 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.

Section 62 of the Local Government and Elections (Wales) Act 2021 put an additional requirement on Leads of Political Groups to take reasonable steps to promote and maintain high standards of conduct by the members of the Group, which our two Leaders have embraced.

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 2022/23 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 is still in place for 2022/23 financial year, this will be updated in 2024 when the new legislation is planned to be enforced. The Procurement Policy and Strategy 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.

Throughout the tendering processes Procurement Services utilise selection criteria that tests existing and potential external providers in terms of ethics. These include fair work, modern slavery, environmental, health and safety, supply chains etc. The equality statement is also included in tender documentation that forms part of service contracts.

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 legislation that the Council is subject to. The IIA incorporates the Council's Wellbeing Objectives, the Sustainable Development principle (the five ways of working processes), Welsh Language, Equalities and Socio-economic disadvantage, Decarbonisation, Biodiversity, Consultation and engagement, and data and evidence. The IIA has been updated to reflect the work around decarbonisation and climate change. The IIA has been applied to business cases and projects as part of the Councils project management framework.

The new Corporate Risk Strategy and Policy was approved in September 2022. This was updated to reflect the changes within the Council and additional criteria that was required to be added. The support to risk management key partners is still included in the Council Risk Registers.

The Council is a participant in the National Fraud Initiative (NFI) and the recent employment of a Fraud Officer in Merthyr in 2022/23 ensures all areas of the NFI are covered on behalf of Internal Audit including processing and co-ordinating the NFI data matches with Service Departments and other relevant work. The Fraud Officer works closely with the Regional Internal Audit Service (RIAS) to ensure this is monitored accordingly.

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. In January 2023, a Counter Fraud report was provided to Governance and Audit Committee illustrating the varying degrees of progress made since the implementation of the Policy and Strategy and the also the employment of Fraud Officer.

The Council has adopted a new and updated whistleblowing policy which was approved at Full Council on the 8th February 2023. An email was then sent to all members of staff from the

Chief Executive advising them that the policy had been updated and reminding them of the process for making referrals should they become aware of any malpractice.

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 has been approved by Corporate Scrutiny Committee in April 2023 and was presented to Full Council on the 12th July 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 17,000 followers to its Facebook site, 11,500 following the Council Twitter site and nearly 2,100 using Instagram as an additional engagement platform.

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), 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.

As part of changes to legislation under the Local Government and Elections Act 2021, all councils are required to produce a Participation Strategy which sets out the Council's approach to encouraging two-way communications and engagement. This strategy outlines how residents can get more involved in the Council's decision-making process. The draft Participation Strategy has been presented and scrutinised at Corporate Scrutiny Committee Corporate on the 1st February 2023, and was presented to Full Council on the 12th July 2023. A further campaign will be undertaken this year, as part of the new Participation Strategy.

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

Feedback from public consultations and engagement activities (where there would be any significant service change or high level public interest) are fed back to Corporate Management Team (CMT), Cabinet and Full Council. Councillor workshops are also 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. 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 public were engaged as part of the process to undertake the Wellbeing Assessment to inform the Wellbeing Plan on behalf of the Public Services Board (PSB) and further engagement and consultation was undertaken to inform the Council's Wellbeing Statement and objectives linked to the Wellbeing of Future Generations (Wales) Act 2015 (the Act). This has been reviewed at a regional level (a wide-ranging project team across Cwm Taf Morgannwg) and local level (the Council through an internal project team). This led to the development of a new PSB plan and renewed Corporate Well-being Plan.

The level of engagement has improved significantly through both the PSB for Cwm Taf and the PSB for Bridgend. The PSB has carried out the regional consultation, PSB is changing to add Bridgend to the Joint Overview and Scrutiny Committee (JOSC) in 2023-24.

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 were held remotely via Microsoft Teams and as a result the committee meetings are recorded and published on the Council's website. Whilst our committee meetings are once again being held in person, we have introduced a hybrid solution, which still allows remote access on request.

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 aim is for our representation and complaints procedure is to secure a better service for all the people using social care services and it is underpinned by the following key principles:

- Commitment to providing quality services;
- Accessible and supportive to those with particular needs;
- Prompt and responsive with resolution at the earliest possible opportunity Strong problem solving element;
- Operated without prejudice or discrimination; and
- Adheres to the principle of equal opportunity.

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

In 2022/23, a total of 514 corporate complaints were received by the Council. This is an increase on the previous year. Further data will be supplied in the Corporate Annual Report estimated to be prepared by November 2023.

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 on an annual basis with the 2022/23 report being presented later on this year. In addition to this, Corporate Complaints were presented to the Governance and

Audit Committee as part of the Annual Review and Assessment of Complaint Handling and Effectiveness Report presented on 28th November 2022.

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

Following the appointment of an Improvement and Assurance Board, a rapid assessment exercise was undertaken. To respond to the outcomes of this assessment, the Council developed a Recovery, Transformation and Improvement (RTI) Plan 2020-25.

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 five year improvement path and identifies three 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 deliver the RTI Plan to support the Council's continuous improvement.

In 2023 a population needs and well-being assessment was undertaken across Cwm Taf Morgannwg. Cwm Taf Morgannwg Public Services Board (PSB) brings together the previous PSBs in Cwm Taf, covering Merthyr Tydfil and Rhondda Cynon Taf, and Bridgend to form one PSB for the Cwm Taf Morgannwg area. This new board comprises public bodies, who deliver services locally to improve the social, economic, environmental, and cultural well-being by

setting objectives that will achieve the Well-being Goals outlined in the Wellbeing of Future Generations 2015 Wales Act. The Public Service Board (PSB) Plan 2023-2028 was updated and approved by Full Council on the 19th April 2023. The plan proposes two main objectives:

- Objective One - Healthy local neighbourhoods
- Objective Two – Sustainable and resilient local neighbourhoods

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. There are strategies for each Wellbeing Objective underneath the vision with appropriate performance indicators identified.

The findings of this assessment has informed the review and renewal of the Council's Corporate Plan which was approved by Full Council on the 19th April 2023. 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.

Public bodies are required to report annually on their progress towards meeting their 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. Following legislation around website accessibility, an accessibility working group was set up. Since then, with much work being done around website accessibility, the Council has been ranked number 1 out of all UK Councils for website accessibility. MTCBC has also included an accessibility toolbar on the Corporate Website to improve access of services and information for residents, and to contribute to tackling digital exclusion.

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.

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. Over a twelve week period from October 2022 to January 2023, residents of the County Borough were engaged through an on-line survey via the Council website and social media pages. In addition, paper copies of the survey were available at the Civic Centre and Cabinet undertook a series of roadshows facilitating face-to-face consultation.

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 Commercial Board is driving the application of economic, social and environmental impacts of procurement related activity. Community benefits are tested on all contracts over £1million. The Council collaborates with other public bodies extensively across the procurement portfolio and the procurement strategy supports the 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.

In terms of conflict of interests, Procurement are now making use of the Crown Commercial Service conflict of interest form on appropriate tender evaluations. Evaluators have to sign the declaration before evaluations of tender can take place.

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.

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 2021/22 Performance report was approved by Cabinet on the 9th November 2022, the 2022/23 Performance report will be presented to Cabinet in November 2023.

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 on a quarterly basis. During 2022/23, the risk register was presented to Governance and Audit Committee on 18th July 2022, 24th October 2022, 27th February 2023 and 12th June 2023. 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 has an updated Corporate Risk Policy and Strategy this was approved at Full Council on 7th December 2022. Training arrangements remain in place and are being strengthened.

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) came into force on 31 March 2021. The IIA has recently been updated to include the new Corporate well-being objectives. Training has been provided on the updated IIA to senior managers and Councillors. From 1st April 2013 the IIA has been further updated to include Decarbonisation and Climate Change Objectives.

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 2021/22 Annual Equality Report was approved by Cabinet on the 11th January 2023, the 2022/23 annual Equality report will be presented to Cabinet at the start of 2024.

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

Merthyr Tydfil: #Shwmaeronment – a County Borough where the Welsh language is heard, spoken and celebrated through all walks of life.

With its main target being:

- To increase the frequency of the number of people speaking Welsh in Merthyr Tydfil on a daily basis to at least 10%.
- The ambitions of the Strategy will be considered under three strategic aims underpinned by the overarching theme of Partnership.

The three strategic aims are that:

- Children and young people have plenty of opportunities to use Welsh every day;
- Merthyr Tydfil is a County Borough which has the Welsh language as an integral part of its social and civic activities; and
- There is an increase in the use of Welsh across all whole workforces.

For ease of reading these will be summarised as:

- Children and Young people
- Community and Family
- Workforce

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 RTI Plan now forms part of the new Corporate Plan 2023-28, since its approval any outstanding actions are now included within the corporate delivery plans.

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. The project management framework has been updated to include elements of the updated Corporate Risk Policy and Strategy, including new risk assessment templates. The framework is also being reviewed to make it easier for officers to complete and more accessible.

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.

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 2022-23 is available on the website. Additional informal workshops are in place. A greater focus is being placed on the 'Governance and Audit Committee' forward plan. This aligns to the Local Government and Elections (Wales) 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, Chief Executive 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 councils to ensure it is working/transforming in line with the Local Government and Elections Act 2021 requirements.

In addressing budget reduction requirements business cases consist of a number of options complete with risk and equality assessments and projected timelines for achievement. 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 2022/23. The Draft Corporate Asset Management Plan has been reviewed by the Asset Management Group and presented to Scrutiny Committee. The Corporate Asset Management Plan 2023-2028 was approved at Full Council on 14th June 2023 and includes a property portfolio which is closely aligned to service requirements and corporate priorities, however this will require updating to reflect the new corporate priorities set out in the newly adopted Corporate Plan 2023-28. 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 Benchmarking is also utilised to assess Value for Money of Council Services, for example educational attainment

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

- Consideration of, for example, the impact of working with private and/or public sector organisations, accountability frameworks and partnership boundaries, large-scale projects

with joint ventures, outsourced services, relationship management, change control/exit strategies, business continuity and contractual liabilities.

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

The updated Corporate Risk Policy and Strategy includes aspects of ethical procurement and risk identification in the supply chain.

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 included 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 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 Council's 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 Council's project management framework.

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. 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 current Leader and Chief Executive work well together and have a clear understanding of their respective roles. 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 Improvement and Assurance Board as well as involvement in member training from the WLGA.

A performance management system has been in place along with a performance management appraisal system called Focus on your performance. Further work continues with the performance management process as the Council looks to further embed this across all service areas. The system is used to capture the data for each individual when meeting with line managers to set objectives, review objectives and then to review the full year performance. Training has been offered at various times throughout the year for managers and staff to understand the process and it's also included in the Corporate and Managers Induction.

The Healthy Organisation plan was developed in 2020 - 2021 within the Recovery, Transformation and Improvement (RTI) plan. Further work has continued with the healthy organisation plan and further programmes such as workforce planning. All of CMT and Corporate Leadership Team have undertaken a workforce planning workshop to understand

how this applies to their areas and each manager is receiving support from Human Resources & Occupational Development on developing their own workforce plans which will continue throughout the year.

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.

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 -Cority 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.

During 2022-23 a number of wellbeing programmes were delivered to all staff. These ranged from Mental Health First Aider programme, managing burnout and stress, musculoskeletal, managers managing mental health, performing under pressure and the Wellbeing Programme which focused on emotional, physical and mental wellness.

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 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).

The Corporate risk register is formally reviewed every three months by the corporate management team (CMT) and approved at Cabinet. The corporate risk register is updated as risks change/become apparent. The Council uses relevant risk material to inform its risk monitoring and mitigation. The Council will use its risk appetite in budget setting and programme development and delivery.

Corporate risk is presented to the Governance and Audit Committee four times a year each time it reviews the whole Risk Register and also allows a rolling programme for greater in depth assessment of a Corporate Risk. 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.

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.

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) and has recently been updated to reflect other areas of risk in relation to Procurement and Reputation. Other models such as SWOT (Strengths; Weaknesses; Opportunities; Threats) analysis and 'bow tie' analysis can also be used and are featured in the Council's Risk Policy and 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.

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 has continued to improve its risk management arrangements by strengthening its risk strategy. The Risk Policy and Strategy has been updated, the Council continued its work to refine its arrangements through self-review. This includes strengthening its position regarding opportunity risk, risk appetite and risk tolerance. This will be challenged through a peer from another Council before being presented to the Governance and Audit Committee; before going to Council for approval.

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.

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.

The development of the Corporate Dashboard is now inline with the RTI Plan, however this is continually evolving with the changing needs of the Council. The Corporate Dashboard supports the governance of the Council which also supports the leadership and decision making.

The Council has six scrutiny committees;

1. Corporate Support and Resources;
2. Learning and LGES (Local Government Education Services);
3. Neighbourhood Services, Planning and Countryside;
4. Regeneration and Public Protection;
5. Social Services; and
6. Joint Committee.

These committees meet approximately every six weeks, however the Joint Scrutiny Committee will meet as and when necessary to consider items that are relevant or common to each of the other five scrutiny committees.

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.

Strengthening the Council's 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 has worked with the WLGA and other external experts on strengthening its scrutiny arrangements; and will continue to do so, 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 Council's 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 2022-23 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 remains high.

The Constitution also sets out the terms of reference for the scrutiny committees. Each year the Council's scrutiny committees produce an Annual Report which includes a retrospective insight into the work undertaken by each of the Council's Scrutiny Committees during the municipal year. The Annual Report for 2022-23 was presented to Full Council in July 2023. The Annual Report for 2021-22 was presented to Full Council on 6th 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). Following Local Government elections in May 2022 the Council provided 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 Corporate Leadership Team. Quarterly reports are provided to Cabinet for information on progress. Progress towards outcome achievement is challenged at Corporate Support & Resources Scrutiny committee meetings. Senior Management meetings are in place for each directorate to present reports on service delivery plans.

The Council has officers as members of ALARM and a mentor assigned to provide peer challenge. Staff training has increased, including through the Risk Management Institute. Risk training and up-skilling takes place as part of the corporate leadership team meetings and at a service level when completing operational/service risk register updates. On-line fact sheets are due to become available to Elected Members and officers. Risk management has also been built into Elected Member training, forms part of the Manager's Curriculum and staff induction. Risk management training remains mandatory for all staff and Elected Members through the Council's 'Bob's Business' platform. The Council has built risk management training into the Councillors' training programme.

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 & 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 early 2024.

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).

Risk based work is critical to the Council, as it seeks to improve the risk awareness of staff and improve overall control. By adopting a risk based audit approach there is a clear linkage between the significant risks identified in the Council's Corporate Risk Register and the work undertaken by Internal Audit in providing assurance against these. As a result, the starting point for the audit plan approach is an understanding of the Council's objectives and risks.

The Internal Audit plan is devised using a risk based strategy. Individual Internal Audit reports give assurance opinions on governance, risk management and internal control arrangements.

The Annual Internal Audit Report for the financial year 2022/23 incorporating the Head of the Regional Internal Audit Service's overall opinion was reported to the Council's Governance and Audit Committee on the 12th June 2023. Based upon the work undertaken during the year the Head of Internal Audit's opinion on the internal control environment, risk management and governance arrangements for 2022/2023 was a Reasonable level of assurance.

During 2021, elected members and scrutiny members attended training regarding the Local Government Wales and Elections (Wales) Act 2021.

In May 2022, the following changes in Sections 116 - 118 of the Act come into effect:

- One third of the Governance and Audit Committee's membership must be made up from lay persons appointed by the Council.
- The Governance and Audit Committee shall be chaired by a lay member elected by the Committee.
- The Vice Chair elected by the Committee may be a Councillor or a lay member but must not be a member of the Authority's Cabinet (Executive) or an assistant to its Executive

Each Governance and Audit Committee meeting is attended by Internal Audit and a representative from the External Auditors (Audit Wales). 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.

Audit Wales published a national report 'Raising our Game': tackling fraud in Wales, in 2020 which identified a number of national and local recommendations. The Council has developed an action plan to address these recommendations and has already responded to some of the issues raised. The Fraud Risk Register is currently in the process of being completed during 2023/24 by the recently appointed Fraud Officer. Implementation of the Fraud Risk Register will ensure all outstanding recommendations for the Audit Wales report have been implemented.

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 key themes/areas that the Council needed to focus its attention.

During March 2022 the Minister for Finance and Local Government announced that the Improvement and Assurance Board was to be stood down with effect from 31st March 2022. This was based on the Improvement and Assurance Board's assessment that the Council was able to self-sustain its own improvement. This centred on the significant progress or full attainment of the agreed objectives.

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 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. The Council has 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.

In addition, the Council represents the Welsh Government Data Protection Officer Forum which provides Welsh Local Authorities with updates on any future plans to share personal data across Wales. This also has representatives from other public sector organisations such as the NHS, Police and Fire Service.

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 Chief Information Security Officer (CISO) also sits on the WASPI Management Board and chairs the Cwm Taf Regional Quality Assurance sub-group to ensure information sharing with partners is appropriate and relevant and in line with legal and regulatory requirements.

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. All committee meetings are held using hybrid solutions that allow remote access on request, 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).

In 2021/22 the self-assessment report replaced the Annual Performance Report. The self-assessment report for 2022/23 will be published in November 2023.

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. This assessment process and the results of the assessment are published within the Annual Governance Statement. 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, Governance and Audit Committee and Audit Wales.

Actions for improvement are included in the Council's corporate action plan monitoring system known as the 'AAP (Audit and Inspection Action Plans) system'. The AAP system monitors 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 Corporate 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 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 Council's response to the impacts of the Covid-19 Pandemic.

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. During 2022/23, reports on the progress against the plan were reported to Governance and Audit Committee on 18th July 2022 (as part of the Annual Report), 24th October 2022 and 16th January 2023.

The Council has an operating and effective Governance and Audit Committee that is compliant with the Local Government Measure (Wales) 2011, the Accounts and Audit Regulations (Wales) 2014 and the Accounts and Audit (Wales) (Amendment) Regulations 2018. The Committee's Terms of Reference are compliant with best practice guidance and have been updated to reflect the Local Government 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 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 provides an overall opinion on the control environment, risk management and governance arrangements at the council using the work completed throughout the year. 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.

6. 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. A review of the effectiveness of existing governance arrangements was undertaken and no recommendations were made.

A number of recommendations to strengthen the governance arrangements were made in the 2019/20 AGS, no new recommendations were made following a review of the 2020/21 or 2021/22 AGS. There were no identified areas for improvement or subsequent recommendations made for 2022/23. Out of a total of 11 recommendations made 9 have been implemented, 2 remain partly implemented as detailed below:

No.	Recommendation	Progress
8	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>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 September 2023. The financial procedure rules will form part of this process.</p>
11	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>Partly Implemented</p> <p>In the data team officers are continuing to develop the corporate dashboard as well as working with other departments to create dashboards for their use to manage data.</p> <p>The AAP system is in place and working, CMT have monthly updates and quarterly reports are presented to GAC</p> <p>RTI Steering Group and Board will change into the Corporate Well-being Steering Group and Board (names still to be decided). The remaining aspects of the RTI plan have been reviewed and if necessary will be incorporated into the Corporate Plan.</p>

Throughout 2022/23 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. All Internal Audit recommendations are subject to a regular follow up process, with any *Limited Assurance* or *No Assurance* opinions being subject to a follow up audit review.

Audits have been conducted during 2022/23 using a hybrid approach of on-site visits (where necessary), remotely using video conferencing (e.g. Microsoft Teams) and digital solution as a basis for meetings and sharing documentation.

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

The Annual Internal Audit Report for the financial year 2022/23 incorporating the Head of Regional Internal Audit's Annual opinion was reported to the Council's Governance and Audit Committee on 12th June 2023.

Taking into account the results of internal audit work completed for the financial year 2022/23, internal controls and risk management were found to be *Reasonable Assurance*. The audit assurance category codes can be identified in Appendix 2.

Given the progress made in addressing previous concerns around governance the Head of Internal Audit's 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 2022-23 is:

Reasonable Assurance

The Scrutiny committees have examined a number of issues as part of their work programme in 2022/23. These were reported in the Annual Report to Full Council in July 2023.

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.

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.

The Council has made an assessment of its current compliance with the six principles (leadership, accountability, transparency, standards, assurance and sustainability) and the 17 Standards outlined in the FM Code. The assessment has identified that the Council can demonstrate compliance with all of the Standards, but it is recognised that further improvements can be made to enhance compliance during 2023/24.

The Significant Governance Issues identified for 2022/23 are shown in section 7 and take into account the definition identified in Appendix 1.

The Significant Governance Issues identified in 2021/22 together with the updated current position regarding their status is included in section 8.

7. SIGNIFICANT GOVERNANCE ISSUES 2022/23

Issues	2022/23 AGS Position & Action Taken/Planned
<p>Financial Pressures: Limited financial resources versus increasing demand for services and capital projects causes budget pressures which impact upon the delivery of public services.</p> <p>E.g. Reduction in funding from the Welsh Government, lack of investment income, capital receipts, costly care packages, reductions in grant funding.</p>	<p>The Medium Term Financial Plan (MTFP) 2022/23 to 2025/26 was approved by Council of 2nd March 2022 and indicated a revised estimated budget deficit of £16.4 million over the 4 year period 2022/23 to 2025/26. The MTFP 2023/24 to 2026/27 was presented for approval to Council on 8th March 2023 and indicated an estimated cumulative budget deficit of circa £23.3 million over the period based on assumptions contained within the MTFP.</p> <p>Although the Council aligns the MTFP with its priorities determined by its wellbeing objectives, it must be appreciated that a MTFP is a rolling programme continuously updated for changing circumstances, new developments and priorities. Consequently, it was recognised that a significant amount of work was still required to fully align spending requirements to Corporate Wellbeing Objectives and available finance. The Council's Operating Model Design defines how the Council is to carry out its business and supports the Council's Corporate Strategy, Wellbeing Objectives and Chief Officer's 'Strategies on a Page'. The Commercial Board will monitor achievement against the measures of success and desired outcomes. In addition, financial sustainability and resilience of the Council is monitored by the Chief Finance Officer.</p> <p>It is proposed that General Reserves will be set at a minimum of £5.723 million for the duration of the MTFP 2023/24 to 2026/27. This would allow the Council the flexibility to adequately respond to the risk of potential budget overspends in volatile service budgets whilst addressing the financial implications of demographic pressures. It is not considered prudent for the Council to further utilise general reserves to support its future revenue budget plans owing to the unacceptable risk and exposure to the Council of an inadequate level of reserves to address potential future revenue budget overspends. In addition, the level and adequacy of Council general reserves is also subject to scrutiny by external regulators.</p> <p>Following the +7% settlement increase for 2023/24, Welsh Government has provided an indicative settlement of +3.1% for 2024/25. Owing to the cost of living crisis with spiralling inflation, increasing bank rates, recovering from the covid pandemic, pay increases and additional new demands, the</p>

Issues	2022/23 AGS Position & Action Taken/Planned
Capacity Issues for the Council	<p>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>With the current budget constraints and the need to reduce expenditure, capacity issues for the council remain a risk. We will continue to work with departments to look at workforce planning to ensure any capacity changes consider the service or organisational impacts. Loss of staff with experience and skills could lead to adverse delivery of services, failure to meet Council well-being objectives or budgetary increase should the need arise to buy in expertise.</p>
Educational Attainment	<p>The Raising Aspirations, Raising Standards policy remains the driver for school improvement across all schools, there have been a number of workshops this year to consider the commitments within this strategy and whether they continue to be relevant. A revised strategy will be presented to Council in January 2024. The new curriculum brings about challenges in relation to accountability measures and work continues to ensure the LA is aware of the progress of all learners.</p>
Change Management	<p>Schools are facing increasing pressures in light of budget, curriculum change, implementation of the ALNET, introduction of UFSM and there needs to be careful consideration on how to support schools to manage the changes being introduced so they are not of detriment to the children and young people.</p>
Strengthen Performance Management Arrangements	<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 Plan).</p>

Issues	2022/23 AGS Position & Action Taken/Planned
Strengthen scrutiny arrangements	<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 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> <p>Following analysis of a self-evaluation survey (carried out with all those involved in the scrutiny function) and several workshops with Members, the Council has further strengthened its scrutiny improvement plans. The Council has continued to engage, and work with, the WLGA on this. The Council has also worked with independent support provided through the WLGA (a member of the Improvement and Assurance Board that was in place within the Council). Peers from other Councils have provided feedback on key elements of the improvement plans to ensure continuous improvement and challenge is built in.</p> <p>Work programmes have been developed, led by Members, and are being implemented. This has strengthened integration across the delivery of strategies and the forward plans for scrutiny. Further developments to the forward work programmes are in place with a framework for Chairs to use to ensure the right issues are scrutinised. This forms part of the scrutiny improvement plan through a '4 R's' approach i.e. the Right Issues being scrutinised in the Right Way at the Right Time and in the Right Place. As such a focus is being placed on different ways of delivering scrutiny, e.g. pre-decision scrutiny, enquiry days, task and finish groups. Ways to engage the public in the scrutiny process is also being developed and being built into the work programmes.</p> <p>A practical guide to scrutiny has been developed and shared with all Members to support them in their roles. Training is being delivered, focusing on adding value and the role of scrutiny (in line with the WLGA's</p>

Issues	2022/23 AGS Position & Action Taken/Planned
	<p>'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 have been developed to allow scrutineers to gain a better understanding of issues to improve the level of scrutiny.</p> <p>An overarching aim of 'making a difference together' is being tested with Members to form the basis of a strategy on a page for scrutiny. This will help assess the impact of scrutiny.</p>

8. SIGNIFICANT GOVERNANCE ISSUES 2021/22 – UPDATE

Issues	CURRENT POSITION
<p>Financial Pressures: Limited financial resources versus increasing demand for services and capital projects causes budget pressures which impact upon the delivery of public services.</p>	<p>The Medium Term Financial Plan (MTFP) 2021/22 to 2024/25 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</p>

Issues	CURRENT POSITION
<p>E.g. Reduction in funding from the Welsh Government, lack of investment income, capital receipts, costly care packages, reductions in grant funding.</p> <p>Further COVID-19 implications.</p>	<p>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>Updated as at 2022/23</p> <p>The Council received a Welsh Government revenue settlement of +7.0% for 2023/24 with an indicative all Wales average settlement of +3.1% for 2024/25. A balanced budget for 2023/24 was approved by Council in March 2023 with budget deficits of £10.5 million, £5.6 million and £7.2 million projected for 2024/25, 2025/26 and 2026/27 respectively, based on assumptions within the Medium Term Financial Plan. Spiralling inflation costs, interest rate increases, unprecedented energy cost increases and a pay award in excess of that budgeted has contributed to the projected budget deficit for 2024/25. Corporate Management Team with Cabinet are actively engaged in formulating proposals to address the projected budget deficits. See Section 6 – ‘Significant Governance Issues 2022/23’ for the current position and action taken / planned to address the issue.</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% 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</p>

Issues	CURRENT POSITION
Impact of the flooding	<p>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> <p>Updated as at 2022/23 Welsh Government support through the Hardship Fund ceased on 31st March 2022, with the exception of support for the costs of free school meals, self-isolation scheme, Statutory Sick Pay enhancement scheme and Winter fuel payments. 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>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> <p>Updated as at 2022/23 The Council has received £6.6 million of support for capital projects for the period 2020/21 to 2022/23, inclusive of £2.1 million for 2022/23. Further monies are expected for 2023/24 since a proportion of capital repair projects have 'slipped' into 2023/24.</p> <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</p>

Issues	CURRENT POSITION
Capacity Issues for the Council	<p>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> <p>Updated as at 2022/23 Capacity issues in some areas remain due to budget constraints and the need to look at reducing capacity through the VER/VR process. As we look to reduce, we will work with the service areas to look at efficiencies and changes to the way services are delivered.</p>
Educational Attainment	<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 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>Updated as at 2022/23 Officers have begun work with stakeholders to review the commitments with the Raising Aspirations, Raising Standards Strategy. It is accepted that the vision, themes, and goals remain applicable, however further consideration needs to be of the impact of the pandemic on not only delivery of the commitments but the actions themselves. The ongoing workforce action during this year has also impacted on monitoring and evaluation of current actions.</p>
Strengthen Performance Management Arrangements	<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>

Issues	CURRENT POSITION
<p data-bbox="126 1648 341 1766">Strengthen scrutiny arrangements</p>	<p data-bbox="391 212 1528 415">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 data-bbox="391 464 1528 625">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> <p data-bbox="391 674 737 709">Updated as at 2022/23</p> <p data-bbox="391 716 1528 961">The QPIR have been undertaken for several reviews throughout the year, these reviews have been beneficial to have the discussions around the performance of the organisations. As well as officers attending Portfolio members have been attending some sessions. The QPIR sessions will continue but will be reviewed to be more pertinent to the progress and delivery of the Corporate Plan well-being objectives</p> <p data-bbox="391 968 1528 1129">The dashboard has been developed and continues to be revised as new requirements come to the fore, it's a continual improvement. The organisation is currently discussing a public facing dashboard, GDPR and data security being identified</p> <p data-bbox="391 1136 1528 1262">The new HR E-performance module has gone live, the system requires some further tweaking to be fit for purpose but the requirements of managers to undertake effective monitoring will be key to the council performance.</p> <p data-bbox="391 1268 1528 1598">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 data-bbox="391 1646 1528 1808">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</p>

Issues	CURRENT POSITION
	<p>issues are scrutinised. This forms part of the scrutiny improvement plan through a '4 R's' approach i.e. the Right Issues being scrutinised in the Right Way at the Right Time and in the Right Place. As such a focus is being placed on different ways of delivering scrutiny, e.g. pre-decision scrutiny, enquiry days, task and finish groups. Ways to engage the public in the scrutiny process is also being developed and being built into the work programmes. 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 Charring). 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> <p>Updated as at 2022/23</p> <p>The council has completed substantial work to develop the scrutiny improvement programme. Several workshops have been completed with all members and the independent support through the WLGA. As the Council progresses through this year the work programme will be revisited to reflect the scrutiny requirements to look at the Corporate Wellbeing objectives</p> <p>The Council scrutiny process as seen a change in delivery of scrutiny, explored more site visits, enquiry days etc. cross scrutiny when something is a hot topic or cross cutting directorates. The scrutiny improvement plan and the 4 R's approach is look at when discussing forward work programmes.</p> <p>The practical guide to scrutiny is complete and is available on the Member intranet pages. As above there have been several training, workshops with all members and these have been concluded. Notwithstanding if required these can be revisited to look at the new wellbeing objectives or what is needed to be</p>

Issues	CURRENT POSITION
Curriculum Compliance	<p>discussed at scrutiny. The earlier pre meets are in place and this is proving beneficial as this provides more time for questions to be discussed or lines of enquiry. The Quarterly meetings are in place with Scrutiny Chair, Director, Portfolio Member to review the forward work programme and any other issues. These will remain in the future.</p> <p>The scrutiny strategy on a page and self evaluation is in development and will continue to be a basis for discussion.</p> <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> <p>Updated as at 2022/23</p> <p>Early indications are that the rollout of the Curriculum for Wales is positive across all schools that introduced it. One secondary school and the PRU chose not to introduce the curriculum until September 2023 but work has been undertaken with these settings to ensure they are ready for implementation.</p>
Property Maintenance Inspection Plans & Regimes	<p>An Internal Audit review issued in 2021/22 in relation to Property Maintenance Inspection Plans & Regimes has been given an audit opinion of <i>No Assurance</i>, 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 and provide an opinion on 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 & Policies which puts the Authority's objectives at risk. The overall opinion on the internal control environment was graded <i>Poor</i> 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>

Issues	CURRENT POSITION
	<ul style="list-style-type: none"> • Compliance inspections need to be undertaken as a matter of urgency and monitored closely. • 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. • The 2020/21 completed compliance visit surveys completed remotely should be inspected by the Statutory Compliance Officer to ensure the actions are addressed. • 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. • The Contract Monitoring spreadsheet requires updating to ensure the correct detail is recorded. • Contracts must be reviewed to ensure compliance with the Financial Procedure Rules and Procurement and Contracting Rules. • Training should be provided to all Building Managers and officers who are required to update the RAMIS (IT system). <p>Updated as at 2022/23</p> <p>The matter was reported to the Governance and Audit Committee on 10th January 2022 and the Building & Property Services Manager attended the Committee meeting on the 14th February 2022 and advised that positive progress was being made in implementing the recommendations.</p> <p>During 2022/23, Internal Audit conducted a follow up review. The review evidenced that a clear commitment has been made to enhance its systems of internal control. As a result of this, an audit opinion of <i>Reasonable Assurance</i> was given. The outcome of the follow up review was reported to Management and Governance and Audit Committee.</p>

Approval of the Annual Governance Statement 2022-23

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 as set out in Section 6 above that need to be implemented to strengthen arrangements.

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

**Councillor Geraint Thomas
Leader of the Council
27th November 2023**

**Ellis Cooper
Chief Executive
27th November 2023**

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.

Appendix 2**Internal Audit Assurance Opinion Definition**

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

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

Opinion on financial statements

I have audited the financial statements of Merthyr Tydfil County Borough Council (the Council) for the year ended 31 March 2023 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023.

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

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023.

Basis of opinion

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

My staff and I are independent of 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.

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 the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other Information

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the

other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of [name of local government body and the group] and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

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

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

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, set out on pages 21 to 22, the responsible financial officer is responsible for:

- the preparation of the statement of accounts which give a true and fair view and comply with proper practices;
- maintaining proper accounting records;
- internal controls as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error; and
- assessing the Council's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the

responsible financial officer anticipates that the services provided by the Council will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

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

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

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

My procedures included the following:

- enquiring of management, the Council's head of Internal Audit and those charged with governance, including obtaining and reviewing supporting documentation relating to 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. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, expenditure recognition, posting of unusual journals and (add as appropriate to the audit);
- Obtaining an understanding of the Council's framework of authority as well as other legal and regulatory frameworks that the Council operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Council.
- Obtaining an understanding of related party relationships.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, those charged with governance 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 members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the 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. This description forms part of my auditor's report.

Other auditor's responsibilities

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

Certificate of completion of audit

I certify that I have completed the audit of the accounts 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
29 November 2023

1 Capital Quarter
Tyndall Street
Cardiff, CF10 4BZ

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