

Financial Accounts

For the year ended

31 March 2024



A greener place Man gwyrddach



Financial accounts for the year ended 31 March 2024

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Narrative Report

Introduction

Caerphilly county borough covers an area stretching from the Brecon Beacons National Park in the north, to Cardiff and Newport in the south. It is bordered to the north by Merthyr Tydfil, the west by Rhondda Cynon Taf, and to the east by Blaenau Gwent and Torfaen local authorities.

The area lies at the heart of both the South Wales Valleys and the Cardiff Capital Region. The county borough occupies some 108 square miles (28,000 hectares) of the Valleys area of South East Wales. It is a little over 18.6 miles long and nearly 11 miles wide and is formed by the valleys of three rivers; the Rhymney, Sirhowy and Ebbw. Three quarters of the county borough is used for agriculture and forestry. We have an expanding economy and an attractive environment that benefits from excellent transport links with good access to public transport and the South Wales Metro. Active travel and accessibility are important for the county borough. The south has good links to the M4 motorway, and the north connects to the A465 and its links to the Midlands and West Wales/Ireland.

The county borough is made up of five principal town centres: Caerphilly, Blackwood, Risca, Bargoed and Ystrad Mynach. We also have four local centres: Newbridge, Rhymney, Nelson and Bedwas. Each town centre has their own characteristics and attractions that make them great places to shop, work, live and enjoy.

The Council provides services to approximately 176,000 residents living across a mixture of urban and rural communities, living in 76,000 households. The 2021 Census showed that 40.9% of our population is aged over 50 years and we know that this figure will increase proportionately as life expectancy increases. In relation to protected characteristics we have growing diversity in terms of ethnicity and national identity, and more people are more open to stating their gender identity and sexual orientation.

We have a higher proportion of people with no qualifications than the Wales average, 24.1% as compared with 19.9% for Wales, and a lower proportion of people with level 4 qualifications or above, 25.3% as compared with 31.5% for Wales. However, the economic activity of our population is broadly comparable with the Wales average with 53.2% of females and 60.6% of males in work. Changing working patterns show that 23.9% of people now work mainly from home, with 59.7% travelling to work by car or van. 4% of our residents have served in either the UK regular or reserved armed forces.

The Council is the 5th largest in Wales and is the largest employer in the area employing just over 8,000 staff, with 73% of them living in the county borough. The staff are employed in a variety of different roles within service areas which make up the following Directorates: -

- Corporate Services and Education
- Social Services and Housing
- Economy and Environment

The Directorates are headed by Corporate Directors who together with the Chief Executive and the Deputy Chief Executive make up the Corporate Management Team who oversee the delivery of the Council's business.

The Council operates a cabinet style of local government which is led by a Leader who is supported by 9 Cabinet Members. We have 69 elected Councillors who have a range of responsibilities, including agreeing the Council's policy framework, council tax and budget.

The Council delivers over 600 services to the county borough to ensure our people and place are thriving and resilient. From early years support to social care, schools to care homes, environmental protection and infrastructure, provision of social housing, planning, public protection, economic regeneration, and transport planning etc.

Narrative Report

The Council continues to face significant financial challenges with the latest version of the Medium-Term Financial Plan (MTFP) showing an anticipated savings requirement of £23.3m for the two-year period 2026/27 to 2027/28. To meet this challenge new approaches to service delivery will be required, and this will be co-ordinated through our Mobilising Team Caerphilly Transformation and Placeshaping Investment Programmes. It is vital that the required changes are developed at pace and that key decisions are made early to address this significant savings requirement.

The accounts on the following pages show the financial performance for the year of all activities undertaken by the Council. Whilst the accounts have been presented as clearly as possible, local authority accounts are technical and complex. Consequently, the purpose of this Narrative Report is to offer a guide to the most significant matters appearing in the accounts and to provide a summary of the financial performance for the year.

2023/2024 Revenue Expenditure

Details of the Council's revenue expenditure for the year are provided in the Comprehensive Income and Expenditure Statement on page 16. The account is classified according to service expenditure areas.

In 2023/2024, the Council's expenditure and income compared to budget was: -

Service Area	Original Estimate £000	Revised Estimate £000	Outturn £000	In Year use of Reserves £000	Revenue Contribution to capital £000	(Overspend) /Underspend £000
Education and Lifelong Learning	173,307	173,532	178,359	(8,699)	8,745	(4,873)
Social Services and Housing	128,891	129,583	127,783	(3,632)	316	5,116
Economy and Environment	56,383	57,071	57,806	(3,712)	2,868	109
Corporate Services	80,491	80,845	76,147	(2,665)	888	6,475
Housing Revenue Account	0	0	(16,767)	(945)	16,398	1,314
Total Service Expenditure	439,072	441,031	423,328	(19,653)	29,215	8,141
Funding Income	(422,677)	(422,677)	(423,368)	0	0	691
Budget Strategy Contribution from Reserves	(16,395)	(18,354)	0	(18,354)	0	0
Surplus / (Deficit) on Provision of Services	0	0	(40)	(38,007)	29,215	8,832
Transfer to Earmarked Reserves						4,712
Transfer to General Fund Reserves						(13,546)
Total Transfer to Balance Sheet						(8,834)
General Fund Reserves as at 31 March 2023						(35,017)
Budget Strategy Contribution						18,354
In Year Movement						(4,239)
Outturn Contribution						(13,546)
General Fund Reserves as at 31 March 2024						(34,448)

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Further details of the Council's outturn performance against budget can be found in the Head of Financial Services & Section 151 Officer's 'Provisional Revenue Budget Outturn for 2023/2024 Report' which was presented to Cabinet on 17th July 2024.

The actual expenditure is compared in broad terms to the revised budget for the current financial year. However, the expenditure on individual Directorates does not mirror that shown in the Comprehensive Income and Expenditure Statement because budget monitoring is carried out on a Directorate basis and re-categorised in the Comprehensive Income and Expenditure Statement to comply with recommended accounting practice. The Comprehensive Income and Expenditure Statement figures also include accounting adjustments in respect of depreciation, capital grants and contributions, IAS 19 pension costs and a number of items included within the Directorates within the budget summary that are shown below the Cost of Service line within the Account.

Funding Income

The following table details the main sources of income received by the Council to fund service expenditure in 2023/2024:

	2023/2024		
	Revised		
	Estimate	Outturn	Variance
	£000	£000	£000
Funding Income			
Council Tax (net of Police Authority and Community Council Precepts)	(82,716)	(83,408)	692
Revenue Support Grant	(282,817)	(282,817)	0
Non Domestic Rates	(57,143)	(57,143)	0
Total Funding Income	(422,676)	(423,368)	692

Housing Revenue Account

Details of the Housing Revenue Account are set out on pages 110 to 116. For 2023/2024, the actual outturn compared to budget, based on our management accounts for the year, was as follows:

	2023/2024		
	Original	Actual	
	Estimate	Outturn	Variance
	£000	£000	£000
Expenditure	97,735	57,341	(40,394)
Income	(97,735)	(74,108)	23,627
(Surplus)/Deficit for the year on HRA Services	0	(16,767)	(16,767)

Reserves

The amounts shown as unusable reserves relate to capital and pension reserves, which do not constitute 'usable resources'. Further details of movements are detailed in note 22.

	1 April 2023	Movement	31 March 2024
	£000	£000	£000
Reserves - Usable	(220,286)	27,957	(192,329)
- Unusable	(793,260)	1,853	(791,407)
	(1,013,546)	29,810	(983,736)

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Loan Debt

The total amount outstanding as at 31 March 2024 was £299.625m, as measured on an amortised cost basis, the majority being owed by the Council to the PWLB. The balance comprises loans from Welsh Government, Salix and other local authorities and banking institutions.. Analysis of the loan debt is shown in the note 13. The nominal value represents the principal amount outstanding at the Balance Sheet date.

	2022/2023	2023/2024
	<u>£000</u>	<u>£000</u>
<i>Amortised Cost of Loans:</i>		
Loan debt repayable in one year	(8,937)	(9,500)
Loan debt repayable in more than one year	<u>(302,310)</u>	<u>(290,129)</u>
	<u>(311,247)</u>	<u>(299,629)</u>
<i>Nominal Value of Loans:</i>		
Loan debt repayable in one year	(6,237)	(6,877)
Loan debt repayable in more than one year	<u>(300,902)</u>	<u>(298,024)</u>
	<u>(307,139)</u>	<u>(304,901)</u>

Policy on Payment of Creditors

The Late Payment of Commercial Debts (Interest) Act 1998 requires that creditors be paid without undue delay and within a 30-day settlement period. In 2023/2024 92.45% of payments were made within 30 days (92.1% in 2022/2023). However, it is the Council's aim to pay undisputed invoices to local small and medium sized businesses within an average of 13 calendar days to have a positive effect on the local economy. In 2023/2024, invoices were settled within an average of 8.05 calendar days (6.01 calendar days in 2022/2023).

Pension Liability/Asset

Following the adoption of IAS 19 "Employee Benefits" by local authorities, the Council is required to recognise in its accounts, its share of the net assets/liabilities of any defined benefit pension scheme. The net pensions asset/liability to be recognised is made up of two elements:

- Assets – the Council's attributable share of the investments held in the pension scheme to cover its liabilities, measured at fair value.
- Liabilities – the retirement benefits that have been promised under the formal terms of the pension scheme.

The total net asset included for 2023/2024 is £3.38m (liability of £116,274m in 2022/2023).

Details of this asset are shown in the notes accompanying the Core Financial Statements in note 14.

2023/2024 Capital Expenditure

Capital expenditure during the year amounted to some £82.228m (2022/2023 - £62.137m), the major items within this figure being identified below:

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	<u>£000</u>	<u>£000</u>
Housing:		
Repairs and Improvements	28,881	
Improvement Grants & Private Sites	2,567	
	<hr/>	31,448
Non Housing:		
Education & Lifelong Learning	22,238	
Social Services	1,144	
Infrastructure	8,151	
Business Enterprise Renewal Team	9,391	
Property	2,624	
Public Protection	3,713	
Sports and Leisure (including Countryside)	2,712	
Corporate Services	807	
	<hr/>	50,780
		<hr/> 82,228 <hr/>
Financed by : Grants		46,459
Other		35,769
		<hr/> 82,228 <hr/>

Capital expenditure was financed by grants (£46.459m) and other sources (£35.769m). The Council has also entered into several finance leases for buildings for use in its Social Services provision and computer equipment in schools.

Future Financial Developments

The 2023/24 financial year continued to present challenges for the Council, in particular the ongoing impact of the cost-of-living crisis. The cost-of-living crisis has impacted on Council budgets with financial pressures being experienced across all areas, in particular energy, fuel, food and drink, and construction/contractor costs. Despite this, the provisional revenue budget outturn position for 2023/24 shows a net underspend of £8.8m across all service areas (including schools and the Housing Revenue Account (HRA)).

However, the financial position remains extremely challenging and on 27 February 2024 Council approved a balanced budget for the 2024/25 financial year which included a range of measures to offset cost pressures totalling £56.5m. On 27 February 2025, Council approved the 2025/26 revenue budget which included further cost pressures totalling £66.3m. These pressures are being funded through an increase in the Welsh Government Financial Settlement of £25.0m, permanent savings of £18.2m, temporary savings of £3.1m, the one-off use of reserves totalling £4.9m, assumed UK Government funding of £5.9m in relation to the increase in employer NI contributions from April 2025, and £9.2m from a 7.9% increase in Council Tax.

Due to the higher levels of inflation in recent years, the current economic outlook, and the range of temporary budgetary measures that were approved for the 2025/26 financial year, the Council's Medium-Term Financial Plan (MTFP) has been updated based on a range of assumptions, resulting in a potential savings requirement of £23.3m for the two-year period 2026/27 to 2027/28.

A financial strategy that seeks to continuously make cuts to our services and deplete our reserves is not a sustainable or an appropriate approach, especially when the demands upon our services are far higher than ever. To ensure that we are able to meet the needs of our communities, whilst operating

Narrative Report

with reduced finances, a whole Council approach has been defined and is now beginning to be delivered.

The scale of the financial challenge facing the Council requires new approaches to service delivery, and this is being led by the Chief Executive, Leader, Corporate Management Team, and Cabinet and is being co-ordinated through our Mobilising Team Caerphilly Transformation and Placeshaping Investment Programmes. It is vital that the required changes are developed at pace and that key decisions are made early to ensure that the projected savings requirement for 2026/27 and 2027/28 can be delivered.

Welsh Government Agency Arrangements

During 2023-2024, the Council administered several Covid-19 and Cost of Living support schemes on behalf of Welsh Government. These schemes were administered on an agency basis with no income or expenditure included within the Council's revenue account. The Council made payments totalling £350k and received £5.5m in Welsh Government funding.

In addition, the Authority administered two energy schemes on behalf of the UK Government making payments of £105k and receiving grant of £ nil.

Code of Practice on Local Authority Accounting in the United Kingdom 2023/2024

The above publication, (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA) governs the items to be disclosed in these financial accounts. Accounts. There have been no new standards issued that have an impact on the financial statements, however, the following should be noted:

IFRS 16 - Leases: removes the previous lease classifications of operating and finance leases and requires local authorities that are lessees to recognise all leases on their balance sheets as right-of-use assets (with exceptions for short-term and low value leases) with a corresponding lease liability representing the lessee's obligation to make lease payments for the asset. However, CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2024.

Infrastructure Assets – Temporary Relief: Following a consultation in the summer of 2022, CIPFA/LASAAC issued a code update on 29 November 2022. The update amends both the 2021-22 and 2022-23 Codes and includes specifications for future codes on the disclosure of gross cost and accumulated depreciation for infrastructure assets. The Code has been updated to include a temporary relief from the Code's core requirement to disclose gross cost and accumulated depreciation of infrastructure assets until 31 March 2026.

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 Head of Financial Services & S151 Officer.
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- to approve the Statement of Accounts.

Responsibilities of the Head of Financial Services & S151 Officer

The Head of Financial Services & S151 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 of Practice').

In preparing this Statement of Accounts, the Head of Financial Services & S151 Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Local Authority Code.

The Head of Financial Services & S151 Officer has also:

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

Certificate of the Head of Financial Services & S151 Officer

**S. Harris, Head of Financial Services
& S151 Officer**

Date: 8th May 2025

The accounts were approved by the Council on

Statement of Responsibilities for the Statement of Accounts

Signed on behalf of Caerphilly County Borough Council:

Councillor Colin J. Gordon
Presiding Member of Meeting Approving the Accounts

Date: 8th May 2025

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

Opinion on financial statements

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

Caerphilly County Borough Council's financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement, and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24.

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

- give a true and fair view of the financial position of Caerphilly County Borough Council as at 31 March 2024 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24.

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

Conclusions relating to going concern

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

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

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

**The report of the Auditor General for Wales to the members of Caerphilly
County Borough Council**

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 2023-24; and
- the information given in the Annual 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 Caerphilly County Borough Council and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual 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, 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;

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

My procedures included the following:

- Enquiring of management, Caerphilly County Borough Council's internal auditors, and those charged with governance, including obtaining and reviewing supporting documentation relating to Caerphilly County Borough Council's policies and procedures concerned with:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified the potential for fraud in respect of the posting of unusual journals.
- Obtaining an understanding of Caerphilly County Borough Council's framework of authority as well as other legal and regulatory frameworks that Caerphilly County Borough Council operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Caerphilly County Borough Council.
- Obtaining an understanding of related party relationships.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;

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

- enquiring of management, the Governance and Audit Committee and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Caerphilly County Borough Council;
- 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 Caerphilly County Borough Council's controls, and the nature, timing and extent of the audit procedures performed.

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

Other auditor's responsibilities

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

Certificate of completion of audit

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

Adrian Crompton
Auditor General for Wales
9th May 2025

1 Capital Quarter
Tyndall Street
Cardiff CF10 4BZ

Introduction to Accounting Statements

The Authority's accounts for the year 2023/2024 are set out in the following pages and comprise:

- a) **The Comprehensive Income and Expenditure Statement** – showing 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. The Authority raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- b) **The Movement in Reserves Statement (MiRS)** – showing the movement in the year on the different reserves held by the Authority. It is analysed into 'Usable Reserves' being those that can be applied to fund expenditure or reduce local taxation and 'Unusable Reserves'. The 'Surplus or deficit on the provision of services' line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This differs from the statutory amounts charged to the Council Fund Balance for council tax setting purposes and Housing Revenue Account Balance for dwellings rent setting purposes. The 'Net Increase/Decrease before Transfers to Earmarked Reserves' line shows the statutory Council Fund Balance and Housing Revenue Account Balance before the Authority undertakes any discretionary transfers to or from earmarked reserves.
- c) **The Balance Sheet** – showing 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. Reserves are reported in two categories. The first category of reserves are 'usable reserves', being those reserves that may be used 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 are 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'.
- d) **The Cash Flow Statement** – which shows the changes in cash and cash equivalents of the Authority during the year. 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.
- e) **The Housing Revenue Account (HRA)** – this is separated into two statements. The HRA Income and Expenditure Statement which shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. The Authority charges rents to cover expenditure in accordance with regulations, which may be different from the accounting cost. The increase or decrease in the year in the balance on the HRA account (the basis of which rents are raised) is shown in the Movement on the Housing Revenue Account Statement.

The Financial Statements as a whole, are IFRS compliant. Further information and support is provided in the Notes to the Core Accounts and the Auditors' Report.

Comprehensive Income and Expenditure Statement

For the year ended

31 March 2024

Caerphilly County Borough Council

Comprehensive Income and Expenditure Statement

Restated 31 March 2023				31 March 2024			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Note
£000	£000	£000		£000	£000	£000	
233,505	(52,438)	181,067	Education and Lifelong Learning	239,299	(52,318)	186,981	
164,181	(40,758)	123,423	Social Services and Housing	165,205	(37,266)	127,939	
107,079	(31,317)	75,762	Communities	114,504	(37,696)	76,808	
117,072	(60,458)	56,614	Corporate Services	125,563	(66,494)	59,069	
44,591	(53,653)	(9,062)	Housing Revenue Account	46,292	(56,382)	(10,090)	
666,428	(238,624)	427,804	Cost of Services	690,863	(250,156)	440,707	
53,760	0	53,760	Other Operating Expenditure	70,952	(474)	70,478	10
35,028	(4,058)	30,970	Financing and Investment Income and Expenditure	22,614	(8,095)	14,519	11
	(453,476)	(453,476)	Taxation and Non-Specific Grant Income		(493,656)	(493,656)	12
		59,058	(Surplus)/Deficit on Provision of Services			32,048	
		(38,654)	(Surplus)/deficit on revaluation of non-current assets			(49,242)	33
		2,611	(Surplus)/deficit on financial assets measured at fair value			(49)	
		(523,559)	Actuarial (gains)/losses on pensions assets/liabilities			47,053	14
		(559,602)	Other Comprehensive (Income) and Expenditure			(2,238)	
		(500,544)	Total Comprehensive (Income) and Expenditure			29,810	

The comparative figures at 31 March 2023 have been restated to reflect the final audited prior year figures for the Cardiff City Regional City Deal.

Movement in Reserves Statement

For the year ended

31 March 2024

Caerphilly County Borough Council

Movement in Reserves Statement

	Council Fund Balance £000	Earmarked Reserves £000	Total Council Fund Balances £000	Housing Revenue Account £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Note
Restated										
Balance at 1 April 2022	(28,419)	(148,493)	(176,912)	(23,979)	(19,887)	(11,986)	(232,764)	(280,238)	(513,002)	
Movement in reserves during 2022/2023										
Total Comprehensive Income and Expenditure	51,684	0	51,684	7,375	0	0	59,059	(559,603)	(500,544)	
Adjustments between accounting basis and funding basis under regulations	(38,300)	0	(38,300)	(11,524)	(1,300)	267	(50,857)	50,857	0	8
(Increase)/Decrease in Year	13,384	0	13,384	(4,149)	(1,300)	267	8,202	(508,746)	(500,544)	
Transfers (to)/from earmarked reserves	(21,426)	21,476	50	(50)	4,438	(162)	4,276	(4,276)	0	
Balance at 31 March 2023	(36,461)	(127,017)	(163,478)	(28,178)	(16,749)	(11,881)	(220,286)	(793,260)	(1,013,546)	
Movement in reserves during 2023/2024										
Total Comprehensive Income and Expenditure	24,555	0	24,555	7,493	0	0	32,048	(2,238)	29,810	
Adjustments between accounting basis and funding basis under regulations	4,832	0	4,832	(8,212)	(714)	(298)	(4,392)	4,392	0	8
(Increase)/Decrease in Year	29,387	0	29,387	(719)	(714)	(298)	27,656	2,154	29,810	
Transfers (to)/from earmarked reserves	(29,035)	28,668	(367)	0	1,333	(664)	302	(302)	0	
Balance at 31 March 2024	(36,109)	(98,349)	(134,458)	(28,897)	(16,130)	(12,843)	(192,328)	(791,408)	(983,736)	

Balance Sheet

As at 31 March 2024

Caerphilly County Borough Council

Balance Sheet

Restated 31 March 2023 £000		31 March 2024 £000	Note
1,261,934	Property, Plant & Equipment	1,301,190	23
13,780	Heritage Assets	13,780	24
3,465	Investment Properties	7,770	
56,613	Long Term Investments	31,159	13
2,381	Long Term Debtors	2,579	
1,338,173	Long Term Assets	1,356,478	
111,045	Short Term Investments	103,865	13
0	Assets Held for Sale	0	
492	Inventories	405	
95,828	Short Term Debtors	87,524	26
19,252	Cash and Cash Equivalents	7,363	27
226,617	Current Assets	199,157	
(8,937)	Short Term Borrowing	(9,500)	13
(89,721)	Short Term Creditors	(77,569)	28
(976)	Short Term Provisions	(976)	
(99,634)	Current Liabilities	(88,045)	
(3,731)	Long Term Provisions	(3,413)	
(302,310)	Long Term Borrowing	(290,129)	13
(144,256)	Other Long Term Liabilities	(189,007)	13-15
(1,313)	Capital Grants Receipts in Advance	(1,305)	
(451,610)	Long Term Liabilities	(483,854)	
1,013,546	Net Assets	983,736	
(220,286)	Usable Reserves	(192,329)	22
(793,260)	Unusable Reserves	(791,407)	22
(1,013,546)	Total Reserves	(983,736)	

The comparative figures at 31 March 2023 have been restated to reflect the final audited prior year figures for the Cardiff City Regional City Deal.

The notes on pages 24 to 109 form part of the statement of accounts.

Cash Flow Statement

For the year ended 31 March 2024

Cash Flow Statement

Restated 2022/2023 £000		2023/2024 £000	Note
(59,058)	Net (surplus) or deficit on provision of services	(32,048)	
105,603	Adjust net surplus or deficit on the provision of services for non cash movement	79,956	43
(40,683)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(46,982)	43
5,862	Net cash flows from Operating Activities	926	
9,623	Investing Activities	(2,904)	45
(3,255)	Financing Activities	(9,911)	46
12,230	Net (increase) or decrease in cash and cash equivalents	(11,889)	
7,022	Cash and cash equivalents at the beginning of the reporting period	19,252	
19,252	Cash and cash equivalents at the end of the reporting period	7,363	27

Notes
to the
Core Financial Statements

Notes to the Core Financial Statements

1. Accounting Policies

a) General Principles

The Statement of Accounts summarises the Authority's transactions for the 2023/2024 financial year and its position at the year-end of 31 March 2024. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 (as amended by the 2018 Regulations) in accordance with proper practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/2024 (the Code) 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. Accounting policies have been consistently applied from one year to the next, unless stated otherwise. The financial statements are prepared on a going concern basis.

b) Accruals of Income and Expenditure

Revenue from contracts with service recipients, whether for services or the provision of goods is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

- 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 relating to services received (including those 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 based on 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.
- Revenue from grants is recognised in accordance with accounting policy note h).

c) 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 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.

d) Charges to revenue for non-current assets

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.
- Amortisation of intangible non-current assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis

Notes to the Core Financial Statements

determined by the Authority in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the Council Fund balance (Minimum Revenue Provision – “MRP”), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

e) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave 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 Council Fund in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as 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 and are charged on an accruals basis in the Comprehensive Income and Expenditure Statement 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.

When termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with an 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' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pension Scheme, administered by Torfaen County Borough Council.

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

However, the arrangements for the Teachers' Scheme mean that liabilities for these benefits cannot be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Education and Children's Service 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 Greater Gwent (Torfaen) Pension Scheme 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, etc., and projections of projected earnings for current employees.

Notes to the Core Financial Statements

- Liabilities are discounted to their value at current prices, using a discount rate of 4.9% (4.8% in 2022/2023) based on indicative returns of the iBoxx Sterling AA Rated Corporate Bond.
- The assets of the Greater Gwent (Torfaen) Pension Scheme 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 pensions 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 revenue accounts of 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 Provision of Services in the Comprehensive Income and Expenditure Statement.
 - Net interest on the net defined benefit liability, i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability 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 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.
- **Remeasurements comprising:**
 - The return on assets – excluding amounts included in the net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Actuarial gains/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 Torfaen 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 Council 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 appropriations to and from the Pensions Reserve to remove the debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any amounts payable to the fund 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 are earned by employees.

Former Authority Liabilities

The Authority has a number of unfunded pension liabilities in respect of employees of the former County and District councils with the Greater Gwent (Torfaen) Pension Fund and the Rhondda Cynon Taff pension fund. These pension costs are paid by the Authority as they arise in year. Further details can be found in Note 14.

Discretionary Benefits

Notes to the Core Financial Statements

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.

f) 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.

g) Financial Instruments

Financial Liabilities

Financial liabilities are initially measured at fair value and carried in the Balance Sheet at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective interest rate (EIR) for the instrument. For most of the borrowings that the Authority has, this means that the amount included in the Balance Sheet is the outstanding principal repayable (plus accrued interest, split between that element which is short term, due within one year and that which is long term, due over one year).

The Authority shall derecognise a financial liability (or a part of a financial liability) when, and only when, it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expires. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid including any non-cash assets transferred or liabilities assumed shall be recognised in Surplus or Deficit on the Provision of Services. There is no requirement to set aside an impairment loss allowance provision for financial liabilities since it is assumed that the Authority will meet its liabilities in full as they become due.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Authority that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Authority. Financial Assets are classified into three categories:

- Amortised cost;
- Fair value through profit or loss (FVPL); and
- Fair value through other comprehensive income (FVOCI)

The accounting classification of financial assets depends on two main tests: whether the cash flows are solely payments of principal and interest; and if yes, the authority's business model for managing the assets. Under IFRS 9 there are three business models where financial assets meet the "solely payments of principal and interest" test. The classification depends on the Authority's model for managing the assets. The Authority's preferential business model is to collect cash flows, and subsequently financial assets will be held at amortised cost.

Financial Assets measured at Amortised Cost - Financial assets measured at amortised cost are characterised by cash flows that are solely payments of principal and interest and the Authority's business model is to collect those cash flows. These assets 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. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure

Notes to the Core Financial Statements

Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Historically, the authority has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on derecognition of assets are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Financial Assets Measured at Fair Value through Profit of Loss - Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

1. instruments with quoted market prices – the market price
2. other instruments with fixed and determinable payments – discounted cash flow analysis.
3. The inputs to the measurement techniques are categorised in accordance with the following three levels:
 - Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
 - Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
 - Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. There is no requirement to set aside an impairment loss allowance provision for financial assets measured at FVPL since increases in the chance of default are presumed to be already included in the fair value.

Financial assets that fall into this accounting measurement category are those held for trading; money market funds; company shares; and strategic investment pool funds. Equity instruments also fall into this category. The Authority's will evaluate each financial asset and determine whether such asset will be treated as FVPL; or whether a once in the assets lifetime an irrevocable election is made upon initial recognition to elect the investment at FVOCI rather than FVPL. The Authority, where applicable, will make the election in writing and signed by the Head of Corporate Finance and Section 151 Officer. The Authority will not revoke the election before derecognition of the financial asset.

Equity Instrument

If the cash flows of a Financial Asset do not meet the solely payments of principal and interest test, then the asset is an equity instrument. An equity instrument is where the cash flows are not contractual but derive from the investor's ownership of the net assets of another entity. Equity instruments are measured at Fair Value through Profit of Loss unless an irrevocable election is made upon initial recognition to elect the investment at FVOCI rather than FVPL.

Notes to the Core Financial Statements

Expected Credit Loss Model

The authority recognises expected credit losses on all its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. Where applicable the Authority will use data published by the main credit rating agencies for historical default losses to assess credit risk. These cash flow scenarios are then discounted at the Effective Interest Rate, weighted by their estimated probabilities and totalled to give an expected value. The difference between the expected value and the initial fair value is the expected credit loss, and a loss allowance is set aside for this amount.

CIPFA/LASAAC has ruled that the loss allowance should be zero where the borrower/debtor is a central or local government body. Note that this does not include local authority owned companies.

The Authority will not recognise a loss allowance for expected credit losses on a financial asset where the counterparty for a financial asset is central government or a local authority for which relevant statutory provisions prevent default.

The Authority will fund the impairment loss provision from Miscellaneous Finance/ working balances. A provision will be created on the balance sheet.

h) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Authority when:

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

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution are satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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 (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) 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 Council Fund balance via 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. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

i) Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangements have rights to the assets and obligations for the liabilities relating to the arrangements. Joint Committees are examples of joint operations. The activities undertaken by the Authority in conjunction with other joint

Notes to the Core Financial Statements

operators involve the use of the assets and resources of those joint operations. Where material, the relevant proportion of the transactions and balances are recognised in the Authority's financial statements. These reflect the transactions and balances as per the draft accounts prepared for each Joint Operation.

j) 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. Initial direct costs of the Authority are added to the carrying amount of the asset.

Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

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 Council 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 to 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

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

Notes to the Core Financial Statements

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). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income is credited.

Finance Leases

The Authority has not granted any finance leases of property, plant and equipment to other parties.

k) Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Authority's arrangements for accountability and financial performance.

l) Property, Plant and Equipment

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, the cost of the item can be measured reliably and expenditure is above the de-minimis limit of £10,000. 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.

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 cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e., it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority. Borrowing costs incurred whilst assets are under construction are not capitalised.

Donated assets are measured initially at current value. The difference between current value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- council dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- surplus assets – fair value, estimated at the highest and best use from a market participant's perspective
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Notes to the Core Financial Statements

Roads built by Developers are only adopted by the Authority under s38 Highways Adoption Agreements under which the roads need to be constructed to a specified standard. These roads are included at nil cost unless there is any subsequent capital investment on such assets. They will then be held at depreciated historical cost.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly ensuring their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.)

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

- 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.

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.

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 by:

- 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 reversed subsequently, 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).

Notes to the Core Financial Statements

Depreciation is calculated on a straight-line basis as follows:

- council dwellings – 15 to 40 years
- other land and buildings – 15 to 100 years
- vehicles, plant, furniture and equipment – up to 20 years
- infrastructure assets – 10 to 40 years

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately in accordance with our componentisation policy. The Authority applies its componentisation policy to assets that have a carrying value in excess of £3m where the cost of the replacement component represents 20% or more of the total asset.

Depreciation charges are made to the service revenue accounts and trading accounts and have been based on the amount at which an asset is included in the balance sheet, whether net current replacement cost or historical cost.

The depreciation charge will be based on the prior year closing Net Book Value and the remaining Useful Economic Life. A full year's depreciation charge will be made in the year the asset is disposed.

Revaluation gains are depreciated in subsequent years, 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. Assets are classed as "Held for Sale" where the asset is actively marketed, the sale is expected to qualify for recognition as a completed sale within one year of the date of classification and actions required to complete the plan indicate that significant changes to the plan or withdrawal of the plan are unlikely. The asset is revalued 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. A proportion of receipts relating to housing disposals (75% for dwellings, buildings and developed land, net of statutory deductions and allowances) is set aside for the redemption of debt. The balance of receipts is required to be 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

Notes to the Core Financial Statements

requirement). Receipts are appropriated to the Reserve from the Council 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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

De-Recognised Capital Expenditure

The Authority revalues its housing stock annually. Any capital expenditure incurred on the stock is then componentised. The capital expenditure is then derecognised to avoid double counting as the new component will be included in the revised carrying value.

This 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. The written off value is not a charge against Council Tenants, as the cost of the non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account in the Movement in Reserves Statement.

In respect of capital expenditure on components on general fund property plant and equipment, the capital expenditure is also de-recognised by writing off to Other Operating Expenditure as part of a gain or loss on disposal as mentioned above. The new component is also included in the revised carrying value of the asset.

m) Heritage Assets

The Authority's Heritage Assets consist of Civic Regalia, War Memorials and Land and Buildings, namely Babell Chapel, Gelligroes Mill, Elliott Colliery Winding House, Handball Court Nelson and Llancaiach Fawr Living History Museum. Such assets are held and classed as Heritage Assets as they increase the knowledge, understanding and appreciation of the Authority's history and local area. Further information can be found in Note 24.

Heritage Assets are accounted for in a different way from other property plant and equipment as they are considered to have infinite lives. Such assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property plant and equipment. As they have infinite lives, no depreciation is charged on these assets. Heritage Assets considered immaterial have been excluded from the Balance Sheet especially where their cost is not readily available and the benefit of valuing the asset is counterweighed by the cost of obtaining the valuation.

n) Private Finance Initiatives (PFI)

PFI contracts are agreements to receive services where the responsibility for making available the non-current assets needed to provide services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the non-current assets will pass to the Authority at the end of the contracts for no additional charges, the Authority carries the non-current assets used in the contracts on the Balance Sheet as part of Property, Plant and Equipment.

The recognition of these non-current assets is balanced by the recognition of liabilities for amounts due to the scheme operators to pay for the assets.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into four elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;

Notes to the Core Financial Statements

- Finance cost – an interest charge of 10% for the road and 7% for the schools on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement;
- Principal element – i.e., payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator;
- Lifecycle replacement costs – recognised as non-current assets on the Balance Sheet.

Government grants received for PFI schemes, in excess of the current levels of expenditure (particularly in the early years of these contracts) are carried forward as earmarked reserves to fund future contract expenditure when payments will exceed available revenue support (see Notes 15 and 42 for the PFI Equalisation Reserves).

o) Provisions and Reserves

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. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the Council Fund Balance in the Movement in Reserves Statement. 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 appropriated back into the Council Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting process for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in Note 22.

p) Revenue Expenditure Funded from Capital under Statute

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

Notes to the Core Financial Statements

q) Interest Charges

Interest chargeable on debt is accounted for in the year to which it relates, not in the year it is paid. The Authority borrows funds in line with its capital investment and cash flow requirements. Funds are borrowed from both the Public Works Loan Board and from money markets. Loans can be fixed or variable interest debt. Decisions on whether to take fixed or variable interest debt depend upon the current portfolio, market conditions, forecasts and limits set in the annual Treasury Management Strategy Report.

Borrowing decisions also have to be considered in terms of their overall prudence and affordability, in accordance with the requirements of CIPFA's "The Prudential Code for Capital Finance in Local Authorities", and be contained within limits approved by Council in setting the Authority's "Prudential Indicators", in accordance with the Code.

r) Debt Redemption

The Authority's Treasury Management Strategy permits the early repayment of borrowing. This may be undertaken if market conditions are favourable and there are no risks to cash flow. Such transactions may be carried out in order to reduce interest payable, to adjust the maturity profile or to restructure the ratio of fixed to variable interest-bearing debt.

s) Related Party Transactions

The Authority is required to disclose separately, the value of transactions and year-end balances with its related parties, unless they are already the subjects of other disclosure requirements (see note 20 to the Financial Statements). In respect of a local authority its related parties include central government, other local authorities, precepting and levying bodies, other public bodies, its subsidiary companies, Pension Fund and bodies where Members and Senior Officers, and/or their close family and dependants, hold positions of influence and with whom the Authority has transacted.

t) Recognition of Revenue from Non-Exchange Transactions

Assets and revenue arising from non-exchange transactions, for example Council Tax, National Non-Domestic rates etc. are recognised in accordance with the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, except where interpreted or adapted to fit the public sector as detailed in the Code and/or IPSAS 23, "Revenue from Non-Exchange Transactions (Taxes and Transfers)."

Taxation transactions

Assets and revenue arising from taxation transactions are recognised in the period in which the taxable event occurs, provided that the assets satisfy the definition of an asset and meet the criteria for recognition as an asset.

Non-taxation transactions

Assets and revenue arising from transfer transactions are recognised in the period in which the transfer arrangement becomes binding. Services in-kind are not recognised. Where a transfer is subject to conditions that, if unfulfilled, require the return of the transferred resources, the Authority recognises a liability until the condition is fulfilled.

Basis of Measurement of Major Classes of Revenue from Non-Exchange Transactions

Taxation revenue is measured at the nominal value of cash, and cash equivalents. Assets and revenue recognised as a consequence of a transfer are measured at the fair value of the assets recognised as at the date of recognition:

- Monetary assets are measured at their nominal value unless the time value of money is material, in which case present value is used, calculated using a discount rate that reflects the risk inherent in holding the asset; and

Notes to the Core Financial Statements

- Non-monetary assets are measured at their fair value, which is determined by reference to observable market values or by independent appraisal by a member of the valuation profession.
- Receivables are recognised when a binding transfer arrangement is in place, but cash or other assets have not been received.

u) Accounting for local authority schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

v) Value Added Tax

VAT payable has been excluded as an expense where it is recoverable from Her Majesty's Revenue and Customs. VAT receivable has been excluded from income.

w) Community Infrastructure Levy

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

CIL is received without outstanding 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. CIL charges will be largely used to fund capital expenditure; however, a small proportion of the charges may be used to fund revenue expenditure.

x) Fair Value Measurement

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

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Notes to the Core Financial Statements

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

y) 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 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 applied.

Prior period adjustments may also arise to correct the disclosure of material misstatement in any of the prior period figures.

2. 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 is 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.
- The Authority is deemed to control the services provided under the outsourcing agreement for two Schools and a Road and also to control the residual value of the assets at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangements and the Schools (valued at £30.122m) and Road (valued at £23.898m) are recognised as Property, Plant and Equipment on the Authority's Balance Sheet.
- School Assets - the Authority has established with the relevant bodies that its voluntary aided school is not controlled by the school, as ownership resides with the religious body and is occupied under informal arrangements only. As neither the Authority nor the school control the assets they are not included within the accounts of the Authority.
- A Joint Working Agreement formally established the Cardiff City Region Joint Committee as a Joint Committee, with delegated functions in March 2017. It is a partnership between the 10 Councils in South East Wales, including Caerphilly County Borough Council. Note 48 on Joint Operations provides further information.

3. Assumptions about the future/other sources of estimation or 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

Notes to the Core Financial Statements

determined with certainty, actual results could be materially different from the assumptions and estimates.

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

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent upon assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. Should the useful economic life of an asset reduce by one year, the estimated effect on the annual depreciation charge would be an increase of £3.126m.
Pensions Liability / Asset	<p>Estimation of the net liability to pay pensions depends several 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 is engaged to provide the Authority with expert advice about the assumptions to be applied.</p> <p>To account for the McCloud Judgement (public service pensions age discrimination cases) the actuary has made an estimated adjustment to these liabilities from the 2022 valuation data to ensure that it is captured in the 31 March 2024 IAS 19 balance sheet figures. The final impact on the pension scheme will not be known until the required changes in legislation have been made.</p>	The effects on the net pensions' liability of changes in individual assumptions can be measured. For instance, for the Greater Gwent Scheme a 0.1% decrease in the discount rate assumption would result in an increase in pension liability of £21.331m, whereas a 0.1% increase in salaries rate assumption would result in an increase in the pension liability of £1.255m. However, assumptions interact in complex ways. During 2023/2024, the Authority's Actuaries advised that the net pensions liability for all schemes had decreased by £119.654m. The Authority currently has a pension asset of £3.38m.
Fair value measurements	When the fair values of financial assets and 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)	<p>The authority uses the discounted cash flow (DCF) model to value financial assets and liabilities</p> <p>The significant unobservable inputs used in the fair value measurement</p>

Notes to the Core Financial Statements

	<p>or the discounted cash flow (DCF) model). Where possible, inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values.</p> <p>Judgements may 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.</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in note 13.</p>	<p>include management assumptions regarding discount rates.</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the financial assets/liabilities. Please refer to note 13.</p>
Provisions	<p>The Authority has included provisions for known insurance claims as at 31 March 2023. The value of these claims is based on information provided by our insurance brokers on the number of claims outstanding at the end of the financial year, the average settlement amount for each type of claim and the likelihood of each type of claim being settled. However, the outcome of these cases is still uncertain as outstanding legal cases and negotiations remain ongoing. The Authority is currently carrying a provision of £3.6m in relation to these claims.</p>	<p>The Authority maintains the insurance and risk management reserve to assist in control of the Authority's insurance risks. The provisions in place and the balance on the insurance and risk management reserve at 31 March 2024 are deemed to provide sufficient cover for the Authority's claims exposure. Details of our Insurance Reserves are set out in note 37.</p>
Arrears/Provision for Bad Debt	<p>At 31 March 2024, the Authority had an outstanding balance of short term debtors totalling £98.2m. Against this debtors balance, there is an impairment allowance of £12.2m. It is not certain that this impairment allowance would be sufficient as the Authority cannot assess with certainty which debts will be collected or not.</p>	<p>If collection rates were to deteriorate, there would be a consequential increase in the impairment of doubtful debts.</p>

Notes to the Core Financial Statements

4. Accounting Standards issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but not yet adopted by the 2023/2024 Code. At the balance sheet date, there were no new relevant standards or amendments to existing standards published but not yet adopted by the 2023/2024 Code. However, the following standard was published a few years ago but deferred by CIPFA/LASAAC and is not going to be implemented until the year commencing 1 April 2024.

IFRS 16 - Leases

This Standard removes the previous lease classifications of operating and finance leases and will require local authorities that are lessees to recognise all leases on their balance sheets as right-of-use assets (there are exemptions for short-term and low value leases) with a corresponding lease liability representing the lessee's obligation to make lease payments for the asset. The expected impact on the balance sheet is to increase property, plant and equipment, with an opposing entry to increase other long-term liabilities. In overall revenue budget terms the change is expected to be broadly neutral.

5. Expenditure and Funding Analysis

The expenditure and funding analysis shows how annual expenditure is used and funded from resources such as government grants, rents, council tax, national non-domestic rates, by the Authority in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's service areas and reconciles the expenditure charged to the Council Fund Balance on an accounting basis to the management information basis as presented in the Narrative Report. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Caerphilly County Borough Council

Notes to the Core Financial Statements

Restated 2022-2023				2023-2024		
Net Expenditure Chargeable to Council Fund and HRA Balances	Adjustments between the Funding and Accounting Basis (note 5)	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to Council Fund and HRA Balances	Adjustments between the Funding and Accounting Basis (note 5)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
164,104	16,963	181,067	Education and Lifelong Learning	187,104	(123)	186,981
112,940	10,483	123,423	Social Services and Housing	128,098	(159)	127,939
54,777	20,985	75,762	Communities	60,674	16,134	76,808
75,959	(19,345)	56,614	Corporate Services	76,162	(17,093)	59,069
(4,149)	(4,913)	(9,062)	Housing Revenue Account	(369)	(9,721)	(10,090)
403,631	24,173	427,804	Net Cost of Services	451,669	(10,962)	440,707
(394,396)	25,650	(368,746)	Other Income and Expenditure	(423,368)	14,709	(408,659)
9,235	49,823	59,058	Surplus/Deficit	28,301	3,747	32,048
(200,891)			Opening Council Fund and HRA Balance at 1 April	(191,656)		
9,235			Surplus or (Deficit) on Council Fund and HRA Balance in Year	28,301		
(191,656)			Closing Council Fund and HRA Balance at 31 March*	(163,355)		

* For a split of this balance between the Council Fund and the HRA, see the Movement in Reserves Statement

Notes to the Core Financial Statements

Adjustments between Funding and Accounting Basis 2023-2024				
Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Adjustments £000	Total Adjustments £000
Education and Lifelong Learning	4,097	(3,014)	(1,206)	(123)
Social Services and Housing	823	(1,376)	394	(159)
Communities	17,057	(1,397)	474	16,134
Corporate Services	(1,763)	(944)	(14,386)	(17,093)
Housing Revenue Account	(4,580)	(492)	(4,649)	(9,721)
Net Cost of Services	15,634	(7,223)	(19,373)	(10,962)
Other income and expenditure from the Expenditure and Funding Analysis	(10,089)	5,354	0	(4,735)
Difference between Council Fund surplus/deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	5,545	(1,869)	(19,373)	(15,697)

Restated adjustments between Funding and Accounting Basis 2022-23				
Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for capital Purposes £000	Net Change for the Pensions Adjustments £000	Other Adjustments £000	Total Adjustments £000
Education and Lifelong Learning	8,526	7,739	698	16,963
Social Services and Housing	823	9,514	146	10,483
Communities	11,848	8,969	168	20,985
Corporate Services	(3,304)	3,315	(19,357)	(19,346)
Housing Revenue Account	(3,720)	3,268	(4,461)	(4,913)
Net Cost of Services	14,173	32,805	(22,806)	24,172
Other income and expenditure from the Expenditure and Funding Analysis	(14,703)	16,380	23,974	25,651
Difference between Council Fund surplus/deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(530)	49,185	1,168	49,823

Notes to the Core Financial Statements

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal 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.

Net Change for the Pensions Adjustments

This is the net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

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

Other Adjustments

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 adjustments column recognises adjustments to the Council 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.

6. Events after the reporting period

The Head of Financial Services & S151 Officer, acting as Responsible Financial Officer, gave authorisation for the issue of these accounts on 8 May 2025. In doing so, the Financial Accounts include all material events, relating to the financial year, but occurring after the date of the balance sheet.

Notes to the Core Financial Statements

7. Expenditure and Income Analysed by Nature

The Authority's expenditure and income is analysed as follows:

	Restated 2022-2023	2023-2024
	£000	£000
Expenditure:		
Employee benefits expenses	284,384	310,801
Other service expenses	311,857	336,538
IAS 19 Pension Costs	49,186	(1,868)
Depreciation, amortisation, impairment and other movements in revaluations	37,711	51,037
Interest payments	18,318	16,969
Precepts and Levies	29,400	31,909
Loss on disposal of assets	1,194	1,571
Derecognition of Expenditure	23,166	37,472
Total expenditure	755,216	784,429
Income:		
Fees, charges and other service income	(111,120)	(125,526)
Gain on disposal of assets	0	(474)
Interest and investment income	(3,731)	(7,805)
Income from council tax, non-domestic rates	(160,785)	(161,355)
Government grants and contributions	(420,522)	(457,221)
Total income	(696,158)	(752,381)
(Surplus)/Deficit on the Provision of Services	59,058	32,048

8. Adjustments between accounting basis and funding basis under Regulations

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

The following sets out a description of the Usable Reserves that the adjustments are made against:

Council Fund Balance

The Council Fund is the statutory fund into which all the receipts of the 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 Council Fund Balance, which is not necessarily in accordance with proper

Notes to the Core Financial Statements

accounting practice. The Council Fund Balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year.

Housing Revenue Account

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Authority's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

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 finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Authority 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 this can take place.

For details and explanations of Unusable Reserves for which adjustments are made against, see note 22.

Notes to the Core Financial Statements

2023/2024	Usable Reserves				Movement in Unusable Reserves
	Council Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Charges for depreciation and impairment of non-current assets	(34,989)	(14,093)	0	0	49,082
Capital grants and contributions applied	33,540	12,255	0	0	(45,795)
Revenue expenditure funded from capital under statute	(4,105)	0	0	0	4,105
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	(1,263)	166	(298)	0	1,395
Derecognition of Capital Expenditure charged to the Comprehensive Income and Expenditure Statement	(11,941)	(25,531)	0	0	37,472
City Deal - Capital Adjustment Account	3,362	0	0	0	(3,362)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	5,328	2,624	0	0	(7,952)
Capital expenditure charged against the Council Fund and Housing Revenue Account balances	12,816	16,398	0	0	(29,214)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	714	0	0	(714)	0
Adjustment primarily involving the Financial Instruments Adjustment Account:					
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	(111)	(350)	0	0	461
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(33,406)	(2,571)	0	0	35,977
Employer's pensions contributions and direct payments to pensioners payable in the year	34,782	3,063	0	0	(37,845)
Adjustments primarily involving the Accumulated Absences Account:					
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	108	(173)	0	0	65
City Deal - Accumulated Absence	(3)	0	0	0	3
Total Adjustments	4,832	(8,212)	(298)	(714)	4,392

Notes to the Core Financial Statements

	Usable Reserves				Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000
Restated 2022/2023					
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement					
Charges for depreciation and impairment of non-current assets	(24,431)	(13,183)	0	0	37,614
Capital grants and contributions applied	28,459	9,653	0	0	(38,112)
Revenue expenditure funded from capital under statute	(2,678)	0	0	0	2,678
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	(967)	(227)	267	0	927
Derecognition of Capital Expenditure charged to the Comprehensive Income and Expenditure Statement	(1,823)	(21,343)	0	0	23,166
City Deal - Capital Adjustment Account	460	0	0	0	(460)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	5,225	2,677	0	0	(7,902)
Capital expenditure charged against the Council Fund and Housing Revenue Account balances	3,186	14,226	0	0	(17,412)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,300	0	0	(1,300)	0
Adjustment primarily involving the Financial Instruments Adjustment Account:					
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	10	0	0	0	(10)
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(76,451)	(5,950)	0	0	82,401
Employer's pensions contributions and direct payments to pensioners payable in the year	30,534	2,681	0	0	(33,215)
Adjustments primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,121)	(58)	0	0	1,179
City Deal - Accumulated Absence	(3)	0	0	0	3
Total Adjustments	(38,300)	(11,524)	267	(1,300)	50,857

Notes to the Core Financial Statements

9. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the Council Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Council Fund and HRA expenditure in 2023/2024.

	Note	Balance at 1 April 2022 £000	Transfers from £000	Transfers to £000	Balance at 31 March 2023 £000	Transfers from £000	Transfers to £000	Balance at 31 March 2024 £000
Council Fund:								
Balances held by schools under a scheme of delegation	40	(17,263)	6,341	(393)	(11,315)	6,455	(449)	(5,309)
Capital Earmarked Reserves	39	(43,771)	2,609	(7,643)	(48,805)	37,792	(25,282)	(36,295)
Direct Services Earmarked Reserves		(85)	0	(7)	(92)	5	0	(87)
Service over/underspend Reserves	41	(8,870)	15,318	(10,328)	(3,880)	2,460	(1,500)	(2,920)
Insurance Earmarked Reserves	37	(7,260)	1,342	0	(5,918)	2,713	0	(3,205)
Other Earmarked Reserves	42	(71,236)	34,794	(20,509)	(56,951)	18,667	(12,000)	(50,284)
Other City Deal - Earmarked Reserves (Restated)		0	0	(56)	(56)	0	(193)	(249)
Total		(148,485)	60,404	(38,936)	(127,017)	68,092	(39,424)	(98,349)

10. Other Operating Expenditure

Other operating expenditure is made up as follows:

	2022/2023 £000	2023/2024 £000
Town and Community Council Precepts	928	964
Gwent Police Authority Precept	18,551	19,840
Levies	9,921	11,105
(Gains)/losses on the disposal of non-current assets	1,194	1,097
Derecognition of capital expenditure	23,166	37,472
Total	53,760	70,478

	2022/2023 £000	2023/2024 £000
Levies		
South Wales Fire Authority	9,287	10,381
Gwent Coroners' Service	395	470
Glamorgan Archives' Service	91	99
Gwent Archives' Service	148	155
Total Levies	9,921	11,105

Notes to the Core Financial Statements

<u>Precepts</u>	2022/2023	2023/2024
	£000	£000
Town and Community Councils:		
Aber Valley Community Council	40	40
Argoed Community Council	14	14
Bargoed Town Council	150	172
Bedwas, Trethomas and Machen Community Council	102	110
Blackwood Community Council	59	59
Caerphilly Town Council	98	97
Darren Valley Community Council	13	13
Draethen, Waterloo and Rudry Community Council	20	20
Gelligaer Community Council	133	134
Llanbradach Community Council	35	35
Maesycwmmmer Community Council	18	18
Nelson Community Council	29	29
New Tredegar Community Council	17	17
Penyrheol, Trecenydd and Energlyn Community Council	64	66
Rhymney Community Council	35	36
Risca East Community Council	24	24
Risca West Community Council	50	53
Van Community Council	27	27
	928	964
Gwent Police Authority	18,551	19,840
Total Precepts upon the Authority	19,479	20,804

11. Financing and Investment Income and Expenditure

Financing and investment income and expenditure is made up as follows:

	2022/2023	2023/2024
	£000	£000
Interest payable and similar charges	18,318	16,969
Pensions interest costs and expected return on pensions assets	16,381	5,355
Interest receivable and similar income	(3,742)	(7,907)
City Deal - Restated	13	102
Total	30,970	14,519

Notes to the Core Financial Statements

12. Taxation and Grant Income

	2022/2023	2023/2024
	£000	£000
Council tax income	(96,468)	(104,212)
Non domestic rates	(64,317)	(57,143)
Non-ringfenced government grants	(253,142)	(282,817)
Capital grants and contributions	(39,084)	(46,088)
City Deal - Restated	(465)	(3,396)
Total	(453,476)	(493,656)

Council Tax Income

Council tax derives from charges raised according to the value of residential properties, which from 1st April 2005, have been classified into nine valuation bands, using 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required by the Authority, the Police and Crime Commissioner for Gwent and Community Councils for the forthcoming year and dividing this amount by the council tax base. The council tax base is the total number of properties in each band adjusted by a proportion to convert the number to a band D equivalent. The basic amount for a band D property, £1,353.01 in 2023/2024 (£1,253.95 in 2022/2023) is multiplied by the proportion specified for the particular band, adjusted for discount, to give the individual amount due. The total amount due for 2023/2024 was £105m (£97.4m in 2022/2023).

Council tax bills were based on the following multipliers for bands A to I:

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
Chargeable Dwellings	8,614	18,258	14,816	8,542	7,644	3,275	1,264	173	117

Analysis of the net proceeds from council tax:

	2022/2023	2023/2024
	£000	£000
<u>Council tax collectable</u>		
Caerphilly County Borough Council	(77,914)	(84,283)
Gwent Police Authority - see note 11	(18,551)	(19,840)
Community Councils - see note 11	(928)	(964)
Total amount due	(97,393)	(105,087)
Less: Bad Debt Provision	925	875
Net proceeds from council tax	(96,468)	(104,212)

National Non-Domestic Rates (NNDR) Income

NNDR is organised on a national basis. The Welsh Government specifies an amount for the rate (53.5p in 2023/2024, 53.5p in 2022/2023) 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.

The Welsh Government redistributes the sums payable to local authorities based on a fixed amount per head of population. The Authority's redistribution for 2023/2024 was £57.143m in total (£64.317m in 2022/2023).

Notes to the Core Financial Statements

The anticipated NNDR proceeds of £37.7m for 2023/2024 (£37.3m in 2022/2023) was based on a total rateable value at the year-end of £97.3m (£86.8m for 2022/2023).

Analysis of the net proceeds from Non-Domestic Rates:	2022/2023	2023/2024
	£000	£000
Actual proceeds	(36,739)	(36,029)
Less: Discretionary relief	344	320
Cost of collection	288	311
Bad and doubtful debts	(20)	380
Contribution to NNDR Pool	<u>(36,127)</u>	<u>(35,018)</u>
Redistributed amount due from NNDR Pool	(64,317)	(57,143)
Amount received from NNDR Pool	<u>(64,317)</u>	<u>(57,143)</u>

Non ring-fenced government grants

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2023/2024:

	2022/2023	2023/2024
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(253,142)	(282,817)
Total	<u>(253,142)</u>	<u>(282,817)</u>

Agency Income and Expenditure

National Non-Domestic Rates

The Authority acts as an agent on behalf of Welsh Government in the collection of National Non-Domestic Rates (NNDR). Details of the transactions are provided in the NNDR note above.

During the Covid-19 pandemic, the Authority acted as an agent on behalf of Welsh Government in the distribution of grants and reliefs. The following summarises the purpose of each grant or relief scheme:

Care Workers Payments

Payments to Carers of £500, announced by Welsh Government during the year as part of a nationwide scheme.

Cost of Living Support Scheme

Welsh Government provided grant support by providing cost of living support payments of £150.

Self-Isolation Payment

Payments of £500 were issued to people required to self-isolate as a result of either contracting Covid-19 themselves or coming into contact with a person identified as carrying Covid-19

Winter Fuel Support Scheme

To provide support to eligible households towards paying winter fuel costs.

SSP Enhancement Payments

Notes to the Core Financial Statements

The statutory sick payment enhancement scheme provides funding to allow employers to pay eligible social care workers at full pay if they cannot work due to Covid-19.

Unpaid Carers Grant

A one-off £500 payment available to all eligible unpaid carers in Wales who were in receipt of carers allowance on 31.3.22.

Energy Bills Support Scheme

Payments of £400 were issued to eligible households to support them with winter energy costs.

Alternative Fuel Payments

To provide support to households that heat their homes with fuel other than gas.

The following tables summarise the transactions and balances related to the various grants and reliefs administered during 2023/2024:

2022/2023				2023/2024		
Payments Made £000	Funding Received £000	Balance at 31 March 2023 £000		Payments Made £000	Funding Received £000	Balance at 31 March 2024 £000
5,007	0	5,007	Care Worker Payments	0	(5,012)	(5,012)
9,946	(10,151)	(205)	Cost of Living Support Scheme	179	0	179
1,151	(2,905)	(1,754)	Self Isolation Payments	0	(1)	(1)
4,626	(5,641)	(1,015)	Winter Fuel Payments	171	(531)	(360)
218	(212)	6	SSP Enhancement Payments	0	0	0
1,455	(1,454)	1	Unpaid Carers Grant	0	(1)	(1)
7	(91)	(84)	Alternative Fuel Payments	11	0	11
32	(551)	(519)	Energy Bill Scheme	94	0	94
22,442	(21,005)	1,437	Total	455	(5,545)	(5,090)

During the year, the Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

Notes to the Core Financial Statements

	2022/2023 £000	2023/2024 £000
<u>Capital Grants</u>		
Welsh Government Grant	(27,703)	(30,278)
General Capital Grant	(3,328)	(4,951)
MRA Grant	(7,296)	(7,481)
Transport Grant	0	(115)
Other Grants	(757)	(3,263)
Total Capital Grants	(39,084)	(46,088)
<u>Revenue Grants > £5m</u>		
Housing Benefit Subsidy	(42,495)	(42,824)
Covid 19 Hardship Fund	(831)	0
Housing Support Grant	(8,513)	(8,919)
Children & Communities (Families First)	(3,130)	(1,802)
LA Education Grant	(8,198)	(10,493)
Pupil Development Grant	(7,566)	(8,159)
Regional School Improvement Grant	(6,306)	(5,971)
Children & Communities Grant	(7,057)	(9,145)
<u>Revenue Grants > £1m</u>		
Post 16 Schools	(3,967)	(4,199)
School to School Regional Consortium Grant	(3,297)	(1,187)
C4W Communities for Work	0	(1,450)
Free School Meals	(2,588)	(3,755)
Concessionary fares	(2,502)	(1,988)
Childcare Offer	(4,099)	(1,238)
Grants from 3rd Parties	(3,063)	(3,538)
Sustainability and Workforce Grant	(2,678)	(2,672)
Housing Benefits - B&B	(1,409)	(746)
Cost Of Living	(296)	0
Sustainable Waste Management Grant	(833)	(827)
European Social Fund Grant	(865)	(166)
Community Care Grant	(985)	0
Early Years	(1,197)	(784)
Flood Response	(844)	(351)
<u>Revenue Grants > £0.5m</u>		
Sports Council For Wales	(867)	(615)
European Regional Development Fund	(812)	0
Youth Support Grant	(592)	(622)
Project Gwyrdd	(783)	(587)
Housing Benefits Grant	(339)	0
Road Maintenance	(326)	(623)
Housing Benefit Admin Grant	(601)	(679)
WG Homelessness Grant	(847)	(1,291)
Adult Learning Grant	(569)	(427)
ALN Covid Recovery Grant	(535)	0
<u>Revenue Grants < £0.5m</u>		
Other	(7,768)	(7,206)
Total Revenue Grants	(126,758)	(122,264)
<u>Non Specific Grant Income</u>		
Non Domestic Rates (NDR)	(64,317)	(57,143)
Revenue Support Grant (RSG)	(253,142)	(282,817)
Total Non-Specific Grant Income	(317,459)	(339,960)

Notes to the Core Financial Statements

13. Financial Instruments

Categories of Financial Instruments - The following categories of financial instruments are carried in the Balance Sheet:

	31 March 2023 Restated					31 March 2024				
	Long-term	Short-term	Long-term	Short-term		Long-term	Short-term	Long-term	Short-term	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
	Investments		Debtors		Total	Investments		Debtors		Total
Financial Assets										
Fair value through profit or loss	0	40,131	0	0	40,131	0	20,324	0	0	20,324
Amortised cost	37,132	90,166	2,375	36,823	166,496	11,629	90,904	2,587	27,086	132,206
Fair value through OCI	19,481	0	0	0	19,481	19,530	0	0	0	19,530
Total financial assets	56,613	130,297	2,375	36,823	226,108	31,159	111,228	2,587	27,086	172,060
Non-financial assets	0	0	6	59,005	59,011	0	0	(8)	60,438	60,430
Total	56,613	130,297	2,381	95,828	285,119	31,159	111,228	2,579	87,524	232,490
Financial Liabilities										
	Borrowings		Creditors		Total	Borrowings		Creditors		Total
Amortised cost	(302,310)	(8,937)	(25,029)	(55,072)	(391,348)	(290,129)	(9,500)	(24,593)	(48,078)	(372,300)
Total financial liabilities	(302,310)	(8,937)	(25,029)	(55,072)	(391,348)	(290,129)	(9,500)	(24,593)	(48,078)	(372,300)
Non-financial liabilities	0	0	(119,227)	(34,649)	(153,876)	0	0	(164,414)	(29,491)	(193,905)
Total	(302,310)	(8,937)	(144,256)	(89,721)	(545,224)	(290,129)	(9,500)	(189,007)	(77,569)	(566,205)

Notes to the Core Financial Statements

Income, Expenses, Gains and Losses

	2022/2023		2023/2024	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Interest revenue:				
▪ financial assets measured at amortised cost	(1,051)	0	(4,708)	0
▪ equity instruments measured at fair value through profit and loss	(850)	0	(2,140)	0
Dividend Income:				
▪ equity instruments measured at fair value through profit and loss	(965)	0	(1,058)	0
Gains or losses				
▪ financial assets measured at fair value	0	2,611	0	(49)
Total interest and investment income	(2,866)	2,611	(7,906)	(49)
Interest expense and similar charges	16,135	0	15,931	0

Notes to the Core Financial Statements

Material Soft Loans

Soft loans are those received at below market rate in support of the authority's service priorities. The interest rate at which the fair value of this soft loan has been arrived at is the PWLB certainty rate on a maturity loan at the point which the loan was received. Soft loans have been valued by discounting the contractual payments at the PWLB certainty rate for a similar loan. The periods of these loans are between 10 and 25 years. The movements on material soft loan balances are:

	31 March 2023 £000	31 March 2024 £000
	Soft Loans	
Opening carrying amount as at 1 April	14,746	16,483
Cash value of new loans made in year	0	0
Fair value adjustment on initial recognition	1,437	0
Increase in discounted amount due to passage of time	300	422
Closing carrying amount as at 31 March	16,483	16,905

Financial Assets - Amortised Cost

The Authority has reviewed its investments under the IFRS 9 standard. Investments held at amortised cost meet the test of "Solely Payments of Principal and Interest (SPPI)". All other treasury management investments held meet the test of "Solely Payments of Principal and Interest (SPPI)". Such financial assets provide contractual cash flows to the Authority that are solely payments principal and interest on the outstanding principal in a manner consistent with a basic lending arrangement. Principal is defined as the fair value on initial recognition, less any repayments. Interest is defined as consideration for the time value of money and the credit risk and other basic lending risks inherent in the contract, plus reasonable administrative costs and profit margin.

Where the financial assets meet the SPPI test, the Authority's business model is to collect cash flows over the whole of the instrument's life, rather than managing the total return on the portfolio by both holding and selling the instrument. Sales before maturity are permitted within this business model but selling an instrument must be for reasons other than yield management. Consequently, all financial assets that are held for the purpose of collecting cash flows will be held at Amortised Cost.

Under IFRS 9 financial assets held at amortised cost are required to undergo a potential impairment loss calculation and the calculation of a loss allowance. For loans and investments, the loss allowance is equal to 12-month expected credit losses (ECLs) unless credit risk has increased significantly in which case it is equal to lifetime ECLs. As at 31 March 2024 the impairment loss allowance on an £94.103m of investments held at amortised cost was £0k.

Notes to the Core Financial Statements

	<u>31 March 2023</u>		<u>31 March 2024</u>	
	Amortised Cost	Impairment Loss Provision	Amortised Cost	Impairment Loss Provision
	£000	£000	£000	£000
Cash and Cash Equivalents	11,026	0	849	0
Fixed Term Deposits	77,227	7	58,539	0
Negotiable Instruments	30,579	0	35,564	0
Trade Receivables for goods and services provided	36,256	325	26,165	325
City Deal - Restated	11,408	0	11,089	0
Total Financial Assets held at Amortised Cost	166,496	332	132,206	325

The impairment loss provision excludes financial assets held with Central Government and Local Government. It also excludes equity investments that are measured at fair value through profit and loss.

Equity Instruments at Fair Value Through Profit and Loss

As at 31 March 2024, the Authority had two money market Sterling investment funds with a fair value of £20.324m. The funds have been valued at "Fair Value through Profit & Loss" (FVP&L) in accordance with IFRS 9. The investment funds do not provide contractual cash flows to the Authority that are solely payments principal and interest. There is no possibility of default on contractual payment and consequently there is no impairment loss allowance set aside.

	<u>31 March 2023</u>		<u>31 March 2024</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
<i>Money Market Funds held at Fair Value Through Profit and Loss</i>				
Long term	0	0	0	0
Short term	40,131	40,131	20,324	20,324
	40,131	40,131	20,324	20,324

The investment funds are held for treasury management purposes and support the Authority's daily liquidity requirements. Money market funds are a useful investment instruments that are low risk and simultaneously enhance returns. Both money market funds are AAA rated by the main credit rating agencies and domiciled in the UK.

In accordance with European money markets reform both funds are categorised as Low Volatility Net Asset Valuation Funds (LVNAV). As a result of the LVNAV categorisation the fair value of both money market funds is equivalent to the carrying amount.

Notes to the Core Financial Statements

Investments in Equity Instruments designated at fair value through other comprehensive income

As at 31st March 2024, the Authority held investments in the following funds which they have elected to value at fair value through other comprehensive income (FVOCI). The Council has elected to account for the following investments in equity instruments at fair value through other comprehensive income because they are long-term strategic holdings and changes in fair value are not considered to be part of the Council's annual financial performance.

Investments in equity instruments designated at fair value through other comprehensive income	31 March 2023		31 March 2024	
	Fair value	Dividends	Fair value	Dividends
	£000	£000	£000	£000
CCLA Property Fund	9,140	396	8,783	460
Fundamentum REIT	895	26	907	27
Aegon Asset Management plc	2,171	127	2,288	144
Schroder Investment Management Ltd	2,614	197	2,627	185
Columbia Threadneedle Investments	2,129	78	2,247	93
Fidelity International	2,532	142	2,678	150
	19,481	966	19,530	1,059

Fair Value of Financial Assets

Some of the Authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including valuation techniques used to measure them:

Financial assets measured at fair value				
Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31 March 2023 £000	As at 31 March 2024 £000
Fair Value Through Profit or Loss:				
Equity shareholders in quoted UK companies	Level 2	Quoted prices other than quoted prices in Level 1	40,131	20,324
Fair Value Through OCI:				
Equity shareholders in quoted UK companies	Level 1	Market Price	19,481	19,530
Total			59,612	39,854

Transfers between Levels of the Fair Value Hierarchy - There were no transfers between input levels 1 and 2 during the year.

Changes in the Valuation Technique - There was no change in the valuation technique used during the year for the financial instruments.

Notes to the Core Financial Statements

Fair Values of Assets and Liabilities that are not measured at Fair Value

Except for the financial assets carried at fair value described in the preceding paragraphs all other financial liabilities, financial assets categorised as “held at amortised cost” and long-term debtors and creditors are carried in the Balance Sheet at amortised cost.

Our approach to providing the fair value of financial instruments is to use a market value for these instruments where possible or otherwise to use estimation techniques which involve data available in the market.

For financial assets with an available market these have been assessed by reference to the clean bid price at 31st March 2024 quoted via Bloomberg or directly from the Custodian as these are accurate sources of information on price.

For loans borrowed at 31st March 2024 we have estimated the fair values by discounting the instruments’ contractual cash flows at an estimated market rate for local authority borrowing on the same remaining term to maturity. We use a market rate calculated from the prevailing swap rate plus a risk margin which has been estimated from inter local authority interest rates in the short term and the Transport for London bond yield in the long term. We have used these sources of data as we believe they offer the most accurate view of the market rate for a local authority. For periods in excess of 3 years, this market rate is between 0.1% and 0.4% lower than the PWLB (Public Works Loans Board) rate.

For LOBOs (Lenders Option Borrowers Option) loans with an amortised cost of £20.377m we have followed the above approach and added the value of the embedded options. The lender’s 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.

The fair values of finance lease assets and liabilities and of PFI (Public Finance Initiative) scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA corporate bond yield

It is our general view that in the case of short-term investments, the carrying value at the balance sheet date is a reasonable approximation of the fair value. For long term loans and deposits, we used similar calculations as for loans borrowed, using interest rates appropriate to the credit risk of the counterparty and the remaining term of the investment as a discount rate.

	31 March 2023		31 March 2024	
<u>Financial Assets held at Amortised Cost</u>	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Investments	108,045	105,091	95,170	85,529
Long term debtors	2,375	2,375	2,587	2,587
	110,420	107,466	97,757	88,116

Short-term debtors and Cash and Cash Equivalents are not included as their fair value is close to their carrying amount.

Notes to the Core Financial Statements

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 or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Authority. The majority of the Authority's financial liabilities held during the year are measured at amortised cost and comprised:

	<u>31 March 2023</u>		<u>31 March 2024</u>	
	Short term	Long term	Short term	Long term
	£000	£000	£000	£000
Public Works Loan Board	(7,816)	(240,772)	(5,235)	(237,643)
Bank Loans	(563)	(40,342)	(3,738)	(30,377)
Other Loans	(558)	(20,078)	(527)	(22,109)
Private Finance Initiative Contracts	(2,226)	(21,674)	(2,165)	(19,074)
Lease Payables	(70)	(328)	(68)	(286)
Creditors - financial liabilities carried at contract amount	(52,776)	(4,144)	(45,846)	(5,232)
Total Financial Liabilities measured at Amortised Cost	(64,009)	(327,338)	(57,579)	(314,721)

The fair values are as follows:

	<u>31 March 2023</u>		<u>31 March 2024</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial liabilities	(311,248)	(300,161)	(299,630)	(279,697)
PFI and Finance Lease liabilities	(24,297)	(19,010)	(21,594)	(17,659)
Creditors	(55,802)	(55,802)	(51,076)	(51,076)
	(391,347)	(374,973)	(372,300)	(348,432)

Analysis of Liabilities by maturity

	<u>31 March 2023</u>	<u>31 March 2024</u>
	£000	£000
Maturing within 1 year	(64,008)	(57,577)
Maturing in 1 - 2 years	(8,991)	(10,493)
Maturing in 2 - 5 years	(29,357)	(33,227)
Maturing in 5 - 10 years	(42,622)	(37,150)
Maturing in 10 - 15 years	(104,579)	(105,015)
Maturing in 15 - 20 years	(20,906)	(17,659)
Maturing in 20 - 25 years	(31,357)	(36,606)
Maturing in 25 - 30 years	(11,972)	(15,878)
Maturing in 30 - 35 years	(49,712)	(48,318)
Maturing in 35 - 40 years	(7,500)	0
Maturing in 40 - 45 years	(20,342)	(10,377)
Maturing in 45 - 50 years	(1)	0
	(391,347)	(372,300)

Notes to the Core Financial Statements

31 March 2024				
	Quoted prices in active markets for identical assets (level 1) £000	Other significant observable inputs (level 2) £000	Significant unobservable inputs (level 3) £000	Total £000
Recurring fair value measurements using:				
<u>Financial liabilities</u>				
<i>Financial liabilities held at amortised cost:</i>				
Loans/borrowings	0	(279,697)	0	(279,697)
Creditors	0	(51,076)	0	(51,076)
<i>PFI and finance lease liabilities</i>	0	(17,659)	0	(17,659)
Total	0	(348,432)	0	(348,432)
<u>Financial assets</u>				
Financial Assets held at Amortised Cost	0	88,116	0	88,116
Financial Instruments held at Fair Value	19,530	0	0	19,530
Equity Instruments		20,324	0	20,324
Total	19,530	108,440	0	127,970
31 March 2023				
	Quoted prices in active markets for identical assets (level 1) £000	Other significant observable inputs (level 2) £000	Significant unobservable inputs (level 3) £000	Total £000
Recurring fair value measurements using:				
<u>Financial liabilities</u>				
<i>Financial liabilities held at amortised cost:</i>				
Loans/borrowings	0	(300,161)	0	(300,161)
Creditors	0	(55,802)	0	(55,802)
<i>PFI and finance lease liabilities</i>	0	(19,010)	0	(19,010)
Total	0	(374,973)	0	(374,973)
<u>Financial assets</u>				
Financial Assets held at Amortised Cost	0	107,467	0	107,467
Financial Instruments held at Fair Value	19,481	0	0	19,481
Equity Instruments	0	40,131	0	40,131
Total	19,481	147,598	0	167,079

Notes to the Core Financial Statements

Short term debtors and creditors are carried at cost as this is a fair approximation of their value. The fair value of the financial liabilities is higher than the carrying amount because the Authority's portfolio of loans includes several fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2024) arising from a commitment to pay interest to lenders above current market rates.

As at 31 March 2024, short- and long-term financial assets included fixed term deposits valued at Amortised Cost.

The Authority also held negotiable instruments that included corporate bonds, CDs and Government securities. These are held at amortised cost in accordance with the Authority's business model for managing investments. Negotiable instruments are tradeable in the financial markets and the price of such investments are quoted in the secondary money markets. For disclosure purposes, the price for negotiable instruments has been obtained and a fair value has been calculated as at 31 March 2024. The Authority had two money market investments that are held with short-term investments and categorised as an Equity Instrument and subsequently measured at Fair Value through Profit and Loss. The Authority had no liabilities measured at Fair Value through Profit or Loss at 31 March 2024.

The fair value for financial liabilities and financial assets that are not measured at fair value included in level 2 in the table above have been arrived at using other significant observable inputs. With respect to LOBO loans the observable inputs were the effective interest rate calculation, whereas PWLB loans were measured at cost plus accrued interest. For both liabilities there is no active market where a quoted price could be obtained.

The following assumptions have been used:

Financial assets	Financial liabilities
<ul style="list-style-type: none">▪ no early repayment or impairment is recognised▪ for fixed term investments the carrying amount of assets is assumed to be the approximate to fair value, and the contractual interest rate is taken to be the discount rate. Accrued interest has been included to the nominal amount in order to determine the fair value. These have been categorised as Investments Held at Amortised Cost.▪ the fair value of trade and other receivables is taken to be the invoiced or billed amount.▪ the fair value of negotiable instruments held at amortised cost that comprise various types of investment bonds have been valued at the mid-market price as quoted on 31 March 2024 for disclosure purposes only. Accrued interest has also been taken into consideration using the amortisation method.	<ul style="list-style-type: none">▪ no early repayment is recognised▪ Estimated ranges of discount rates for liabilities at 31 March 2024 were of 5% to 5.39% for loans from the PWLB and the Market and applied with reference to the number of years outstanding to the maturity date.▪ The fair values for financial liabilities (PWLB debt and market debt) have been determined in line with Fair Value calculation tables provided to our Treasury Advisors, Arlingclose.

Nature and Extent of Risks arising from Financial Instruments

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

- Credit risk – the possibility that other parties fail to pay amounts due to the Authority.

Notes to the Core Financial Statements

- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
- Re-financing risk – the possibility that the Authority may be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss may arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

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 a central treasury team, under policies approved by Council in the annual treasury management strategy, and compliance with the CIPFA Prudential Code of Practice, the CIPFA Treasury Management Code of Practice, and Investment Guidance issued under the Local Government Act 2003. The Authority provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash (short-term and long-term). These are required to be reported and approved at or before the Authority's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the Treasury Management Annual Strategy ("the Annual Strategy") that outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported annually to Members.

The "2023/24 Treasury Management Annual Strategy (including Prudential Indicators)" was approved by Council on 23 February 2023 and is available on the Authority's website.

Credit risk

Credit risk arises from deposits with banks, building societies and corporates, as well as credit exposures to the Authority's customers. Deposits are not made with counterparties unless they meet the minimum credit ratings as prescribed in the Annual Investment Strategy. The strategy employed for 2023/2024 allowed officers to place surplus funds with banks, building societies, corporates, sovereign bonds, the Debt Management Office (DMO) (the UK Government) (T-Bills and the DMADF) and other local authorities using a credit criteria that coincided with the Authority's attitude to risk. Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Authority.

Details of the Investment Strategy can be found on the Authority's website. The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- Credit ratings of Short Term of F2, Long Term BBB (Fitch or equivalent rating), and non-UK Sovereign rating of AAA
- Debt Management Office (Debt Management Account Deposit Facility) (DMADF)
- Debt Management Office – Treasury Bills
- Local Authorities
- AAA rated Money Market Funds
- Corporates

The Authority's maximum exposure to credit risk in relation to its investments in financial institutions will vary according to credit ratings assigned by the three main credit rating agencies and cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution.

The following analysis summarises the Authority's potential maximum exposure to credit risk on financial assets, based on experience of default and un-collectability over the last five financial years, adjusted to reflect current market conditions.

Notes to the Core Financial Statements

Total Expected Credit Loss	31 March 2023		31 March 2024	
	Long-Term	Short-term	Long-Term	Short-Term
Credit Rating	£000	£000	£000	£000
Restated				
AAA	0	37	0	0
Debtors	0	37	0	20
	<u>0</u>	<u>74</u>	<u>0</u>	<u>20</u>

The Authority's deposits are placed either directly with the counterparty or indirectly with the counterparty via London money market brokers. At 31 March 2024, the Authority's long-term and short-term investments, and cash and cash equivalents were deposited with UK and non-UK counterparties in accordance with the approved treasury management Annual Investment Strategy. No credit limits were exceeded during the year and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits. The Authority does not generally allow credit for customers and the amount past due (but not impaired) as at the year-end can be analysed by age as follows:

	31 March 2023 £000	31 March 2024 £000
Three to six months	2,488	1,593
Six months to one year	1,219	1,692
More than one year	7,301	5,866
	<u>11,008</u>	<u>9,151</u>

Trade receivables are normally written off to the Surplus or Deficit on Provision of Services when overdue, but steps are taken to collect sums owing until all economic avenues have been explored.

Liquidity risk

As the Authority has ready access to borrowings from the Public Works Loans Board (PWLb), there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure the maturity profile is as smooth as possible through a combination of careful planning of new loans taken out and (where economically advantageous to do so) making early repayments.

Refinancing and Maturity Risk

The Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Authority relates to managing the exposure to replacing financial instruments as they mature. The risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

Notes to the Core Financial Statements

- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs and for monitoring the spread of longer-term investments, to ensure stability of maturities and returns for longer term cash flow needs.

The maturity analysis of debt outstanding with the PWLB and market loans is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy 2023/2024):

Prudential Indicator Analysis						
Period	Minimum	Maximum	31 March 2023		31 March 2024	
			£000		£000	
<12 Months	0%	35%	8,937	3%	9,490	3%
1-2 Years	0%	40%	3,647	1%	2,971	1%
2-5 Years	0%	50%	21,413	7%	24,867	8%
5-10 Years	0%	75%	31,299	9%	29,547	10%
>10 Years	0%	95%	245,952	80%	232,747	78%
			311,248	100%	299,622	100%

Market risk

Interest rate risk

The Authority is 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 illustration, a rise in interest rates would have the following effects:

- For borrowings at variable rates the interest expense charged to the Comprehensive Income and Expenditure Account will rise;
- For borrowings at fixed rates the fair value of the borrowings will fall (no impact on revenue balances);
- For investments at variable rates the interest income credited to the Comprehensive Income and Expenditure Account will rise;
- For investments at fixed rates the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value (but are carried on the Balance Sheet at amortised cost) so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the Council Fund Balance pound for pound. Movements in fair value of Equity Instrument investments will be reflected in Other Comprehensive Income and Expenditure.

The Authority has strategies for managing interest rate risk. Its policy is to aim to keep a maximum of 30% of its borrowings in variable rate loans when interest rate levels are favourable. However, as at 31 March 2024, the Authority had £20.324m held in variable rate Money Market funds. During periods of falling interest rates and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is mitigated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates for the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year.

Notes to the Core Financial Statements

This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out should be fixed or variable.

The approved Treasury Management Strategy for 2023/2024 has enabled officers to place surplus cash flow funds with financial institutions and corporates and has resulted in enhanced investment returns in comparison to previous financial years. According to the investment strategy, if interest rates had been 1% higher at 31 March 2024, with all other variables held constant, the financial effect would be:

	<u>£000</u>
Increase in interest payable on variable rate borrowings	183
Increase in interest receivable on variable rate investments	(188)
Decrease in fair value of investments held at FVPL	0
Impact on Surplus or Deficit on the Provision of Services	<u>(5)</u>
 Decrease in fair value of investments held at FVOCI	 125
Impact on Surplus or Deficit on Provision of Services	<u>125</u>
 Decrease in fair value of fixed rate investment assets	 926
Impact on Surplus or Deficit on Provision of Services	<u>926</u>

The impact of a 1% fall in interest rates would result in a similar variance, but with the movements reversed. The calculation is based on the PWLB discount rate used in the original fair value calculation, plus or minus 1%.

Covered Bond Investments

As at 31 March 2024, the Authority's long-term investments included covered bonds. Covered bonds are debt securities issued by a bank or mortgage institution and collateralised against a pool of ring-fenced assets that, in case of failure of the issuer, the investor can recover the investment by making a claim against the pool of ring-fenced assets.

14. Retirement Benefits

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, the Greater Gwent (Torfaen) Pension Scheme.**
 The scheme is a funded defined benefit final salary scheme, administered by Torfaen County Borough Council. The Authority and employees pay contributions into a fund calculated at a level intended to balance the pensions' liabilities with investment assets. Contribution rates are set by the Superannuation Regulations to meet 100% of the overall liabilities of the fund over a period of time, with necessary contribution increases being phased in. The Authority is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases.

Notes to the Core Financial Statements

	2022/2023		2023/2024	
	% of pensionable		% of pensionable	
	£m	pay	£m	pay
Employer's contribution paid	30.984	22.50	35.579	23.50
Added years paid	0.939	0.68	0.831	0.55

- The Teachers' Pension Scheme.** This is a defined benefit scheme, administered by the Department for Education. The scheme is unfunded and as it is not possible for the Authority to identify its share of the underlying liabilities of the scheme attributable to its own employees, it is being accounted for as a defined contribution scheme, i.e. the cost charged to Cost of Services in the year is the cost of the employer contributions to the scheme. A "notional fund" is used as the basis for calculating the employers' contribution rate paid by each local education authority. In addition, the Authority is responsible for all pension payments relating to added years that have been awarded, together with the related increases.

	2022/2023		2023/2024	
	% of pensionable		% of pensionable	
	£m	pay	£m	pay
Employer's contribution paid (% change from 1.9.19)	15.682	23.68	16.942	23.68
Added years paid	1.710	2.58	1.807	2.53

Former Authorities' Liability

The former authorities' liability exists in respect of previous year's decisions to fund the pension benefits of employees of the former Glamorgan County Council, Mid Glamorgan County Council and Rhymney Valley District Council whose pension benefits are currently funded by the Rhondda Cynon Tâf County Borough Council Pension Fund. This has been included within the Authority's accounts as part of the required IAS 19 accounting disclosures. Actuarial assumptions are based upon the Rhondda Cynon Tâf County Borough Council Pension Fund.

Further information and the actuarial report are available on request from the Director of Finance, Rhondda Cynon Tâf County Borough Council, The Pavilions, Cambrian Park, Clydach Vale, Tonypany CF40 2XX.

Greater Gwent Unfunded Pensions Schemes

The Authority has two unfunded liabilities in respect of discretionary benefits paid to Teachers and other former employees by the Greater Gwent (Torfaen) Pension Fund. This has been included within the Authorities accounts as part of the required IAS19 Accounting disclosures. Actuarial assumptions are based upon the Greater Gwent (Torfaen) pension fund.

Transactions Relating to Post-employment Benefits

We recognise 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 Council Fund and the Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Council Fund Balance via the Movement in Reserves Statement during the year:

Notes to the Core Financial Statements

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2022/2023	2023/2024	2022/2023	2023/2024
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement:				
Cost of Services				
<i>Service cost comprising:</i>				
• current service cost	65,334	29,846	0	0
• past service costs	0	2	0	24
• (gain)/loss from settlements/curtailments	0	0	0	0
• administration expenses	686	750	0	0
<i>Financing and Investment Income and Expenditure</i>				
• net interest expense	15,554	4,210	827	1,145
<i>Total Post Employment Benefits charged to the Surplus or Deficit on Provision of Services</i>	81,574	34,808	827	1,169
<i>Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
• return on plan assets (excluding the amount included in the net interest expense)	31,865	(77,465)	0	0
• actuarial (gains) / losses arising on changes in demographic assumptions	(65,764)	(7,428)	(433)	(252)
• actuarial (gains) / losses arising on changes in financial assumptions	(599,984)	(65,876)	(6,022)	(598)
• actuarial (gains) / losses - experience	115,547	31,674	1,232	2,159
<i>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</i>	(436,762)	(84,287)	(4,396)	2,478
Movement in Reserves Statement:				
• reversal of net charges made to the Surplus or Deficit on Provision of Services for post employment benefits in accordance with the Code	(81,574)	(34,808)	(827)	(1,169)
<i>Actual Amount Charged Against the Council Fund Balance for Pensions in the Year:</i>				
• employers' contributions payable to the scheme	31,302	35,712	1,913	2,133

Further information can be found in the Greater Gwent (Torfaen) Pension Fund's Annual Report, which is available upon request from the Director of Finance, County Borough of Torfaen, Civic Centre, Pontypool, NP4 6YB.

Notes to the Core Financial Statements

Actuarial Gains and (Losses) relating to Pensions

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2024 is a gain of £496.177m (£378.391m gain to 31 March 2023).

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 plans is as follows:

	2022/2023	2023/2024
	£000	£000
Present value of the defined benefit obligation:		
• Local Government Pension Scheme	(1,053,226)	(1,062,829)
• Former Authorities' Liability	(4,519)	(4,079)
• Greater Gwent Unfunded Pension Scheme	(20,571)	(21,356)
Fair value of plan assets:		
• Local Government Pension Scheme	962,042	926,805
Net (liability) / asset arising from defined benefit obligations	(116,274)	(161,459)

Impact on the Council's Cash Flows

The funded nature of the LGPS requires the Employer and its employees to pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets. The Fund's 'funding target' is to achieve and maintain a funding level of 100% of liabilities. The maximum deficit recovery period has been set at 25 years. At each Actuarial Valuation, a contribution rate is set to meet the funding target over the deficit recovery period.

The latest Actuarial Valuation as at 31 March 2022 covers the contribution rates from 1 April 2023 until 31 March 2026. The rates will remain at a minimum of 23.5% for the first year, 24.5% for the second year and will increase to 25% for the final year.

Consequently, whilst there is a significant shortfall (liability) between the benefits earned by past and current employees and the resources the Council 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.

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The total contribution that the Authority expects to make to the Local Government Pension Scheme in the year to 31 March 2025 is £36.745m

Notes to the Core Financial Statements

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

	<u>2023/2024</u>			
	Greater Gwent Scheme £000	Former Authorities Liability £000	Greater Gwent Unfunded Scheme's £000	Total £000
Opening balance at 1 April	1,053,226	4,519	20,571	1,078,316
Current service cost	30,596	0	0	30,596
Interest cost	50,055	206	939	51,200
Contributions by scheme participants	9,253	0	0	9,253
Remeasurement (gains) and losses:				
• Actuarial (gains) / losses arising from changes in demographic assumptions	(7,428)	(83)	(169)	(7,680)
• Actuarial (gains) / losses arising from changes in financial assumptions	(65,876)	(34)	(564)	(66,474)
• Actuarial (gains) / losses - experience	31,674	(63)	2,222	33,833
Past service costs	2	24	0	26
Losses / (gains) on curtailment	0	0	0	0
Benefits paid	(38,673)	(490)	(1,643)	(40,806)
Closing balance at 31 March	1,062,829	4,079	21,356	1,088,264

	<u>2022/2023</u>			
	Greater Gwent Scheme £000	Former Authorities Liability £000	Greater Gwent Unfunded Scheme's £000	Total £000
Opening balance at 1 April	1,535,049	5,252	26,147	1,566,448
Current service cost	66,020	0	0	66,020
Interest cost	41,983	140	687	42,810
Contributions by scheme participants	8,505	0	0	8,505
Remeasurement (gains) and losses:				
• Actuarial (gains) / losses arising from changes in demographic assumptions	(65,764)	(31)	(402)	(66,197)
• Actuarial (gains) / losses arising from changes in financial assumptions	(599,984)	(808)	(5,214)	(606,006)
• Actuarial (gains) / losses - experience	99,681	441	791	100,913
Past service costs	0	0	0	0
Losses / (gains) on curtailment	0	0	0	0
Benefits paid	(32,264)	(475)	(1,438)	(34,177)
Closing balance at 31 March	1,053,226	4,519	20,571	1,078,316

Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the Fund discounted to their present value.

Notes to the Core Financial Statements

Impact of applying IFRIC14 / IAS19

The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction. In accordance with the above reporting standards the Council's Actuary, Hymans Robertson LLP, determined that the economic benefit available as a reduction in future contributions is lower, there is an additional liability to recognise and an adjustment of £164.839m is required to the Net Asset / Liability for the effect of the asset ceiling. The net asset position is £33.280m, the net balance sheet position recognised a liability of £131.559m.

	Greater Gwent Scheme		Former Authorities Liability		Greater Gwent Unfunded Scheme's	
	2022/2023	2023/2024	2022/2023	2023/2024	2022/2023	2023/2024
	£000	£000	£000	£000	£000	£000
Opening fair value of scheme assets	975,801	962,042	0	0	0	0
Interest Income	26,429	45,845	0	0	0	0
Remeasurement gain/(loss)						
return on plan assets,						
• excluding the amount included in net interest expense	(31,865)	77,465	0	0	0	0
• Other - experience	(15,866)	0	0	0	0	0
• member contributions	8,505	9,253	0	0	0	0
Contributions from employer	30,883	35,246	475	490	1,857	2,109
Benefits paid	(31,845)	(38,207)	(475)	(490)	(1,857)	(2,109)
Effect of IAS19/IFRIC14	0	(164,839)	0	0	0	0
Closing fair value of scheme assets	962,042	926,805	0	0	0	0

Local Government Pension Scheme assets comprised:

	31 March 2023				31 March 2024			
	Quoted prices in active markets	Quoted prices not in active markets	Total	% of total assets	Quoted prices in active markets	Quoted prices not in active markets	Total	% of total assets
	£000	£000	£000		£000	£000	£000	
UK Property	0	19,483	19,483	2%	0	18,047	18,047	2%
Investment Funds and Unit Trusts:								
Equities	0	710,208	710,208	74%	0	807,598	807,598	74%
Bonds	0	128,160	128,160	13%	0	130,744	130,744	12%
Infrastructure	0	12,918	12,918	1%	0	46,611	46,611	4%
Other	0	86,281	86,281	9%	0	53,084	53,084	5%
Cash and Cash Equivalents:								
All	0	4,992	4,992	1%	0	35,560	35,560	3%
	0	962,042	962,042	100%	0	1,091,644	1,091,644	100%

Notes to the Core Financial Statements

Basis for Estimating Scheme Assets and Liabilities

The calculation of these assets, liabilities and costs requires the actuary to make several assumptions relating to returns on investments, future inflation, pay and pension levels and rates of mortality. For the year ended 31 March 2024, the discount rate has been calculated as a weighted average of "spot yields" on AA rated corporate bonds. These weightings reflect more accurately the duration of the pension liabilities of the typical LGPS employer.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. The actuaries assumed that 65% of employees retiring after 6 April 2020 would take advantage of this change to the pension scheme.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Former Authorities' Liability		Greater Gwent Unfunded Scheme's	
	2022/2023	2023/2024	2022/2023	2023/2024	2022/2023	2023/2024
<i>Mortality assumptions:</i>						
Longevity at 65 for current pensioners:						
- Men	20.0	19.8	21.6	21.0	20.0	19.8
- Women	22.9	22.7	24.2	23.8	22.9	22.7
Longevity at 65 for future pensioners:						
- Men	20.8	20.6	n/a	n/a	n/a	n/a
- Women	24.7	24.5	n/a	n/a	n/a	n/a
Rate of inflation	4.8%	4.9%	2.7%	2.6%	4.8%	4.9%
Rate of increase in salaries	3.5%	3.3%	n/a	n/a	3.5%	3.3%
Rate of increase in pensions	3.0%	2.8%	2.7%	2.6%	3.0%	2.8%
Rate for discounting scheme liabilities	4.8%	4.9%	4.8%	4.8%	4.8%	4.9%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%	n/a	n/a	n/a	n/a

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 assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other 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 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.

Notes to the Core Financial Statements

<i>Impact on the Defined Benefit Obligation in the Greater Gwent (Torfaen) Pension Scheme</i>	Increase in obligation	Decrease in obligation
	£000	£000
Rate of increase in pension rate (increase by 0.1%)	20,462	0
Rate of increase in salaries (increase by 0.1%)	1,255	0
Rate for discounting scheme liabilities (decrease by 0.1%)	21,331	0

It is estimated that a one year increase in life expectancy would increase the Employer's Defined Benefit Obligation by 3-5%

15. Private Finance Initiative (PFI) Transactions

The Authority entered into two contracts under Private Finance Initiative arrangements, one with the Machrie Consortium for the provision of two replacement schools (Ysgol Gyfun Cwm Rhymni and Lewis School Pengam), and one with S.E.W. Ltd for the provision of a road (Sirhowy Enterprise Way).

Under both contracts, the relevant consortium has the responsibility for the design, build, finance and operation of the assets for a period of 30 years, commencing in September 2002 for the schools and December 2005 for the road. For the schools, this includes the provision of all ancillary services, although the Authority retains responsibility for educational, pastoral and financial arrangements. The Authority leases each school site to the Consortium and, upon expiry of the contract term (September 2032), has the option of re-tendering the provision of services. If the option is not taken, the assets will transfer to the Authority.

The Authority continues to own the land on which the road is built and, in consideration of a payment of £1, permits access to the land to S.E.W. Ltd, for the purposes of building and operating the road, for the lifetime of the contract. At the expiry of the contract term, the Authority has the option of extending the contract. If this option is not taken, the asset reverts to the ownership of the Authority.

The assets identified in the PFI contracts have been recognised in the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 23.

Notes to the Core Financial Statements

	31 March 2023			31 March 2024		
	Road £000	Schools £000	Total £000	Road £000	Schools £000	Total £000
Gross PFI Liabilities are due:						
Payable in 2024/2025	2,499	1,638	4,137	2,174	1,809	3,983
Payable within 2 to 5 years	8,608	7,276	15,884	8,313	7,439	15,752
Payable within 6 to 10 years	5,278	8,314	13,592	3,724	6,340	10,064
Payable within 11 to 15 years	324	0	324	0	0	0
Total Gross Liabilities	16,709	17,228	33,937	14,211	15,588	29,799
Net PFI Liabilities are due:						
Payable in 2024/2025	1,441	784	2,225	1,155	1,009	2,164
Payable within 2 to 5 years	5,606	4,512	10,118	5,546	4,991	10,537
Payable within 6 to 10 years	4,320	6,939	11,259	3,088	5,449	8,537
Payable within 11 to 15 years	297	0	297	0	0	0
Total Net Liabilities	11,664	12,235	23,899	9,789	11,449	21,238
Finance charges allocated to future periods	(5,045)	(4,993)	(10,038)	(4,422)	(4,139)	(8,561)
Reconciliation between Net Book Values of PFI Assets held under PFI schemes:						
Net Liability (as above)	11,664	12,235	23,899	9,789	11,449	21,238
Additions	0	1,355	1,355	0	1,355	1,355
Revaluations and impairments	0	13,483	13,483	0	14,285	14,285
Repayments/ Amortisation of capital sum	25,099	8,967	34,066	26,974	9,753	36,727
Accumulated Depreciation	(12,865)	(5,918)	(18,783)	(16,542)	(5,918)	(22,460)
Net Book value of PFI Assets	23,898	30,122	54,020	20,221	30,924	51,145

The Authority receives funding from the Welsh Government to meet the costs of the unitary charge payments. However, the scheduling of the funding is such that it differs annually during the period of the PFI contract, from that applying to the payments to the consortia. Whilst the funding profile of the road scheme generally follows that of the unitary charge payments, that of the schools' scheme differs markedly, with the funding reducing annually over the period of the contract, whilst unitary charge payments increase annually over the same period. The result of the variance in these funding and expenditure profiles means that the funding received by the Authority in the early years of the contracts will exceed that required to meet the unitary charge, whilst subsequently, until the expiry of the contract term, the opposite will be true. As a result, the Authority has agreed that the initial funding "surpluses" will be set aside, to provide for the subsequent funding shortfalls, and is holding such funds as an earmarked reserve to meet future PFI liabilities (see note 42).

The balance held on this reserve and the movements during the financial year are as detailed below:

	2022/2023 £000	2023/2024 £000
Balance brought forward	(9,690)	(8,384)
Amounts (set aside) / taken in year:		
Schools	582	984
Road	724	890
	(8,384)	(6,510)

Notes to the Core Financial Statements

Future commitments for PFI Schemes

The Authority is committed to making the following payments for PFI obligations:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
<i>Road</i>				
Payable in 2024/2025	2,198	1,155	1,019	4,372
Payable within 2 to 5 years	8,398	5,546	2,766	16,710
Payable within 6 to 10 years	10,209	3,088	636	13,933
	20,805	9,789	4,421	35,015
<i>School</i>				
Payable in 2024/2025	3,200	1,010	800	5,010
Payable within 2 to 5 years	13,701	4,990	2,450	21,141
Payable within 6 to 10 years	13,201	5,450	891	19,542
	30,102	11,450	4,141	45,693

Termination Options

The Authority has rights to terminate both contracts if it compensates the contractor in line with the termination clauses in the contract.

16. Operating Leases

Authority as Lessee

The Authority leases various buildings for the provision of services and for administrative purposes, which have been accounted for as operating leases. The rentals payable to lessors under such leases amounted to £894,388 in 2023/2024, (£960,197 in 2022/2023) and were charged to the relevant service area in the Comprehensive Income and Expenditure Statement.

Minimum lease payments due under non-cancellable operating leases in future years are:

	2022/2023		2023/2024	
	Land & Buildings £000	Total £000	Land & Buildings £000	Total £000
Not later than one year	812	812	830	830
Later than one year and not later than five years	3,067	3,067	3,153	3,153
Later than five years	10,117	10,117	9,712	9,712
	13,996	13,996	13,695	13,695

Authority as Lessor

The Authority has granted leases of land and buildings to various entities for periods of between 1 year and 30 years for the provision of community services, such as facilities, tourism services and community centres and for economic development purpose to provide suitable affordable accommodation for local

Notes to the Core Financial Statements

businesses, with such arrangements being accounted for as operating leases. In addition, the Authority has also granted peppercorn leases (rentals of £1 per annum) of community halls, playing fields, pavilions etc. to voluntary organisations, community groups and other similar bodies for periods of between 1 year and 199 years. Such arrangements have been accounted for as operating leases. Minimum lease payments receivable under non-cancellable leases in future years are:

	2022/2023			2023/2024		
	Industrial Units £000	Other Land & Buildings £000	Total £000	Industrial Units £000	Other Land & Buildings £000	Total £000
Not later than one year	120	571	691	120	450	570
Later than one year and not later than five years	312	1,853	2,165	192	1,632	1,824
Later than five years	0	2,175	2,175	0	1,963	1,963
	432	4,599	5,031	312	4,045	4,357

17. Members' Allowances

The total value of Members' Allowances payments in 2023/2024 was £1,477,747 (£1,417,225 in 2022/2023). More detailed information on Members' Allowances can be obtained from the Head of People Management & Development, Penallta House, Tredomen Park, Ystrad Mynach, Hengoed, CF82 7PG, or from the Authority's website via the following link- <https://www.caerphilly.gov.uk/My-Council/Councillors-and-committees/Salaries,-expenses-and-allowances>

18. Officers' Emoluments

The number of employees (excluding those employees who are listed separately below in the Chief Officer's note) whose remuneration, excluding employer's pension contributions, was £60,000 or more in bands of £5,000, during the year ended 31 March 2024 are shown below. Employees are also included where they are employed for fewer than full-time hours but their grossed-up remuneration exceeds £60,000.

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2023/2024

Number of employees

Remuneration Band	School based	Non-School based	Total	Left in year
£60,000 - £64,999	56	36	92	1
£65,000 - £69,999	37	12	49	2
£70,000 - £74,999	32	5	37	1
£75,000 - £79,999	27	5	32	0
£80,000 - £84,999	8	4	12	0
£85,000 - £89,999	4	1	5	0
£90,000 - £94,999	1	0	1	0
£95,000 - £99,999	2	0	2	0
£100,000 - £104,999	1	0	1	0
£105,000 - £109,999	6	9	15	0
£110,000 - £114,999	1	0	1	0
£120,000 - £124,999	2	0	2	0
	177	72	249	4

Of the leavers in the year, 3 were school based and 1 was non-school based. The numbers also include employees at a voluntary aided school.

2022/2023

Number of employees

Remuneration Band	School based	Non-School based	Total	Left in year
£60,000 - £64,999	48	40	88	1
£65,000 - £69,999	30	9	39	2
£70,000 - £74,999	14	3	17	0
£75,000 - £79,999	11	3	14	1
£80,000 - £84,999	1	2	3	0
£85,000 - £89,999	2	1	3	0
£90,000 - £94,999	3	0	3	0
£95,000 - £99,999	4	2	6	0
£100,000 - £104,999	3	9	12	0
£110,000 - £114,999	2	0	2	0
	118	69	187	4

Of the in-year leavers, 1 was non-school based and 3 were school based. The numbers also include employees at a voluntary aided school.

In accordance with the Accounts and Audit (Wales) Regulations 2014, the following tables show the remuneration and components of remuneration for statutory chief officers and designated heads of paid service that have responsibility for the management of the Authority and have the ability to control the major activities of the Authority – particularly in relation to activities involving expenditure of money.

Notes to the Core Financial Statements

<u>2023/2024</u>			Total Remuneration excluding Employer's Pension Contributions £	Employer's Pension Contributions at 23.5% £	Total Remuneration including Employer's Pension Contributions £
Post	Salary £	Expenses / other payments £			
Chief Executive - Mrs C Harrhy *a	153,951	0	153,951	29,731	183,682
Deputy Chief Executive *b	144,937	0	144,937	34,060	178,997
Corporate Director - Economy & Environment	138,695	0	138,695	32,593	171,288
Corporate Director - Education & Corporate Services	139,535	0	139,535	28,793	168,328
Assistant Director - Social Services & Housing (Adult Services) *c	114,142	0	114,142	26,823	140,965
Assistant Director - Social Services & Housing (Children Services) *d	114,393	0	114,393	26,882	141,275
Head of Financial Services & S151 Officer	107,174	0	107,174	23,316	130,490
	912,827	0	912,827	202,198	1,115,025
<p>*a In addition to those payments listed above, the Chief Executive, Mrs Christina Harrhy, received Returning Officer expenses during the year to 31 March 2024 of £287 in respect of a local government by-election.</p> <p>*b The Deputy Chief Executive was appointed to the role on 19th May 2023 after being in the role of Corporate Director - Social Services & Housing. The full annual salary of the post was £145,903.</p> <p>*c The Assistant Director - Social Services & Housing (Adult Services) received additional salary of £8,058 during the year for "acting up" to Director when the Corporate Director - Social Services became Deputy Chief Executive.</p> <p>*d The Assistant Director - Social Services & Housing (Children Services) received additional salary of £8,058 during the year for "acting up" to Director when the Corporate Director - Social Services became Deputy Chief Executive.</p>					

Notes to the Core Financial Statements

2022/2023			Total Remuneration excluding Employer's Pension Contributions	Employer's Pension Contributions at 22.5 %	Total Remuneration including Employer's Pension Contributions
Post	Salary £	Expenses / other payments £	£	£	£
Chief Executive *a	148,773	0	148,773	28,640	177,413
Corporate Director - Social Services & Housing *b	134,005	0	134,005	30,151	164,156
Corporate Director - Economy & Environment *c	134,005	0	134,005	30,151	164,156
Corporate Director - Education & Corporate Services *d	134,845	0	134,845	27,027	161,872
Head of Financial Services & S151 Officer *e	101,632	0	101,632	21,077	122,709
	653,260	0	653,260	137,046	790,306
<p>*a In addition to those payments listed above, the Chief Executive received Returning Officer expenses during the year to 31 March 2023 of £13,716 in respect of local government elections.</p> <p>*b In addition to those payments listed above, the Corporate Director - Social Services & Housing received Returning Officer expenses during the year to 31 March 2023 of £600 in respect of local government elections.</p> <p>*c In addition to those payments listed above, the Corporate Director - Economy & Environment received Returning Officer expenses during the year to 31 March 2023 of £300 in respect of local government elections.</p> <p>*d In addition to those payments listed above, the Corporate Director - Education & Corporate Services received Returning Officer expenses during the year to 31 March 2023 of £550 in respect of local government elections.</p> <p>*e In addition to those payments listed above, the Head of Financial Services & S151 Officer received Returning Officer expenses during the year to 31 March 2023 of £500 in respect of local government elections.</p>					

The annualised remuneration of the highest paid officer of the Authority (the Chief Executive) in the financial year to 31 March 2024 was £153,111. This was 5.9 times the median remuneration of the workforce, which was £25,979. (The remuneration of the highest paid officer of the Authority (the Chief Executive) in the financial year to 31 March 2023 was £147,933. This was 6.1 times the median remuneration of the workforce, which was £24,054).

Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory redundancies, other redundancies and other departures are set out in the table below. The costs include redundancy costs, payments in lieu of notice and payments to staff for holidays not taken at time of departure. Where applicable, the employer's national insurance contributions are included, as well as any strain costs for early retirement payable by the Authority to the Pension Fund.

Notes to the Core Financial Statements

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band £	
	2022 / 2023	2023 / 2024	2022 / 2023	2023 / 2024	2022 / 2023	2023 / 2024	2022 / 2023	2023 / 2024
£0 - £20,000	0	7	90	95	90	102	374,096	617,347
£20,001 - £40,000	0	0	7	13	7	13	202,701	345,961
£40,001 - £60,000	0	0	2	4	2	4	85,405	179,367
£60,000 - £80,000	0	0	0	1	0	1	0	66,266
£80,000 - £100,000	0	1	0	1	0	2	0	189,674
Total	0	8	99	114	99	122	662,202	1,398,615

19. External Audit Costs

The Authority incurred the following costs in relation to the audit of the statement of accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors.

	2022/2023 £000	2023/2024 £000
Fees payable to the Auditor General for Wales with regard to external audit services carried out under the Code of Audit Practice prepared by the Auditor General for Wales	277	298
Fees payable to the Auditor General for Wales in respect of statutory inspection	108	103
Fees payable to the Auditor General for Wales for the certification of grant claims and returns	68	71
	453	472

20. Related Party Transactions

The Authority is required to disclose material transactions with related parties – bodies or individuals that can potentially 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 transact freely with the Authority.

Notes to the Core Financial Statements

During the year, transactions and year-end balances of related parties arose as follows:

Welsh Government

Welsh Government has significant influence over the general operations of the Authority in respect of providing the statutory framework within which the Authority operates, providing the majority of funding in the form of revenue and capital grants, revenue support grant and NNDR. Details of revenue support grant and NNDR Pool transactions are summarised in Note 12. At 31 March 2024, £3.4m was due to Welsh Government (£4.7m in 2022/2023), whilst £29.6m was due to the Authority from Welsh Government (£34.2m in 2022/2023).

Precepts and Levies

Note 10 details precepts collected on behalf of other organisations and amounts levied on the Authority by Joint Committees.

Chief Officers

Details of chief officers' emoluments are provided in Note 18. The "declaration of interest" returns received from directors did not identify any other material related party transactions and other senior officers which did not identify any other material related party transactions for the officers or their close family and dependants.

Members

Members of the council have direct control over the Authority's financial and operating policies. The total of members allowances paid in 2023/2024 is shown in Note 17. During the year the "declaration of interest" returns were received for members and their close family and dependants. The table below shows a summary of the receipts and payments occurring during the year and the outstanding balances as at 31 March 2024.

Related Party:	Relationship:	Transaction details:	Amounts paid out by Authority £000	Amounts received by Authority £000	Balance Outstanding - Debtors £000	Balance Outstanding - Creditors £000
2023/2024						
Caerphilly Skip Hire	Owner is close relative	Payments for services received	16	7	2	0
Citizens Advice Bureau	Trustees	Grants paid out	510	1	0	0
Groundwork Trust	Board member	Payments for services received	40	7	1	7
Caerphilly Uniform Exchange	Non-paid director	Grants paid out	9	0	0	0
Community Volunteers Wales	Trustees	Venue hire	3	0	0	1
SYDIC	Trustees	Project funding	5	0	0	0
White Rose Information and Resource Centre	Trustees	Payments for services received	47	0	0	0
Blackwood Moose	Member	Grants paid out	5	0	0	1
Parish Trust	Trustees	Grants paid out	2	0	0	0
Cefn Hengoed Youth Centre	Trustees	Payments for services received	5	0	0	0
Social Care Wales	Member	Income for DBS checks	0	1	0	0
Aber Valley Heritage Society	Chair	Grants paid out	9	0	0	0

Notes to the Core Financial Statements

Related Party:	Relationship:	Transaction details:	Amounts paid out by Authority £000	Amounts received by Authority £000	Balance Outstanding - Debtors £000	Balance Outstanding - Creditors £000
2022/2023						
Caerphilly Skip Hire	Owner is close relative	Payments for services received	12	7	1	0
Citizens Advice Bureau	Trustees	Grants paid out	428	1	0	10
Groundwork Trust	Board member	Payments for services received	69	7	0	1
Caerphilly Uniform Exchange	Non-paid director	Grants paid out	14	0	0	1
Puddleducks Playgroup	Trustees	Payment for services at primary school	52	3	2	0
Parish Trust	Trustees	Grants paid out	17	0	0	0
Caerphilly Mind	Trustees	Grants paid out	115	0	0	0
Nelson Pizza	Owner is close relative	Payments for goods received	1	0	0	0
Community Volunteers Wales	Trustees	Venue Hire	15	0	0	0
White Rose Information and Resource Centre	Non-paid director	Payments for services received	59	0	0	1

Other Public Bodies (subject to common control by central government)

The Authority has pooled budget arrangements with the Aneurin Bevan University Health Board in respect of the Gwent Frailty Project, which provides integrated community-based care services aiming to avoid hospital admissions and to assist independent living. Caerphilly County Borough Council is Lead Commissioner and is responsible for the Section 33 Agreement, management of the budget and agreeing annual locality commissioning plans for delivery of the service. As at 31 March 2024, £2,203,867 was due to the Authority from the Health Board (£2,183,477 at 31 March 2023) whilst the Authority owed £2,551,455 to the Health Board in respect of the project (£6,982,543 at 31 March 2023). The Income and Expenditure for the pooled budget is shown in note 30.

Pension Contributions

Employer's contributions are made to the Teachers' Pension Agency and the Greater Gwent (Torfaen) Pension Fund in respect of the Authority's employees. Further details of amounts involved are shown in Note 14.

Other Entities Controlled or Significantly Influenced by the Authority:

Education Achievement Service (EAS)

EAS is a limited company that provides advisory and inspection services to the Local Education Authority and its schools. Activities of the company are funded by Caerphilly, Blaenau Gwent, Monmouthshire, Newport and Torfaen County Borough Councils for further information see note 49.

Payments of £1.074m were made to the EAS during 2023/2024 (£1.160m in 2022/23). Income of £15k was received from the EAS in 2023/2024 (£240k in 2022/23) A balance of £2k was due from the EAS as at 31 March 2024. (A balance of £196k was due from the EAS as at 31 March 2023).

Cardiff City Region Deal

The Transactions that Caerphilly County Borough Council has with the Cardiff City Region Deal are summarised within note 47.

In terms of Capital spending no contribution was made in 2023/2024 (nil Contribution in 2022/2023). The Authority had no outstanding balances due to or from the joint committee as at 31 March 2024. The Authority had no outstanding balances due to or from the joint committee as at 31 March 2023.

Notes to the Core Financial Statements

The Authority contributed £153k to the running costs of the joint committee in 2023/2024 (£146k in 2022/2023).

21. Minimum Revenue Provision (MRP) Adjustment

The Local Government Act 2003 requires the Authority to set aside a Minimum Revenue Provision for the redemption of debt in line with the regulations set out in the Local Authorities (Capital and Finance and Accounting) (Wales) Regulations 2003, as amended.

With effect from 2007/08, the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 revised the basis of charge in respect of Council Fund borrowing. The Regulations provide for a range of options as the basis of charge for MRP, within which authorities are permitted to adopt those most appropriate to their circumstances. However, in doing so, authorities must also take account of the requirement of the Regulations that MRP must be calculated in a prudent manner, ensuring that debt is charged to revenue over a period reasonably commensurate with that over which capital assets, to which the borrowing relates, provide benefits.

For Council Fund Supported Borrowing (i.e. where provision for the associated capital financing costs is included in the revenue support grant settlement received from the Welsh Government), MRP has been calculated at 2% over 50 years using the annuity method. The annuity method results in a lower charge in earlier years and a higher charge in the later years and takes into consideration the time value of money. MRP on any particular borrowing commences to be charged the year following that in which the borrowing has been incurred.

For Unsupported Borrowing (i.e. borrowing permitted in accordance with the Prudential Code for Capital Finance in Local Authorities, but for which no provision is made in the revenue settlement), MRP has been calculated on an asset life basis using the annuity method. The charge has been calculated using the average Public Works Loan Board (PWL) interest rate for new annuity loans in the year that an asset became operational. MRP is written down over the life of the asset where this has been determined by the Authority's Property Valuers. Where the asset life has not been determined the MRP charge has been subsequently calculated over 25 years. MRP commences to be charged from the year following that in which the asset to which the borrowing relates becomes operational. For assets acquired by finance leases or the Private Finance Initiative, MRP has been determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

The MRP charge for the HRA has been calculated by using an interest rate of 2% on the opening capital financing requirement on a reducing balance basis. For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Authority has not made an MRP charge, but has instead applied the capital receipts arising from principal repayments to reduce the capital financing requirement.

Actual provisions made during each year match the calculated amounts.

The amount shown in the note of reconciling items for the Movement in Reserves Statement as "Minimum revenue provision for capital financing" represents the accounting entry necessary to ensure that there is no overall increase or decrease in the Council Tax arising from depreciation charges, impairment losses or amortisations.

Notes to the Core Financial Statements

22. Movements on Reserves

Movements in the Authority's Usable Reserves are detailed below, in the Movement in Reserves Statement and also in Notes 37 - 42, whilst details of the movements in Unusable Reserves are shown below and in Notes 32 - 36. Some reserves are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans.

<u>Usable Reserves</u>		Balance	Net	Balance	Net	Balance
		1 April	Movement	31 March	Movement	31 March
Reserve	Note	2022	in year	2023	in year	2024
		£000	£000	£000	£000	£000
Council Fund		(27,235)	(7,782)	(35,017)	571	(34,446)
Housing Revenue Account	38	(23,979)	(4,199)	(28,178)	(719)	(28,897)
Direct Service Earmarked Reserves		(85)	(7)	(92)	5	(87)
Capital Earmarked Reserves	39	(43,771)	(5,034)	(48,805)	12,510	(36,295)
Service Over/Underspend Reserves	41	(8,870)	4,990	(3,880)	960	(2,920)
Schools Earmarked Reserves	40	(17,263)	5,948	(11,315)	6,006	(5,309)
Insurance Earmarked Reserves	37	(7,260)	1,342	(5,918)	2,713	(3,205)
Other Earmarked Reserves	42	(71,236)	14,285	(56,951)	6,667	(50,284)
Cardiff Regional City Deal Council Fund - Restated		(1,189)	(257)	(1,446)	(218)	(1,664)
Cardiff Regional City Deal Council Earmarked - Restated		0	(56)	(56)	(193)	(249)
Usable Capital Receipts	36	(11,986)	268	(11,718)	(300)	(12,018)
Cardiff Regional City Deal Usable Capital Receipts - Restated		0	(162)	(162)	(664)	(826)
Capital Grants Unapplied	35	(19,886)	3,138	(16,748)	619	(16,129)
Total Usable Reserves		(232,760)	12,474	(220,286)	27,957	(192,329)

The Council Fund balance reported above relates to Caerphilly. The Council Fund balance reported in the Movement in Reserves Statement is inclusive of the Cardiff Regional City Deal Council Fund balance.

Caerphilly County Borough Council

Notes to the Core Financial Statements

Unusable Reserves

Reserve	Balance 1 April 2022 £000	Net Movement in year £000	Restated Balance 31 March 2023 £000	Net Movement in year £000	Balance 31 March 2024 £000	Purpose of Reserve	Further details of movements
Financial Instruments Adjustment Account	(1,154)	2,602	1,448	413	1,861	Amounts required by statute to be set aside in respect of discounts and premia on the rescheduling of the Authority's debts.	
Revaluation Reserve	(651,573)	(24,845)	(676,418)	(33,426)	(709,844)	Gains on revaluation of fixed assets not yet realised through sales.	<i>Note 33</i>
Capital Adjustment Account (CAA)	(222,658)	(17,505)	(240,163)	(10,307)	(250,470)	Capital resources set aside to meet past capital expenditure	<i>Note 34</i>
Deferred Capital Receipts	(551)	(82)	(633)	(74)	(707)	Proceeds to be received over future accounting periods arising principally from the sale of council dwellings	
Pensions Reserve deficit / (surplus)	590,647	(474,373)	116,274	45,185	161,459	Reserve set aside to mitigate the impact of pension liabilities on Council Tax as required by statute	<i>Note 32</i>
Accumulated Absences Account	5,050	1,182	6,232	62	6,294	Account to absorb differences arising on the Council Fund balance from accruing for compensated absences earned but not taken in the year.	
Total Unusable Reserves	(280,239)	(513,021)	(793,260)	1,853	(791,407)		

Caerphilly County Borough Council

Notes to the Core Financial Statements

23. Property, Plant and Equipment

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets* £000	Community Assets £000	Assets under Construction £000	Surplus Assets £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
Cost or valuation:									
At 1 April 2023	423,138	633,786	34,288	188,079	4,131	9,544	810	1,293,776	66,885
City Deal - CCBC share of fixed assets at 1.4.23 (restated)	0	346	0	0	0	154	0	500	0
Additions	28,040	22,501	1,751	6,157	0	19,438	0	77,887	0
Revaluation Increases to Revaluation Reserve	20,615	39,546	0	0	63	0	0	60,224	802
Revaluation Decreases to Revaluation Reserves	0	(10,983)	0	0	0	0	0	(10,983)	0
Revaluation Increases to Surplus/Deficit on Provision of Services	0	4,155	0	0	5	0	0	4,160	0
Revaluation Decreases to Surplus/Deficit on Provision of Services	0	(7,748)	0	0	(334)	0	0	(8,082)	0
Gross cost written down on revaluation	(14,042)	(16,839)	0	0	(5)	0	0	(30,886)	0
Derecognitions - Disposals	0	(1,767)	(93)	0	0	0	0	(1,860)	0
Derecognitions - Other	(25,531)	(11,941)	0	0	0	0	0	(37,472)	0
Other movements in cost or valuations	0	16,573	(304)	(126)	334	(16,734)	50	(207)	0
City Deal - CCBC share of fixed assets	0	334	0	0	0	17	0	351	0
At 31 March 2024	432,220	667,963	35,642	194,110	4,194	12,419	860	1,347,408	67,687
Accumulated Depreciation and impairment:									
At 1 April 2023	0	(7,031)	(25,204)	0	(58)	0	0	(32,293)	(12,865)
City Deal - CCBC share of depreciation at 1.4.23 (restated)	0	(49)	0	0	0	0	0	(49)	0
Depreciation Charge	(14,042)	(14,351)	(2,953)	(13,710)	(34)	0	0	(45,090)	(4,224)
Depreciation written back on Valuation	14,042	16,783	0	0	5	0	0	30,830	547
Depreciation written back on Disposals	0	182	93	0	0	0	0	275	0
Other movements in depreciation	0	25	23	159	0	0	0	207	0
City Deal - Caerphilly's share of FA Depreciation	0	(98)	0	0	0	0	0	(98)	0
At 31 March 2024	0	(4,539)	(28,041)	(13,551)	(87)	0	0	(46,218)	(16,542)
Net Book Value at 31 March 2024	432,220	663,424	7,601	180,559	4,107	12,419	860	1,301,190	51,145
Net Book Value at 31 March 2023	423,138	627,052	9,085	188,077	4,073	9,699	810	1,261,934	54,020

Notes to the Core Financial Statements

***Infrastructure Assets**

In accordance with the Temporary Relief offered by the Update to The Code on Infrastructure Assets, the above 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 uses of the financial statements. The £180m is Net Book Value and NOT Gross Book Value.

The Authority has decided to take advantage of the temporary relief due to the historic nature of the infrastructure assets carried in the balance sheet. Many infrastructure assets were transferred to Caerphilly on local government reorganisation on block. There was no split of these assets at that time, which doesn't allow for the proper derecognition of additional expenditure on these assets.

As at 31 March 2024, the Authority has gross book value of infrastructure assets of £366m and accumulated depreciation of £186m in its balance sheet.

Caerphilly County Borough Council

Notes to the Core Financial Statements

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Surplus Assets £000	Total Property, Plant & Equipment £000	PFI Assets Included in Property, Plant & Equipment £000
Cost or valuation:									
At 1 April 2022	413,858	611,361	36,322	187,201	3,663	4,552	810	1,257,767	63,777
Opening balance adjustment	0	3,409	(3,512)	103	0	0	0	0	0
Additions	22,051	13,816	2,039	10,759	468	10,273	0	59,406	0
Revaluation Increases to Revaluation Reserve	16,538	44,107	94	0	0	0	0	60,739	3,108
Revaluation Decreases to Revaluation Reserves	0	(22,058)	0	0	0	0	0	(22,058)	0
Revaluation Increases to Surplus/Deficit on Provision of Services	0	4,888	0	0	0	0	0	4,888	0
Revaluation Decreases to Surplus/Deficit on Provision of Services	0	(3,826)	0	0	0	0	0	(3,826)	0
Derecognitions - Disposals	0	(809)	(421)	0	0	(12)	0	(1,242)	0
Derecognitions - Other	(21,343)	(2,000)	177	0	0	0	0	(23,166)	0
Gross Cost written back on Revaluation	(13,137)	(15,136)	(14)	0	0	0	0	(28,287)	0
Other movements in cost or valuations	5,171	34	103	0	0	(5,172)	0	136	0
City Deal - Caerphilly's share of fixed assets - Restated	0	346	(500)	0	0	58	0	(96)	0
At 31 March 2023	423,138	634,132	34,288	198,063	4,131	9,699	810	1,304,261	66,885
Accumulated Depreciation and impairment:									
At 1 April 2022	0	(8,354)	(23,710)	0	(50)	0	0	(32,114)	(12,865)
Opening balance adjustment	0	(399)	(105)	(2,426)	0	0	0	(2,930)	0
Depreciation Charge	(13,137)	(13,424)	(1,793)	(7,560)	(12)	0	0	(35,926)	(483)
Depreciation written back on Revaluation	13,137	15,493	(446)	0	4	0	0	28,188	483
Depreciation written back on Disposals	0	147	421	0	0	0	0	568	0
Other movements in depreciation	0	(494)	357	0	0	0	0	(137)	0
City Deal - Caerphilly's share of fixed assets - Restated	0	(49)	73	0	0	0	0	24	0
At 31 March 2023	0	(7,080)	(25,203)	(9,986)	(58)	0	0	(42,327)	(12,865)
Net Book Value at 31 March 2023	423,138	627,052	9,085	188,077	4,073	9,699	810	1,261,934	54,020
Net Book Value at 31 March 2022	413,858	603,007	12,612	187,201	3,613	4,552	810	1,225,653	50,911

Notes to the Core Financial Statements

Revaluations

A revaluation exercise is carried out at least every five years of all Property, Plant and Equipment required to be measured at current value. Property, Plant and Equipment is also reviewed on an annual basis to ensure that they carrying amount is not materially different from the current value at the year end. As a result of the materiality review this year, due to increase in BCIS values, it was identified that all our schools were valued to ensure the accounts were not materially misstated.

During the year 2023-24 valuations were carried out both by Internal and External Valuers. Due to the availability of internal valuation resource the Authority commissioned external valuation expertise from Cooke and Arkwright and Savills. Cooke and Arkwright undertook valuations arising from the Authority's five-year rolling program. Savills valued the Authority's Council Dwellings. All the valuations are carried out in accordance with the methodologies and basis for estimation set out in the professional standards of Royal Institution of Chartered Surveyors. Valuation of vehicles, plant, furniture and equipment are valued at cost as a proxy for current value as these assets tend to be of low value and have a short asset life.

5-Year Revaluation Programme

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets held for sale £000	Total £000
Carried at historical cost	0	12,245	35,642	194,110	2,303	0	244,300
Valued at current value as at:							
31 March 2020	0	16,179	0	0	1,196	0	17,375
31 March 2021	0	35,168	0	0	151	0	35,319
31 March 2022	0	69,833	0	0	130	0	69,963
31 March 2023	0	71,482	0	0	0	0	71,482
31 March 2024	432,220	462,376	0	0	414	0	895,010
Total Cost or Valuation	432,220	667,283	35,642	194,110	4,194	0	1,333,449

Our internal valuers valued all our schools as a result of the materiality exercise mentioned above.

Capital Commitments

At 31 March 2024, the Authority had the following capital commitments in respect of binding contracts for goods and services that are yet to be provided:

Notes to the Core Financial Statements

		31 March 2023 £000	31 March 2024 £000
Highways and Transportation:	Bridge strengthening & infrastructures	90	0
	Troedrhwiwfwch	115	0
Education:	Cwm Gwyddon	5,701	0
	Rhymney Library	145	0
	YG Bro Allta	0	498
	Trinity Fields School	0	239
	The Hangar Youth and Community Centre	0	231
	St Martins Comprehensive School-Roof	0	301
	Centre for Vulnerable Learners	0	12,160
Economy and Enterprise:	Monmouthshire & Brecon Canal	107	0
Corporate Services:	Ty Penallta Plant	0	751
HRA:	Ty Darran, Risca	716	0
	Retrofit Project Bryn Carno	0	3,241
	Retrofit Project Oaklands	0	888
Community and Leisure:	Heolddu LC Equipment	101	0
		6,975	18,309

24. Heritage Assets

Reconciliation of the carrying Value of Heritage Assets held by the Authority

	Other Land and Buildings £000	Civic Regalia £000	Total Heritage Assets £000
Cost or Valuation			
1 April 2022	13,524	256	13,780
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	0	0
31 March 2023	13,524	256	13,780
Cost or Valuation			
1 April 2023	13,524	256	13,780
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	0	0
31 March 2024	13,524	256	13,780

Notes to the Core Financial Statements

Other Land and Buildings

The collection of Heritage Assets includes a semi fortified manor house, mining museum, ancient chapel, a watermill and a handball court. Details of valuations, additions and disposals of Land and Buildings Heritage Assets are recorded on the Authority's Fixed Asset Register, whilst details of Civic Regalia are kept on a separate register by the mayor's assistant. Members of the public can gain access to the museums and other buildings daily.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property plant and equipment. The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment for Heritage Assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see note 1 - summary of significant accounting policies. The trustees of the Authority's Museum will occasionally dispose of Heritage Assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see note 1 - summary of significant accounting policies). Internal valuers carried out all valuations apart from the valuation of civic regalia.

Babell Chapel is a small Welsh Calvinistic Methodist Chapel built in 1827 and houses the grave of the 19th Century Welsh Language poet, Islwyn. The asset was valued at 31 March 2021 using the existing use value.

Elliot Colliery Winding House is a historical mining museum. It was valued at 31 March 2021 using depreciated replacement cost. The Authority's Museum also holds a collection of historical items which are not recognised on the Balance Sheet as cost information is not readily available and the Authority believes that the benefits of obtaining the valuation for these items would not justify the cost. Nearly all the items in the collection are believed to have a value of less than £50 each and as far as the Authority is aware, no individual item is worth more than £500.

Gelligroes Mill is a watermill built in the 17th Century, which houses a radio museum and a candle making workshop, and has a Royal Warrant to make candles for His Majesty King Charles III. The mill is also home to the Arthur Moore Amateur Radio Society. Arthur Moore was a Welsh wireless operator who, in 1912, heard the distress signal from RMS Titanic at the mill two days before news of the disaster had arrived in the UK. This was valued on 31 March 2021 using the existing use value.

Handball Court, Nelson is a traditional Handball Court that is the last remaining in Wales. This has been valued on a depreciated replacement cost basis on 31 March 2021.

Llancaiach Fawr is a fortified Manor House. This was valued at 31 March 2021 using existing depreciated replacement cost. The house also holds a small collection of items which are not recognised on the Balance Sheet as cost information is not readily available and the Authority believes that the benefits of obtaining the valuation for these items would not justify the cost. Nearly all the items in the collection are believed to have a value of less than £50 each and as far as the Authority is aware no individual item is worth more than £500.

War Memorials - the Authority is responsible for maintaining a number of War Memorials honouring local people who served in two world wars and other conflicts. These are situated in parks and streets and have been valued on a depreciated replacement cost basis.

Civic Regalia - the Authority has a collection of civic chains relating to Caerphilly County Borough Council and other former authorities. These chains were valued at £66,848 in 1999 by Thomas Fattorini

Notes to the Core Financial Statements

Limited, specialist jewellers. The collection was valued by Thomas Fattorini Limited in 2020 at £256,006. The Authority also holds a number of Civic gifts. It is considered that none of these gifts are of significant value warranting disclosure within the Authority's accounts or recognising in the balance sheet.

25. 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 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.

	31 March	
	2023 £000	2024 £000
Opening Capital Financing Requirement	368,804	363,256
Capital Investment:		
Operational Assets	59,409	77,887
Home Improvement Loans	146	(165)
Revenue Expenditure funded from Capital Under Statute	2,678	4,105
Sources of Finance:		
Grants	(42,049)	(46,459)
Other Contributions	(501)	(669)
Capital Expenditure Funded from Revenue	(17,411)	(29,215)
Capital Receipts Set Aside	82	(100)
Minimum Revenue Provision	(7,902)	(7,952)
Closing Capital Financing Requirement	363,256	360,688

26. Debtors

	31 March 2023 £000	31 March 2024 £000
Trade receivables	34,042	22,357
Prepayments	1,787	3,194
Other Local Authorities and Public Bodies	33,187	42,956
Government Grants	20,507	12,164
Other receivable amounts	5,311	5,317
City Deal - Caerphilly's share of debtors - restated	994	1,536
	95,828	87,524

The 2023 figures have been restated as £3,808,000 VAT debtor was incorrectly included in "other receivable amounts" when it should have been included in "other local authorities and public bodies"

Notes to the Core Financial Statements

27. Cash and Cash Equivalents

The balance of cash and cash equivalents comprise the following elements:

	31 March 2023 £000	31 March 2024 £000
Cash held by the Authority	82	76
Bank current accounts	10,944	773
City Deal - Caerphilly's share of cash held - Restated	8,226	6,514
Total cash and cash equivalents	19,252	7,363

28. Creditors

	31 March 2023 £000	31 March 2024 £000
Trade payables	(39,382)	(33,113)
Receipts in advance	(7,006)	(7,617)
Other Local Authorities and Public Bodies	(20,383)	(15,565)
HMRC	(4,958)	(5,763)
Accumulated Absence accrual	(6,225)	(6,294)
Other payables	(5,798)	(4,665)
City Deal - Caerphilly's share of creditors restated	(5,969)	(4,552)
Total Creditors	(89,721)	(77,569)

29. Contingent Liabilities

- a. From December 2023, the Renting Homes (Wales) Act 2016 brought into effect a change in rights for tenants and increased safety responsibilities for landlords. This has potential financial implications for the Housing Revenue Account, however this cannot be reliably estimated at this stage. The council is taking legal advice to clarify its responsibilities and any potential remedial actions.
- b. In June 2023, the High Court found in the Virgin media case that changes to member benefits in contracted out defined benefit pension schemes between 1996 and 2016 required an actuarial certificate in line with section 37 of the Pension Schemes Act 1993 and that changes without this certification are to be considered void. This requirement applies to past service rights and future service rights and to changes to the detriment or benefit of scheme members. The judgement was appealed in June 2024, but the appeal was dismissed. Where there are changes to member benefits that might fall into the scope of the judgement, the actuarial certificates are being sought. There is also the potential for further legal challenge/clarification and a legislative solution. At this stage therefore, the potential impact, if any, on the IAS19 liability remains uncertain and for 2023-2024, no additional liability has been recognised.

Notes to the Core Financial Statements

30. Pooled Budgets for Health and Social Care

Under Section 33 of the National Health Service (Wales) Act 2006, three agreements exist between the Aneurin Bevan University Health Board (ABUHB) and the five local authorities within its area. The Authority's transactions are included in the Social Services and Housing line of the Comprehensive Income and Expenditure Statement and the income and expenditure of the pooled budget arrangements are below.

Gwent Frailty Programme

The programme provides integrated community-based care services aimed at avoiding hospital admissions and assisting in independent living and is delivered on a locality basis. Caerphilly is the lead commissioner and is responsible for the Section 33 Agreement, management of the pooled budget and agreeing Annual Locality Commissioning Plans for the delivery of the Frailty services.

	Year Ended 31 March 2023 £000	Year Ended 31 March 2024 £000
<u>Funding - Pooled Fund Contributions</u>		
Blaenau Gwent County Borough Council	(599)	(649)
Caerphilly County Borough Council	(2,264)	(2,249)
Monmouthshire County Council	(1,469)	(1,626)
Newport City Council	(1,891)	(1,994)
Torfaen County Borough Council	(805)	(821)
Aneurin Bevan University Health Board	(9,493)	(9,892)
Total Funding	(16,521)	(17,231)
Expenditure		
<u>Reimbursements</u>		
Blaenau Gwent County Borough Council	556	489
Caerphilly County Borough Council	1,970	1,802
Monmouthshire County Council	1,477	1,353
Newport City Council	1,826	1,938
Torfaen County Borough Council	821	909
Aneurin Bevan University Health Board	9,059	9,921
Central Costs	738	753
Total Expenditure	16,447	17,165
Net in-year (Under)/Overspend	(74)	(66)
Balance brought forward at 1 April	(381)	(455)
Balance carried forward at 31 March	(455)	(521)

Notes to the Core Financial Statements

Gwent-Wide Integrated Community Equipment Service GWICES

The service facilitates modern and closer integration for health and social care community equipment services. The service is delivered on a locality basis according to the boundaries of each authority. Torfaen County Borough Council is the lead authority.

	Year Ended 31 March 2023 £000	Year Ended 31 March 2024 £000
<u>Funding - Pooled Fund Contributions</u>		
Blaenau Gwent County Borough Council	(164)	(298)
Caerphilly County Borough Council	(503)	(520)
Monmouthshire County Council	(322)	(406)
Newport City Council	(334)	(377)
Torfaen County Borough Council	(368)	(373)
Torfaen County Borough Council Telecare	(79)	(89)
Torfaen County Borough Council ICF	(748)	(675)
Torfaen County Borough Council RIF Telecare	0	(339)
Aneurin Bevan University Health Board	(865)	(938)
Community Resource Team	(112)	(124)
Contribution to Lead Commissioner - LAs	(153)	(165)
Contribution to Lead Commissioner - LHB	(31)	(33)
Reserve	(261)	(120)
Total Funding	(3,940)	(4,457)
Expenditure		
Staff	182	197
Non-Staff	3,758	4,260
Total Expenditure	3,940	4,457
Net (Surplus)/Deficit Arising on the Pooled Budget	0	0

Notes to the Core Financial Statements

Care Homes for Older People in Gwent

The Social Services and Wellbeing (Wales) Act 2014 (effective from April 2018) envisaged that this would be a single pooled fund which removes the traditional health and social care division between partners, offering flexibility in the single fund's use according to locally agreed needs. However, in the Gwent region and in other regions in Wales, the approach adopted towards the mechanics of the pooled fund arrangement is that (at least in its initial stage), it will not share financial risk nor introduce any potential cross-subsidy between the partners. Torfaen County Borough Council is the lead Council for the Gwent region. One of the anticipated benefits to an integrated regional commissioning approach to care homes is a coherent, strategic approach which will support the sector in its medium- and longer-term business planning and mitigate the current risks the sector is experiencing.

	Year Ended 31 March 2023 £000	Year Ended 31 March 2024 £000
<u>Funding - Pooled Fund Contributions</u>		
Blaenau Gwent County Borough Council	(8,185)	(9,769)
Caerphilly County Borough Council	(26,918)	(31,521)
Monmouthshire County Council	(10,828)	(12,680)
Newport City Council	(23,144)	(28,529)
Torfaen County Borough Council	(13,071)	(14,154)
Aneurin Bevan University Health Board	(36,563)	(41,298)
Total Funding	(118,709)	(137,951)
Expenditure		
<u>Reimbursements</u>		
Gwent Local Authority Residential Homes	16,828	18,828
Other Elderly Frail Residential Care	13,076	14,477
Other Elderly Mentally Infirm Residential Care	23,928	26,580
Elderly Frail Funded Nursing Care	24,513	30,222
Elderly Mentally Infirm Funded Nursing Care	14,216	18,457
Elderly Frail Continuing Health Care	6,949	8,373
Elderly Mentally Infirm Continuing Health Care	18,896	20,685
Step Up/Step Down	241	267
Lead Commissioner Costs	62	62
Total Expenditure	118,709	137,951
Net in-year (Under) / Overspend	0	0
Balance brought forward at 1 April	0	0
Balance carried forward at 31 March	0	0

Notes to the Core Financial Statements

31. Other Funds

The Authority holds several accounts on behalf of clients on a trustee basis, which are not consolidated in the balance sheet.

The total value of these accounts as at 31 March 2024 was:

£193,350 - relating to Education Trust Funds administered by the Interim Head of Corporate Finance, (£186,750 in 2022/2023), which are held to provide prizes and awards to pupils in the Authority's schools. Of these funds, £43 is vested in shareholdings and £193,307 is held in bank deposits (£43 and £186,707 respectively in 2022/2023). There are no other underlying assets or liabilities. The Trust Funds received £8,100 in dividends and interest during the year (£4,980 in 2022/2023) and incurred expenditure of £2,100 (£nil in 2022/2023).

In addition, the Director of Social Services administers funds on behalf of clients in residential homes. These accounts do not have official trustee status. The total value of these accounts as at 31 March 2024 was £6,515,139 (£5,358,139 as at 31 March 2023.)

32. Pensions Reserve

The Pensions Reserve absorbs timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. Post-employment benefits are accounted for 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 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 as it eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2022/2023	2023/2024
	£000	£000
Balance as at 1 April	590,647	116,274
Actuarial (gains) or losses on pensions assets and liabilities	(523,559)	(117,786)
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	82,401	35,977
Effect of IAS19/IFRIC14 adjustment	0	164,839
Employer's pension contributions and direct payments to pensioners payable in the year	(33,215)	(37,845)
Balance at 31 March	116,274	161,459

Notes to the Core Financial Statements

33. Revaluation Reserve

The Revaluation Reserve replaced the Fixed Asset Restatement Account (FARA) on 1 April 2007 and was included in the Balance Sheet with a nil opening balance. The closing position on the Reserve at 31 March 2024 therefore only shows revaluation gains accumulated since 1 April 2007.

	2022/2023	2023/2024
	£000	£000 £000
Balance as at 1 April	(651,573)	(676,418)
Downward revaluation of assets and impairment losses not charged to Surplus and Deficit on the Provision of Services	94,054	10,983
Surplus on Revaluation of Assets	<u>(132,708)</u>	<u>(60,225)</u>
Surplus or deficit on revaluation of non-current assets not posted to Surplus or Deficit on the Provision of Services	(38,654)	(49,242)
Difference between fair value depreciation and historical cost depreciation	13,673	14,677
Clear Revaluation Reserve for Assets Disposed in year.	<u>136</u>	<u>1,139</u>
Amount written off to the Capital Adjustment Account	<u>13,809</u>	<u>15,816</u>
Balance as at 31 March	<u>(676,418)</u>	<u>(709,844)</u>

Notes to the Core Financial Statements

34. Capital Adjustment Account

The Capital Adjustment Account was implemented on 1 April 2007 from the closing balances on both the FARA and the Capital Financing Account, (as mentioned in note 33 above). The account contains the amounts that are required by statute to be set aside from capital receipts for the repayment of external loans, the amount of revenue and capital receipts used to finance capital expenditure and compensatory adjustments from the above-mentioned Revaluation Reserve to convert current value depreciation/impairment loss debits to historical cost.

	2022/2023		2023/2024	
	£000	£000	£000	£000
Balance as at 1 April		(222,658)		(240,163)
Set Aside - Capital Receipts		0		0
Funding:				
Revenue funding applied	(17,411)		(29,215)	
Capital receipts applied	82		(100)	
Capital grants and contributions applied	(42,550)		(47,128)	
Total Funding		(59,879)		(76,443)
MRP		(7,902)		(7,952)
Depreciation:				
In year charge	38,857		45,090	
Attributable to revaluations	(42,429)		(45,508)	
Written back on revaluations	28,575		30,901	
Written back on disposals	0		(275)	
		25,003		30,208
Derecognition of capital expenditure		23,166		37,472
Asset Revaluations / Impairments:				
Price adjustments	(1,062)		3,922	
		(1,062)		3,922
Disposals - Council Fund	791		695	
Disposals - HRA	0		11	
		791		706
Revenue Expenditure funded from Capital	2,678		4,105	
		2,678		4,105
Invest to save		0		0
Total capital costs		42,674		68,461
City Deal - Caerphilly's share of Capital Adjustment Account Restated		(300)		(2,325)
Balance as at 31 March		(240,163)		(250,470)

Notes to the Core Financial Statements

35. Capital Grants Unapplied

The Authority receives grants and other contributions towards the funding of capital projects. The following table represents amounts received and carried forward to fund projects yet to be implemented or completed at the end of the financial year.

	2022/2023		2023/2024	
	£000	£000	£000	£000
Opening balance		(19,886)		(16,748)
Grants:				
Education	(101)		1,424	
Property Services	46		(118)	
Community and Leisure	246		(648)	
Highways	970		(24)	
Economic Development	(812)		(50)	
Corporate	2,801		0	
		3,150		584
Section 106 Contributions:				
Highways	0		18	
Economic Development	(12)		17	
		(12)		35
Balance as at 31 March		(16,748)		(16,129)

36. Capital Receipts Reserve

	2022/2023	2023/2024
	£000	£000
Amounts receivable in year	268	(475)
Amounts set aside	0	0
Amounts applied to finance new capital investment in year	0	175
Total increase/(decrease) in realised capital resources in year	268	(300)
Balance brought forward at 1 April	(11,986)	(11,718)
Balance at 31 March	(11,718)	(12,018)

Notes to the Core Financial Statements

37. Movements in Insurance Earmarked Reserves

These reserves are established to meet assessed self-insured possible liabilities associated with potential claims, and to fund risk management initiatives aimed at minimising the potential cost of future claims.

Reserve:	Balance at 1 April 2023 £000	Transfers from Reserves £000	Transfers to Reserves £000	Balance at 31 March 2024 £000
Insurance Reserve	(5,748)	2,678	0	(3,070)
Risk Management Reserve	(170)	35	0	(135)
	(5,918)	2,713	0	(3,205)

38. Movement in Other Housing Reserves

Details of the movement upon Housing reserves are included with the Notes to the Housing Revenue Account Summary on page 115, Note 7.

39. Movements in Capital Earmarked Reserves

These reserves represent amounts set aside to finance the Authority's Council Fund capital programme, the majority of which are earmarked to specific schemes.

Reserve:	Balance at 1 April 2023 £000	Transfers from Reserves £000	Transfers to Reserves £000	Balance at 31 March 2024 £000
Housing Earmarked Capital	(215)	0	0	(215)
Corporate - All Authority	(6,149)	7,281	(6,929)	(5,797)
Social Services	(2,946)	316	(95)	(2,725)
Corporate Projects	(16,052)	16,052	0	0
Planning	(212)	10	0	(202)
Education	(15,611)	8,416	(10,290)	(17,485)
Highways and Transportation	(702)	495	(2,411)	(2,618)
Property	(626)	1,383	(1,414)	(657)
Corporate Services	(307)	310	(145)	(142)
Economic Development & Tourism	(384)	1,328	(2,415)	(1,471)
Trading Standards	(24)	24	0	0
Environmental Health	(201)	64	(24)	(161)
Community & Leisure	(5,376)	2,113	(1,559)	(4,822)
	(48,805)	37,792	(25,282)	(36,295)

Notes to the Core Financial Statements

40. Movements in Schools' Earmarked Reserves

These reserves represent the cumulative balances carried forward by individual schools in accordance with the scheme of delegation. The reserves are used to fund future expenditure and their use is under the control of the individual schools and is not available for the Authority to use for other purposes.

<u>Reserve:</u>	Balance at 1 April 2023 £000	Transfers from Reserves £000	Transfers to Reserves £000	Balance at 31 March 2024 £000
Secondary Schools	(1,918)	2,985	(125)	942
Middle School	(250)	244	0	(6)
Primary Schools	(8,334)	2,827	(324)	(5,831)
Special School	(813)	399	0	(414)
Total Schools Balances	(11,315)	6,455	(449)	(5,309)

41. Movements in Service Under / Overspend Earmarked Reserves

These reserves represent the cumulative under and overspend balances carried forward by the Authority's services in accordance with its Financial Regulations. The reserves are used to fund future expenditure, and their use is under the control of the individual service areas.

<u>Reserve:</u>	Balance at 1 April 2023 £000	Transfers from Reserves £000	Transfers to Reserves £000	Balance at 31 March 2024 £000
Education	(1,486)	1,417	0	(69)
Corporate Services	(1,163)	905	0	(258)
Social Services	(2,713)	120	0	(2,593)
Housing Non HRA	1,004	0	(1,004)	0
Communities Directorate	478	18	(496)	0
	(3,880)	2,460	(1,500)	(2,920)

Caerphilly County Borough Council

Notes to the Core Financial Statements

42. Movements in Other Reserves

<u>Reserve:</u>	<u>Purpose of reserve:</u>	Balance at 1 April 2023 £000	Transfers from reserves £000	Transfers to reserves £000	Balance at 31 March 2024 £000
PFI Equalisation Reserve (Schools)	to match PFI funding and unitary charge payments over the period of	(7,188)	1,836	(852)	(6,204)
PFI Equalisation Reserve (Roads)	the contracts - see note 14	(1,196)	891	0	(305)
PFI Schools Earmarked Reserve	reinvestment and works outside the scope of the PFI projects	(1,577)	0	(234)	(1,811)
Service Initiative Reserves	to fund expenditure upon service specific initiatives	(29,528)	14,143	(7,910)	(23,295)
Carbon Trust Fund Reserve	to provide match funding to draw down grant from the Carbon Trust, to fund major works for energy efficiency measures	(324)	272	(286)	(338)
Area Forum Reserve	to meet costs incurred from environmental works undertaken by the Authority as identified by the local area partnerships	(25)	25	0	0
Cemeteries Reserve	to meet costs incurred in general upkeep and maintenance of Authority-owned cemeteries	(337)	64	(47)	(320)
Electoral Admin Reserve	to meet the objectives of the Electoral Administration Act 2006	(519)	0	(77)	(596)
Health & Safety Initiatives Reserve	to promote health and safety across the authority	(263)	0	0	(263)
Corporate PC Replacement Reserve	to fund the replacement of computers throughout the Authority	(817)	0	(157)	(974)
Social Services Partnership Reserve	to support collaborative initiatives with other LAs and public bodies	(2,868)	216	(382)	(3,034)
Invest to Save Reserve	to promote savings initiatives across the authority	(862)	771	(57)	(148)
Local Management of Schools	to undertake school based initiatives	(2,229)	0	(133)	(2,362)
Community Infrastructure Levy Reserve	to recycle CIL charges to fund infrastructure and to support local developments	(462)	26	(125)	(561)
Interest Equalisation Reserves	to manage interest adjustments on soft loans received by us.	(8,691)	422	0	(8,269)
WG Loan Repayment Reserves	to reflect interest accrued on Welsh Government Loans	0	0	(1,714)	(1,714)
Other Reserves	a number of smaller reserves held for a variety of purposes.	(65)	1	(26)	(90)
Total		(56,951)	18,667	(12,000)	(50,284)

Notes to the Core Financial Statements

43. Cash Flow Statement – Adjustments to Surplus or Deficit

	Restated 2022/2023 £000	2023/2024 £000
Adjustment to surplus or deficit on provision of services for non-cash movements:		
Depreciation and Impairment - inclusive of downward revaluation	61,645	88,153
IAS19 Pensions Adjustment	49,186	1,868
Derecognition of Capital Expenditure	678	431
Other non-cash items charged to the net surplus or deficit on the provision of services	2,534	(5,255)
Increase / (Decrease) in Inventories	8	81
Increase / (Decrease) in Debtors	(7,089)	9,111
(Increase) / Decrease in Creditors	(1,358)	(8,660)
	105,604	85,729
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:		
Capital grants credited to surplus or deficit on provision of services	(39,935)	(52,281)
Carrying amount of non-current assets and held for sale assets	0	0
Net loss on sale of fixed assets	(748)	(474)
Net adjustment from the sale of short and long term investments	0	0
	(40,683)	(52,755)

Contributions to / from Reserves narrative has been amended to Other Non Cash Items Charged to the Net Surplus or Deficit on the provision of services.

44. Cash Flow Statement – Operating Activities

	2022/2023 £000	2023/2024 £000
Interest received	3,037	7,907
Dividends received	950	0
Interest paid	(19,230)	(12,515)
	(15,243)	(4,608)

45. Cash Flow Statement – Investing Activities

	Restated 2022/2023 £000	2023/2024 £000
Purchase of property, plant and equipment and intangible assets	(61,866)	(79,521)
Purchase of short-term and long-term investments	0	32,889
Proceeds from sale of property, plant and equipment and intangible assets	0	474
Proceeds from sale of short-term and long-term investments	32,369	0
Other receipts from investing activities	39,120	44,380
Other payments from investing activities	0	(1,126)
	9,623	(2,904)

Caerphilly County Borough Council

Notes to the Core Financial Statements

46. Cash Flow Statement - Financing Activities

	Restated 2022/2023 £000	2023/2024 £000
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(2,636)	(2,629)
Repayments of short-term and long-term borrowing	(4,076)	(16,227)
Cash receipts of short-term and long-term borrowing	600	4,200
Other receipts for financing activities	122	0
City Deal - Grant receipts	2,735	4,745
	(3,255)	(9,911)

47. Reconciliation of liabilities arising from financing activities

	As at 1 April 2023	Financing cash flows	Non-cash changes	As at 31 March 2024
			Acquisition Other non- cash changes	
	£000	£000	£000 £000	£000
Long-term borrowings	(302,311)	7,267	0 4,922	(290,122)
Short-term borrowings	(8,937)	5,727	0 (6,290)	(9,500)
Lease liabilities	(398)	29	0 13	(356)
On balance sheet PFI liabilities	(23,899)	2,600	0 0	(21,299)
Total liabilities from financing activities	(335,545)	15,623	0 (1,355)	(321,277)

48. Joint Operations

A joint operation is defined as “a contractual arrangement under which the participants engage in joint activities that do not create an entity because it would not be carrying on a trade or business of its own. A contractual arrangement where all significant matters of operating and financial policy are predetermined does not create an entity because the policies are those of its participants, not of a separate entity”.

The Code states that where such joint operations exist, each participant should account directly for its share of the assets, liabilities, income, expenditure and cash flows held within or arising from the arrangements. A review of shared practices within the Authority identified that the following should be regarded as joint operations:

- Cardiff City Region City Deal
- Glamorgan Archive Joint Committee
- Greater Gwent Cremation Joint Committee
- Gwent Joint Records Committee
- Gwent Wide Integrated Community Equipment Service Project (GWICES)
- Project Gwyrdd

Caerphilly County Borough Council

Notes to the Core Financial Statements

In respect of the Cardiff Capital Region City Deal (CCRCD), the Authority has included its share of income, expenditure, assets, liabilities, reserves and cash flows relating to the arrangement within the single entity accounting statements and disclosures.

The Council's remaining interests in other entities, in aggregate, are not sufficiently material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information. For this reason, group accounts are not deemed necessary for these entities within these statements.

The Authority's share of the Income and Expenditure Account and Balance Sheet of some of the committees, where material, is given below:

Cardiff Capital Region City Deal (CCRCD)

The CCRCD is a £1.2 billion deal between the UK Government, the Welsh Government and the 10 constituent councils in South East Wales, which includes Caerphilly. 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.

<u>Cardiff Capital Region City Deal (CCRCD)</u>	Restated 2022/2023		2023/2024	
	Total £000	CCBC share £000	Total £000	CCBC share £000
<u>Income & Expenditure Account</u>				
Cost of Services	24,575	2,939	34,397	4,117
Operating Income	(25,639)	(3,066)	(34,519)	(4,131)
Net Cost of Services	(1,064)	(127)	(122)	(15)
Interest & Investment Income	(1,562)	(187)	(3,842)	(460)
Movement in fair Value of Investment Properties	2,411	289	1,782	213
Financing & Investment Income & Expenditure	849	102	(2,060)	(247)
Capital Grants & Contributions	(27,816)	(3,327)	(23,277)	(2,786)
Corporation Tax	43	5	200	24
Taxation and Non Specific Grant Income (Surplus) / Deficit on Provision of Services	(27,773)	(3,322)	(23,077)	(2,762)
Other Comprehensive Income & Expenditure	(220)	(26)	0	0
Total Comprehensive Income & Expenditure	(28,208)	(3,373)	(25,259)	(3,023)

Notes to the Core Financial Statements

Balance Sheet

Long term assets	97,523	11,664	123,548	14,786
Current assets	67,340	8,054	71,418	8,547
Current liabilities	(33,975)	(4,063)	(16,300)	(1,951)
Long term liabilities	(48,153)	(5,759)	(68,596)	(8,210)
Total Assets less Liabilities	82,735	9,896	110,070	13,173
Usable Reserves	27,162	3,249	37,788	4,523
Unusable Reserves	55,573	6,647	72,282	8,651
	82,735	9,896	110,070	13,173

49. Related Businesses and Companies

Authorities must consider whether they need to produce group accounts for interests held in other organisations where they meet the definition of subsidiaries, associates and joint ventures. The Authority has reviewed all its relationships in this regard and although the Authority has an interest in the following company, it does not meet the requirements for the preparation of group accounts.

Education Achievement Service (EAS)

The five local authorities of Blaenau Gwent, Caerphilly, Monmouthshire, Newport and Torfaen have formed an Education Achievement Service (EAS). The integrated service has been designed to raise education standards in South East Wales.

The EAS became operational in September 2012. It is a joint company limited by guarantee and wholly owned and completely controlled by the five local authorities, but operating at arms-length. It is not a profit-making company and it is a separate legal entity. There is no lead authority with each being represented equally with a 20% interest and having equal voting rights. The company has a board consisting of the Lead Director and elected member representatives from the partner authorities. The collaboration agreement commits the Authority to participate in the EAS company for a minimum period of four years.

The company's latest unaudited trading results for the year ending 31 March 2023 are as follows (the previous year's figures have been restated to reflect the final audited position):

Caerphilly County Borough Council

Notes to the Core Financial Statements

	Year Ended 31 March 2023 £000	Year Ended 31 March 2024 £000
<u>Statement of Profit or Loss</u>		
Revenue	6,878	6,542
Cost of sales	(5,283)	(4,693)
Gross Surplus	1,595	1,849
Other operating income and expenditure	(1,994)	(1,677)
Operating Surplus	(399)	172
Investment Income	39	113
Financing costs	(315)	13
Deficit before Tax	(675)	298
Other Comprehensive Income		
Actuarial gain/(loss) on pension scheme	12,005	2,530
Adjustment to underwritten balance	(11,225)	(2,704)
Other Comprehensive Income net of income tax	780	(174)
Total Comprehensive Income for the year	105	124
	Year Ended 31 March 2023 £000	Year Ended 31 March 2024 £000
<u>Statement of Financial Position</u>		
Non-Current Assets	30	7
Current Assets	2,244	1,707
Total Assets	2,274	1,714
Non-Current Liabilities	0	0
Current Liabilities	1,904	1,241
Total Liabilities	1,904	1,241
Net Assets	370	473
Retained Profit	370	473

Housing Revenue Account
for the year ended 31 March 2024

Housing Revenue Account

2022/2023		2023/2024		Note
£000		£000	£000	
	Income			
(50,559)	Dwelling rents	(53,659)		1
(312)	Non-dwelling rents	(323)		
(1,099)	Charges for services and facilities	(1,548)		
(1,683)	Contributions towards expenditure	(852)		
(53,653)	Total Income		(56,382)	
	Expenditure			
13,734	Repairs and maintenance	13,646		
11,369	Supervision and management	12,934		
3,934	Special Services	3,796		
1,130	Rents, rates, taxes and other charges	1,283		
13,183	Depreciation and impairment of non-current assets	14,093		2
29	Debt Management Costs	29		
1,047	Increase in bad debt provision	326		
44,426	Total Expenditure		46,107	
(9,227)	Net Expenditure/(Income) of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		(10,275)	
167	HRA services share of Corporate and Democratic Core Costs		185	
(9,060)	Net Expenditure of HRA Services		(10,090)	
5,375	Interest payable and similar charges	5,690		
(7,296)	Major Repairs Allowance	(7,481)		8
(2,358)	Other Grants	(4,773)		
227	(Gain) / Loss on sale of HRA non-current assets	(166)		
21,343	Derecognition of capital expenditure	25,531		
(856)	Interest and investment income	(1,218)		
16,435			17,583	
7,375	(Surplus)/deficit for the year on HRA services		7,493	

Movement on Housing Revenue Account Statement

2022/2023		2023/2024		
£000		£000	£000	Note
(23,979)	Balance on the HRA at the end of the previous year		(28,178)	
7,375	(Surplus) or Deficit for the year on the HRA Income and Expenditure Statement	7,493		
(11,524)	Adjustments between accounting basis and funding basis under statute	(8,212)		
(4,149)	Net (increase)/decrease before transfers to or from reserves	(719)		
(50)	Transfers (to) / from Reserves	0		
(4,199)	(Increase) or decrease in year on the HRA		(719)	
(28,178)	Balance on the HRA at the end of the current year		(28,897)	7

Note of Movement on Housing Revenue Account Statement

2022/2023		2023/2024		Note
£000		£000	£000	
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year			
0	Difference between amounts charged to income and expenditure for amortisation of premia and discounts and the charge for the year determined in accordance with statute	(350)		
(13,183)	Depreciation and Impairment of non-current assets	(14,093)		2
(21,343)	Non-enhancing capital expenditure	(25,531)		
(227)	Gain/(Loss) on sale of HRA non-current assets	166		
(5,950)	Net charges made for retirement benefits in accordance with IAS 19	(2,571)		9
9,653	Capital Grants and Contributions Applied (including Major Repairs Allowance)	12,255		
(31,050)			(30,124)	
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year			
2,681	Employer's contributions payable to the Greater Gwent Pension Fund and retirement benefits payable direct to pensioners	3,063		9
2,677	HRA Minimum Revenue Provision	2,624		
14,226	Capital expenditure funded by the HRA	16,398		
(58)	Adjustment involving the Accumulated Absences Account	(173)		
19,526			21,912	
(11,524)	Net additional amount required by statute to be credited to the HRA Balance for the year		(8,212)	

Notes to the Housing Revenue Account

1. Rent of Dwellings

This is the total rent income collectable for the year after allowance is made for voids on empty properties. As at 31 March 2024, 2.93% of lettable properties were void (an decrease on 3.06% in 2022/2023) although this fluctuates throughout the year. The average weekly rent at 31 March 2024 was £108.26 (£101.48 in 2022/2023), based on a 48-week collection period.

2. Depreciation and Impairment

	2022/2023	2023/2024
	£000	£000
Operational assets comprising:		
Dwellings (refer to Note 24 Core Financial Statements)	13,137	14,043
Other Land & Buildings	8	12
Vehicles, Plant and Equipment	38	38
Asset Impairments/revaluations	0	0
Total HRA depreciation and impairment	13,183	14,093

3. Rent Arrears

The rent arrears encompass monies owed by both current and former council tenants. During the year, total rent arrears decreased by £5,000. The total of current rent arrears represents 6.74% of Gross Rent Income.

	£000
Arrears at 31 March 2023	4,618
Bad Debt Provision 31 March 2023	(2,340)
Net Arrears at 31 March 2023	2,278
Arrears at 31 March 2024	4,833
Bad Debt Provision 31 March 2024	(2,560)
Net Arrears at 31 March 2024	2,273

4. Housing Stock

The Authority was responsible for managing an average of 10,652 dwellings during 2023/2024. The type of stock is made up of approximately 59% houses, 26% flats and 15% bungalows.

	2022/2023	2023/2024
	Number	Number
Stock at 1 April	10,648	10,658
Acquisitions/New Build	29	20
Sales/Demolitions/Expired Leases	(19)	(32)
Stock at 31 March	10,658	10,646

Notes to the Housing Revenue Account

5. Capital Expenditure and Financing

	2022/2023 Assets £000	2023/2024 Assets £000
Capital Expenditure:		
Operational Assets : Houses	23,665	28,880
Total Expenditure	23,665	28,880
Capital Financing :		
Capital Grants	(2,370)	(4,982)
Major Repairs Allowance	(7,296)	(7,481)
Revenue Reserves	(14,226)	(16,398)
Capital Receipts	227	(19)
Total Income	(23,665)	(28,880)

6. Capital Receipts and Unapplied Capital Income

	2022/2023 £000	2023/2024 £000
Sale of Council Dwellings	0	0
Sale of Land	0	0
Other Capital Receipts	227	(175)
Total	227	(175)

7. Balance Carried Forward

The working balance at 31 March 2024 was £28.897m, a net increase of £719k over the year.

Reserve:	Balance at 1 April 2023 £000	Appropriati ons From Reserves £000	Appropriati ons To Reserves £000	Balance at 31 March 2024 £000
Housing Fund Balances - represents the general, unallocated balances associated with the Housing Revenue Account	(22,654)	0	(1,313)	(23,967)
HRA Earmarked Reserve - exists to meet future commitments in respect of planned programme works	(5,524)	1,437	(843)	(4,930)
	(28,178)	1,437	(2,156)	(28,897)

Notes to the Housing Revenue Account

8. Major Repairs Allowance

	2022/2023	2023/2024
	£000	£000
Amount Received in Year	(7,296)	(7,481)
Amounts Applied in Year	7,296	7,481
Amounts Carried Forward	0	0

9. HRA share of contributions to or from the Pension Reserve

	2022/2023	2023/2024
	£000	£000
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	(5,950)	(2,571)
Employer's pension contributions and direct payments to pensioners payable in the year	2,681	3,063
Total Contribution (to) / from the Pension Reserve	(3,269)	492

Glossary of Terms

The Statement of Accounts contains a number of technical terms which will not be familiar to the lay person. To assist the reader of the accounts, a number of these terms have been explained using non-technical terminology.

Accruals basis – An accounting concept in which transactions are reflected in the accounts of the period in which they take place, as opposed to the period in which payments are made or income received.

Actuary - A qualified person who works out insurance and pension fund valuations, taking into account factors such as trends in insurance claims and life expectancy.

Amortisation – The reduction in value of an intangible asset (e.g. computer software) by pro-rating its cost over a period of years.

Authority - Caerphilly County Borough Council.

Available-for-sale Reserve – A reserve that holds the gains or losses on revaluation of investments (classified as available-for-sale) that are not yet realised through sales.

Balance Sheet - A statement listing all assets and liabilities of the Authority at the 31 March.

Borrowing - Can be short-term (less than 1 year to maturity) or long-term (more than 1 year to maturity) and represents money loaned to the Authority by third parties.

Budget - A budget is the spending plan for the financial year in question i.e. 2023/2024.

Capital Adjustment Account - An account that relates to capital and non-current asset transactions. This includes the application of capital monies e.g. capital grants to finance the capital schemes of the Authority and to manage the disposal of non-current assets.

Capital Expenditure - Expenditure on non-current assets which will be used by the Authority over many years to provide services e.g. buildings.

Capital Receipts - Proceeds from the sale of non-current assets e.g. land or buildings.

Cash Flow Statement - A statement recording all movements in cash during the year for both revenue activities and capital activities.

Comprehensive Income and Expenditure Statement – A statement recording day to day spending and income e.g. salaries, running costs etc. on all revenue services of the Authority.

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. Unlike a provision, no amounts are set aside in the accounts, only a note explaining the relevant facts.

Creditor - Someone who is owed money for goods or services provided to the Authority.

Current Assets - Assets that are short term and are liquid by nature i.e. cash, inventories, debtors.

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

Debt Management Office (DMO) - An executive agency of HM Treasury with responsibilities for debt and cash management for the UK Government, lending to local authorities (via the PWLB (see below) and managing certain public sector funds.

Debtor - Someone who owes money for goods or services provided by the Authority.

Depreciation - The notional reduction in value of assets due to their wear and tear in providing services to the Authority.

Direct Revenue Financing - A contribution made from the revenue accounts during the financial year to help pay for capital projects.

Financial Instruments - A collective name for investments, trade debtors, trade creditors and borrowings.

Financial Year - This is the accounting period, starting on 1 April and finishing on 31 March in the following year. For 2023/2024, it runs from 1 April 2022 to 31 March 2023.

Finance Leases - A method whereby capital assets are financed over a number of years by means of annual payments to a leasing company. The ownership of the asset by the Authority is deemed to have taken place at the start of the lease arrangement.

Glossary of Terms

Financial Instruments Adjustment Account - An account which is used to manage the loan interest charged to the Council Fund in accordance with IAS 32 & 39.

Government Grants - Assistance by Government and inter-government agencies and similar bodies, whether local, national or international usually in the form of cash.

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

Housing Revenue Account Income and Expenditure Account - This account contains all expenditure and income in relation to the Authority's Council Dwellings including Council Houses.

IAS - International Accounting Standard

IFRIC - International Financial Reporting Interpretations Committee

IFRS - International Financial Reporting Standards

Impairment - Impairments occur when non-current asset values change significantly due to changes in circumstances. They can occur if there is a significant change in a non-current asset's market value or significant physical damage e.g. fire. The cost of impairment is charged to the revenue account in the year it occurs.

Inventories - These are raw materials and consumables that are used in carrying out services e.g. bricks, nails, food, beverages etc. The values of these items which have not been used at 31 March are shown as current assets in the balance sheet.

Investments - These can be short-term (less than 1 year to maturity) or long-term (more than 1 year to maturity) and represent surplus funds of the Authority invested with third parties.

Levies - Levies are charges on the Authority by other public bodies / non-billing organisations to enable them to cover their costs in the performance of their services.

Minimum Revenue Provision (MRP) - A minimum annual charge that must be made to the revenue accounts to systematically reduce the principal element of loans which have been raised and used to pay for capital schemes.

Movement in Reserves Statement - A statement showing the in-year movement on all the different reserves held by the Authority.

National Non-Domestic Rates (NNDR) - Also known as the Business Rate, it is the charge occupiers of business premises pay to finance part of the Authority's revenue spending. The charge is based on the rateable value of the business premises.

Non-Current Assets - These are long term assets which are used for more than 1 year.

Non-Current Assets: Enhancement Expenditure - This is where capital expenditure on an asset does not alter the book value of the asset e.g. window replacement.

Operating Leases - A method of paying for the use of capital assets e.g. vehicles by means of annual payments to a leasing company over a number of years. The leasing company retains ownership of the asset during and at the end of the lease agreement.

Precepts - Precepts are levied on the Authority by non-billing organisations e.g. police, community councils to enable them to cover their costs in the performance of their services or duties.

Pension Current Service Cost - This represents the increase in the present value of a defined benefit obligation resulting from employee service in the year after netting off contributions from scheme participants.

Pension Gain or Loss on Settlement - This arises when the Authority enters into a transaction that eliminates all further legal or constructive obligations for part or all the benefits provided under the defined benefit plan.

Pension Liability (IAS 19) - This represents the indebtedness of the Authority in relation to the retirement benefits due to its employees, after allowing for the Authority's share of investments in the Pension Fund.

Pension Net Interest on the Defined Benefit Liability/Asset - This is the change during the year in the net defined benefit liability/asset arising from the passage of time.

Pension Past Service Cost - This represents the change in the present value of the defined benefit obligation for employee service in prior periods resulting from a plan amendment or curtailment.

Pension Reserve (IAS 19) - This reserve matches the pension liability and is charged with the gain or loss which arises when the pension fund Actuary revalues the assets and liabilities within the pension

Glossary of Terms

fund each year. It also ensures that the charge made to the Income and Expenditure Account under IAS 19 is replaced with the pension cost required to be made for Council Tax purposes.

Provision - A provision is an amount set aside in the accounts for a past event which is likely to incur a financial cost some time in the future.

Public Works Loans Board (PWLb) - This is a Government Agency which provides longer term loans to local authorities at preferential rates of interest.

Related Party Transactions - These are disclosed to highlight any relationships that may exist between the Authority and third parties which may materially affect or influence the way the Authority or third parties are able to operate.

Reserves - Reserves are sums set aside to meet future expenditure. They may be earmarked to fund specific expenditure or be held as general reserves to fund non-specific future expenditure.

Revaluation Reserve - This reserve is used to record gains in non-current asset values as a result of formal revaluations.

Revenue Expenditure funded from Capital under Statute - This represents expenditure which does not result in, or remain matched with, assets controlled by the Authority.

Revenue Support Grant - This is the principal source of finance from Central Government towards revenue expenditure incurred for non-Council housing purposes.

Trust Funds - These are monies not belonging to the Authority that are administered by the Authority on behalf of third-party individuals or organisations.

Work in Progress - This represents the value of work done on unfinished projects at the date of the Balance Sheet (31 March).

Annual Governance Statement

1. Introduction

- 1.1 The Governance Framework comprises the systems, processes, culture, and values by which the Council is directed and controlled and the activities through which it accounts to, engages with, and leads the community.
- 1.2 The system of internal control is a significant part of that framework. 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, aims and objectives.
 - To evaluate the likelihood and impact of those risks being realised.
 - To manage the identified risks effectively.

2. Scope of responsibility

- 2.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively. The Council has a duty under the Local Government and Elections (Wales) Act 2021 (Part 6 chapter one), which provides a legislative framework for local government elections, democracy, governance, and performance. A principal Council has a duty (Section 89) to keep under review the extent to which it is fulfilling the 'performance requirements' that is, the extent to which: -
- it is exercising its functions effectively;
 - it is using its resources economically, efficiently, and effectively; and
 - its governance is effective for securing the above.
- 2.2 We also have a duty to consult a range of people and to report on performance (Sections 90 and 91). The Act also introduced a new duty to conduct an annual self-assessment.
- 2.3 The Well-being of Future Generations (Wales) Act 2015 places a duty on public bodies to carry out sustainable development and to develop its Well-being Objectives by considering relevant data and local engagement with communities. We have set and published Well-being Objectives including the steps we will take, and the resources we will need to deliver them within our Corporate Plan. A new five-year Corporate Plan, comprising a new set of objectives for the county borough, was approved by Council on 29 November 2023 and covers the period 2023-2028. The Corporate Plan is reviewed and updated annually and is available through the following link: -
- [Corporate Plan](#)
- 2.4 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 2.5 The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance & Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) Framework 'Delivering Good Governance in Local Government'. The Code is available through the following link: -

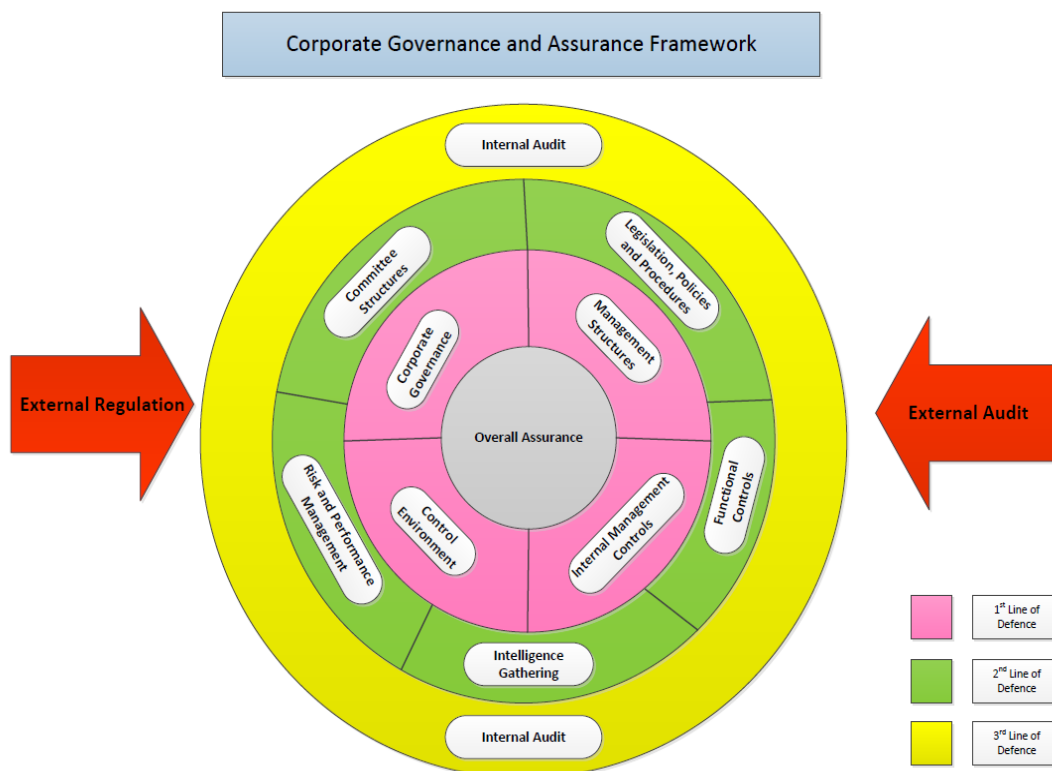
[Code of Corporate Governance](#)

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- 2.6 The Annual Governance Statement (AGS) explains how the Council has complied with the Code and meets the requirements of regulation 5(4) of the Accounts & Audit (Wales) Regulations 2014 in relation to the publication of a Statement on Internal Control. The AGS also incorporates CIPFA's guidance on the content of Annual Governance Statements.

3. The purpose of the governance framework

- 3.1 The governance framework comprises the systems, processes, culture, and values by which the Council is directed and controlled and the activities through which it accounts to, engages with, and leads the community.
- 3.2 During the 2016/17 financial year an Assurance Framework was produced as a diagrammatic representation of the governance and assurance processes that are in place. The Framework was endorsed by the then Audit Committee in December 2016 and continues to be relevant. Its purpose is to provide clarity and understanding of the connections between functions and activities that enable the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.



- 3.3 The system of internal control is an integral part of the Framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and 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

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identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively, and economically.

4. The governance framework

4.1 The following paragraphs describe the key elements of the systems and processes that comprise the Council's current governance arrangements: -

4.1.1 ***Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users.***

- The Council's Corporate Plan (2023-2028), approved by Council on 29 November 2023, sets out the Cabinet's commitments, priorities, and Well-being Objectives.
- The Well-being Objectives were informed by the information from the local assessment of well-being carried out by the Gwent Public Services Board (PSB) and published in 2022. This assessment included more detailed local data and engagement relevant to Caerphilly county borough. The Corporate Plan includes our well-being statement detailing why we chose our Objectives, and how they are being monitored and resourced.
- Long-term outcomes and interim performance standards have been established for each Well-being Objective and progress is reported to the Council's Joint Scrutiny Committee on a six-monthly basis and as part of the year-end self-assessment report approved by Cabinet.
- In December 2023, Audit Wales published its report 'Setting of Well-being Objectives in Caerphilly County Borough Council'. Overall the report concluded that 'the Council has applied the sustainable development principle throughout the process of setting its new Well-being Objectives but there is scope to strengthen monitoring arrangements'. The report also included two recommendations that have been accepted by my management. The Audit Wales report is available through the link below: -

[Setting of well-being objectives – Caerphilly County Borough Council](#)

- Through our chosen Objectives we contribute to the high level strategic Gwent Public Services Board (PSB) Well-being Plan for the Gwent region. Our Corporate Plan follows the same planning cycle to ensure alignment and because it is based on the same data and community engagement.
- The Council's Annual Self-Assessment Report tells citizens and service users how we have performed against the Well-being Objectives, as required by the Well-being of Future Generations (Wales) Act 2015 and the Local Government and Elections (Wales) Act 2021.
- The Corporate Plan and Gwent PSB Well-being Plan are approved by Council and the annual Self-Assessment Report is considered by the Council's Joint Scrutiny Committee and subsequently approved by Cabinet.
- The Council structures its communications programme around its Well-being themes with planned activity aligned to the chosen Objectives as demonstrated in the Caerphilly newsletter 'Newsline'. Following the Local Government elections in May 2022, the Cabinet is leading the administration until May 2027 and as mentioned above, Well-being Objectives have been developed with the new administration and are incorporated into the five-year Corporate Plan for 2023-2028.

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4.1.2 ***Reviewing the Council's vision and its implications for the Council's governance arrangements.***

- The five former Public Services Boards in the region merged to form the Gwent PSB in September 2021, with Caerphilly CBC providing the secretariat. During 2021 and early 2022 the PSB partners produced a regional well-being assessment identifying over one hundred issues affecting well-being in Gwent, supplemented by twenty-two local community assessments. Residents, communities, and others were consulted on the findings to check that they resonated with the lived experience to produce a new regional vision of well-being. The well-being assessment was used to develop the next iteration of the well-being plan, which is set on a Gwent regional footprint. The Gwent PSBs Well-being Plan for the period 2023-2028 was agreed in July 2023 after being reported to Caerphilly Council for endorsement on 15 March 2023. A link to the new Plan is provided below: -

[Gwent PSB Well-Being Plan 2023-2028](#)

- The Council's Corporate Plan is reviewed at least annually and refined to ensure we have employed the sustainable development principle to reflect our changing aspirations, at a local and national level.
- As mentioned above, the new Corporate Plan for the period 2023-2028 was approved by Council on 29 November 2023. The Plan was developed using the data from the local assessment of well-being and comprehensive community engagement to inform the new Well-being Objectives.
- The Council has used the information in the local assessment of well-being, which identified the well-being needs and strengths of the area. The Council is a facilitating partner in the Gwent PSB and led on the 2022 data assessment work. This data assessment was used to ensure we are supporting the economic, environmental, social, and cultural well-being of the area.
- Face-to-face and online engagement sessions were held in the county borough as part of the ongoing 'Caerphilly Conversation' to test the views of our communities on what the Council should prioritise. The output of each engagement exercise feeds into planning at relevant points in the year e.g. budget setting. The evidence has also been used to develop the well-being plan for Gwent 2023-2028, agreed by the Gwent PSB in July 2023.
- This approach was taken as part of the sustainable development principle to take a longer-term view, consider how we may improve well-being, how we integrate our activity with others, particularly through collaborating with partners and our communities.
- Delivering the Well-being Objectives of the Council has taken account of the statutory guidance for public bodies under the Well-being of Future Generations (Wales) Act 2015. The Council has updated its risk registers, planning tools, self-evaluation and reporting templates.
- The Council has continued to work on its Mobilising Team Caerphilly Transformation Programme and during the last twelve months significant work has been undertaken through the 'discovery phase' of the programme to identify a wide range of projects that will help the Council balance its budget moving forward. We are now moving into the delivery stage with numerous projects being defined in detail, and a range of proposals have been presented for scrutiny and decision throughout the 2024/25 financial year. Further details of the transformation programme and the associated governance arrangements are available through the link below: -

[Mobilising Team Caerphilly Governance Arrangements](#)

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4.1.3 *Measuring the quality of services for users, ensuring they are delivered in accordance with the Council's objectives and ensuring that they represent the best use of resources.*

- A performance framework was established and approved by Cabinet on 26 February 2020. This performance framework has a number of component parts: -
 - Corporate Performance Assessment (CPA).
 - Directorate Performance Assessments (DPAs).
 - Service Planning.
 - Risk Management.
 - MyTime Extra.
- **Corporate Performance Assessment (CPA)** - The CPA dashboard is used by the Corporate Management Team (CMT) and Cabinet to monitor the Council's progress in delivering its strategic priorities, identifying and challenging areas of underperformance, and discussing and agreeing any remedial actions that may be required. The dashboard provides a graphical and easily accessible overview of: -
 - Progress against CMT priorities, Directorate Management Team (DMT) priorities, Wellbeing Objectives, and the Mobilising Team Caerphilly Transformation Programme.
 - Budget position (over / underspend) by Directorate.
 - Corporate risk position.
 - Sickness absence position by Directorate and Service.
 - Workforce position (starters and leavers).
 - Complaints and compliments received by Directorates.
 - Public Accountability Measures.
 - Freedom of Information requests received and compliance.
- The CPA dashboard is presented twice-yearly to Cabinet and is also presented to an all-Member Joint Scrutiny Committee. The dashboard provides a position statement of the organisation at a point in time and enables constructive challenge and improvement activity to be agreed.
- **Directorate Performance Assessments (DPA's)** - The CPA dashboard is underpinned by a more detailed set of Directorate Performance Assessment (DPA) dashboards. DPAs provide Directorate Management Teams with a range of data to keep progress under review, drive performance improvement, and manage resources, intelligence, and risks. Information in the DPA dashboards is grouped as follows: -
 - Overall summary of the content of the report.
 - Summary includes lessons learnt as does each section below.
 - Progress on Directorate priorities.
 - Performance data.
 - Customer intelligence.
 - Resources – Financial, workforce, and assets.
 - Risk Register.
 - Well-being Objectives update.
- The DPAs are reviewed by Directorate Management Teams routinely, providing opportunities to account for progress, challenge performance and agree improvement activity. The 2023/24 end of year CPA was presented to an all-Member Joint Scrutiny Committee on 18 July 2024 and subsequently to Cabinet on 18 September 2024.
- The current performance framework is different from the previous process by joining a

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wide range of different information in the one place to form an overall self-assessment of individual Directorates. This provides a “single source of the truth” and makes it easier to identify reasons for self-assessment learning and judgements.

- **Service Planning** – Services review their priorities and objectives and place their updated objectives for the year ahead into the Directorate Performance Assessments for monitoring.
- Where services have existing mechanisms in place for setting priorities (for example Education have robust processes that meet ESTYN requirements), they will populate the DPA dashboards with the relevant information before the beginning of the financial year.
- **Risk Management** - The monitoring of risk is now embedded within the CPA and DPA dashboards rather than existing as a standalone document. As such, risks are monitored monthly by the Corporate Management Team and are also reviewed by the Directorate Management Teams, with risk levels and mitigating actions being discussed and agreed.
- The CPA contains the Council's 'high level risks' and is owned and updated by CMT. DPAs contain Directorate as well as CMT risks. The Council's risk position continues to be reported twice-yearly to the Governance & Audit Committee and Cabinet.
- **MyTime Extra** – The Council's approach to personal development is encompassed within the My Time and My Time Extra process. The approach is undertaken formally on an annual basis (MyTime Extra) and has been rolled out across the Council. The approach is based on a set of principles to support annual meetings with staff to explore what has gone well and not so well and to set goals and priorities for the following year. The concept was introduced as part of the Council's transformation programme. The annual discussion enables staff to reflect on their prior-year achievements, discuss any learning that has emerged, define their contribution to service objectives, and to explore their training and development needs. MyTime Extra enables a specific link to be made between the work of the individual and the priorities of the organisation. There are also regular individual MyTime 1-1 meetings between employees and managers throughout the year to monitor progress.
- The Council's performance framework as set out above provides Cabinet, the Joint Scrutiny Committee, CMT and DMTs with a regular and embedded mechanism for monitoring progress, managing performance, and driving improvement. The dashboards provide a 'single source of the truth,' enable key aspects of performance to be discussed, actions to be agreed, and learning to be generated. The ability to specifically link individual contributions to organisational goals provides a platform for every employee to understand how they fit, and to be recognised for the part they play in delivering the Council's objectives, thus providing a golden thread throughout the organisation.
- In February 2024, Audit Wales published its report 'Use of Performance Information – Service User Perspective and Outcomes – Caerphilly County Borough Council'. Overall the report concluded that 'the Council provides limited performance information to enable senior leaders to understand the perspective of service users and the outcomes of its activities'. The report also included three recommendations that have been accepted by management. The Audit Wales report is available through the link below: -

[Use of Performance Information: Service User Perspective and Outcomes](#)

- 4.1.4 ***Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny, and officer functions, with clear delegation arrangements and protocols for effective communication.***

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- The Council's Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent, and accountable to local people.
- Policy and decision-making are facilitated through the Cabinet supported by a framework of Statutory and Scrutiny Committees. Delegated decisions made by authorised senior officers, under the scheme of delegation, are posted on the Council's intranet, when appropriate. The CMT has no collective decision-making powers, but the Chief Executive and Directors do have some delegated powers.
- The Council's Constitution is reviewed and refreshed regularly to reflect current legislation and working practices. Periodic reports are presented to the Council in relation to any proposed changes to the Constitution, with the latest report being presented on 09 May 2024. The report recommended a number of changes, the details of which are available through the following links: -

[Amendments to the Council's Constitution](#)

[Appendix 1](#)

[Appendix 2](#)

[Appendix 3](#)

[Appendix 4](#)

[Appendix 5](#)

[Appendix 6](#)

- Various guidance notes for Officers and Members have been prepared to sit alongside the Council's Constitution and training has been rolled out. The documentation is available on the corporate governance pages on the Council's intranet. These arrangements have now been formally embedded within the Council's governance arrangements.

4.1.5 ***Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.***

- The Council's Constitution contains formal codes of conduct that articulate the standards of ethical behaviour that are expected from both elected members and officers. These incorporate procedures for the disclosure of personal interests and offers of gifts and hospitality.
- Both members and officers are made aware of the personal conduct and disclosure requirements, and they are available for reference on the Council's intranet.
- All declarations of member gifts and hospitality are reported to the Council's Standards Committee. For officers, a quarterly update is given to the Council's Governance & Audit Committee.
- The Council has an agreed Workforce Development Strategy 2021–24 and one of the actions arising from it is to create a Management Development Programme to ensure current and future managers and leaders have the necessary skills to deliver the vision of the Council's transformation strategy.
- Customer Services standards have been introduced as standards of behaviour adopted by the Council that all staff should be adhering to.

4.1.6 ***Reviewing and updating standing orders for contracts, financial regulations, a scheme of delegation and supporting procedure notes/ manuals, which clearly define how decisions are taken and the processes and controls to manage risks.***

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- The Monitoring Officer in conjunction with senior officers and members undertakes periodic reviews of the Council's Constitution including reviewing Standing Orders for Contracts, Financial Regulations, and the Scheme of Delegation, to ensure that current practices and legislation are reflected.
- The standard member reporting procedure requires consideration of risk for all significant decisions. This is also underpinned by a robust structure and system for identifying and evaluating all significant business risks at both corporate and operational levels, the key elements of which are a Corporate Risk Register, Directorate Risk Registers and project risks on the Mobilising Team Caerphilly Transformation Programme.
- The Council has formally agreed a Risk Management Strategy which is reviewed routinely. The most recent Risk Management Strategy was approved by the Governance and Audit Committee on 25 January 2022. The Strategy is available through the following link: -

[Risk Management Strategy 2022](#)

- The Strategy and guidance are due a further review and update, which will be completed by September 2025.
- The Corporate Risk Register is reported to the Governance and Audit Committee twice-yearly, with CMT providing quarterly updates through the CPA. The Cabinet also receives mid-year and year-end updates as part of the Corporate Performance Assessment (CPA). The Council's Joint Scrutiny Committee also receives updates through the Corporate Performance Assessment (CPA) and Directorate Performance Assessments (DPAs).

4.1.7 *Undertaking the core functions of a Governance and Audit Committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.*

- The Council has a Governance & Audit Committee, with terms of reference that comply with CIPFA guidelines. These extend to monitoring and reviewing the adequacy of the governance framework.
- Training for new members of the Committee and refresher training is carried out periodically and at least twice in a Council term. A series of training courses by a range of different providers has been provided during 2023/24 and this was extended into 2024/25. In addition, ad-hoc training is also provided as required or where specific needs have been identified.
- The Terms of Reference of the Committee are reviewed and updated periodically with the latest review being completed in February 2021 and reported to the Committee on 19 March 2021.
- Four Lay Members were appointed to the Committee from May 2022 in accordance with the Local Government and Elections Act (Wales) 2021.
- During the 2024/25 financial year a self-evaluation and skills/knowledge assessment commenced for the Governance and Audit Committee based on the latest CIPFA guidance, and this will be completed during 2025/26.

4.1.8 *Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.*

- The Council aims to ensure compliance with established policies, procedures, laws and regulations through the following: -
 - Corporate Management Team.
 - Directorate Management Teams.
 - Heads of Service.
 - Head of Legal Services & Monitoring Officer.

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- Head of Financial Services & S151 Officer.
 - Senior Information Risk Owner (SIRO).
 - Data Protection Officer.
 - Internal Audit.
 - External Audit.
 - Performance Management Framework.
- The Head of Legal Services & Monitoring Officer and the Head of Financial Services & Section 151 Officer attend each formal meeting of the Corporate Management Team, have regular briefings with the Chief Executive, and also attend all Cabinet meetings. Furthermore, the standard committee reporting procedure and report template requires these Officers to examine reports to the Executive for compliance with legal and procedural issues. The report template also includes a section on financial implications which is reviewed by the Head of Financial Services & S151 Officer.
 - The Council has a Deputy Chief Executive, Deputy Monitoring Officer and a Deputy Section 151 Officer to ensure that there is cover and resilience in the absence of Statutory Officers.

4.1.9 ***Arrangements for whistle blowing and for receiving and investigating complaints from the public.***

- The Council has in operation a widely publicised Whistleblowing Policy, which forms part of the Council's Constitution. This is overseen by senior officers within the Council and reported to the Council's Standards Committee on an annual basis. The latest report was presented to the Committee on 21 March 2025 covering the 2023/24 financial year, and confirmed that there were no whistleblowing investigations undertaken during the reporting period.
- The Council also operates a formal Corporate Complaints Procedure, which has been widely publicised.
- The Governance & Audit Committee has continued to play a more proactive role in monitoring the level of complaints and the procedures that are in place, with reports being presented periodically. The Cabinet also receives reports to enable the Executive to review the complaints dealt with under the Corporate Complaints policy. In addition, individual Scrutiny Committees may receive reports on complaints when requested.
- There are a number of avenues for members of the public to report concerns, complaints and other matters.
- As part of the Council's transformation programme, a review of complaints handling has been undertaken, with the aim being to ensure consistency across the Council together with the introduction of a new centralised complaints logging system. The new logging system has been developed and as a result of ongoing trials changes have been made to the system to enhance the features available, which in turn will streamline the process further. The new system went live in May 2024 and is now providing data that is allowing services to be refined and improved.

4.1.10 ***Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.***

- Formal induction programmes and training and development plans are in place for members. Where identified through the staff appraisal process, senior officers participate in management development training.
- Council approved an Induction Programme which was implemented following the Local Government elections in May 2022 and includes certain aspects of member training as mandatory.

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- In order to meet members' specific ongoing training needs, feedback is sought following the Induction Programme and a Training Needs Analysis Questionnaire is distributed to all members with the responses reviewed and the outcome used to inform future training programmes.
- The Council continues to participate in the Leadership Programme facilitated by the Welsh Local Government Association (WLGA), which comprises training for members who hold or aspire to hold senior office.
- A review of induction arrangements for officers is being undertaken as this area can be improved. A Learning Management System has been introduced offering Mandatory e-learning for new staff. This system along with the Payroll / Management Information system and the Digital Workspace is being further developed to allow for consistent onboarding and induction for new employees.

4.1.11 ***Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation / engagement.***

- The Council has a corporate communication strategy which defines the way the Council will communicate with its staff, residents, partners and other stakeholders. The Council also has a Consultation and Engagement Framework, setting out a series of high-level principles which build upon the way the Council engages with its citizens and supports enhanced consultation and engagement activity across communities. The framework complements the principles within the Corporate Communication and Engagement Strategy and also has clear links to the Council's transformation strategy. The framework's intentions are: -
 - To highlight the continued importance of effective consultation and engagement and the clear strategic link to the decision-making process.
 - To demonstrate the key role that engaged, empowered communities have in supporting the future proofing of Council services.
 - To provide a clear definition of engagement and explain the 'Spectrum of Engagement'.
 - To outline the principles and standards that underpin meaningful engagement and consultation.
- The Council continues to make good progress in building upon these intentions, placing effective consultation at the heart of the decision-making process. A number of significant consultation exercises have been undertaken over the previous twelve months under the auspices of the 'Caerphilly Conversation' – the Council's ongoing stakeholder engagement programme. These include a conversation to shape the Council's annual budget setting process and a far reaching 12-week public consultation to seek views on proposals within the Council's draft waste and recycling strategy.
- Feedback from these and other engagement activities through the 'Caerphilly Conversation' are shared with senior officers and politicians and with residents through the Council's digital engagement platform, closing the loop on how views have helped shape service and financial plans.
- The digital engagement platform, through platform provider Engagement HQ, has become the Council's premier online engagement vehicle over the previous 12 months, complementing the various other engagement methods the Council uses to reach its many target stakeholder groups. This interactive platform enables people to have a say on topics of interest to them, and includes mapping tools, sentiment analysis, analytics and open and transparent feedback.
- Furthermore, the Council has adopted a Participation Strategy (2023-27) and supporting action plan, under the requirements of the Local Government and Elections (Wales) Act

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2021. This legislation requires local authorities in Wales to publish a Participation Strategy that sets out the ways in which local people are encouraged to participate in decision-making by the Council. This work seeks to build further upon the work achieved to date underpinned by the Consultation and Engagement Framework.

4.1.12 *Incorporating good governance arrangements in respect of partnerships and other group working as identified in the CIPFA Framework “Delivering Good Governance in Local Government” and reflecting these in the Council’s overall governance arrangements.*

- The Council has adopted a partnerships and collaborations framework which specifies the minimum governance requirements in respect of all the Council’s partnerships and the enhanced requirements in respect of its key partnerships.
- In addition, the framework sets out the requirements for creating new partnerships and collaborations and importantly includes the arrangements for disbanding and exiting arrangements.
- The Council maintains details of all current partnerships and collaborations, and this is reviewed and updated annually.
- The Council has long-standing partnership arrangements with the third sector and has enshrined these in its joint agreements. In 2013 this agreement brought in the PSB partners, third sector organisations, Community and Town Councils and the Caerphilly Business Forum.
- From 2021 partnership governance started to be developed to provide a framework for the up-and-coming Gwent Regional Well-being Plan. A new Gwent Third Sector Partnership agreement was developed during the latter part of 2022/23.
- Caerphilly CBC is a member of the South East Wales Corporate Joint Committee (CJC). There are four CJC’s in Wales and their membership is made up of the leaders of the Councils in the respective regions and National Park Authorities that sit within specific regions. The CJC’s can directly employ staff and must have a Chief Executive, Finance Officer, and Monitoring Officer. The four CJC’s were established by regulations under the Local Government and Elections (Wales) Act 2021, came into effect in April 2021, and were given the following functions from June 2022: -
 - Developing transport policies.
 - Preparing a strategic development plan.
 - Economic wellbeing – anything a CJC considers is likely to promote or improve the economic wellbeing of its area.

5. Review of effectiveness

- 5.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Governance Review Panel (which has responsibility for the development and maintenance of the governance environment), the Internal Audit Manager’s annual report, and comments made by Audit Wales, Estyn, and Care Inspectorate Wales. The review covers significant corporate systems, processes, and controls, spanning the whole range of the Council’s activities, including in particular those designed to ensure:-

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- The Council's policies are put into place.
- Laws and regulations are complied with.
- Required processes are adhered to.
- Performance and financial statements and other published information are accurate and reliable.
- Human, financial, data/information and other resources are managed efficiently and effectively.
- Services are delivered efficiently and effectively.

5.2 The following paragraphs describe the processes that have been applied in maintaining and reviewing the effectiveness of the Council's governance framework.

5.2.1 **Corporate Level Review**

- A Corporate Governance Review Panel has been established to oversee the compilation of the Annual Governance Statement. Membership of the Panel is as follows: -
 - Corporate Director for Education & Corporate Services (Chair).
 - Head of Financial Services & S151 Officer.
 - Head of Legal Services & Monitoring Officer.
 - Head of Transformation.
 - Senior Information Risk Owner (SIRO)/Head of Customer & Digital Services.
 - Internal Audit Manager.
 - Cabinet Member for Finance & Performance.
 - Chair of Governance & Audit Committee.
- The Terms of Reference of the Panel are due to be reviewed during 2025/26 to ensure that the role of the Panel continues to meet the Council's governance objectives.

5.2.2 **Directorate Level Review**

- The Council adopts Directorate Assurance Statements requiring members of the Corporate Management Team to review the operation of a range of governance systems and procedures within their service areas, and to indicate whether there are any significant non-compliance issues. These are analysed by the Corporate Governance Review Panel to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues and as such need to be included in the Annual Governance Statement.
- The new performance management framework has resulted in the introduction of Directorate Performance Assessments (DPA's) as detailed in Section 4.1.3.

5.2.3 **Scrutiny Committees**

- The Council has Scrutiny Committees which meet in public and make recommendations on the improvement and development of policies and hold the Executive and Officers exercising delegated powers to account for their decisions. At its meeting on 11 May 2023 Council approved a reduction in the number of Scrutiny Committees from five to three as follows: -
 - Education and Social Services.
 - Housing and Environment.

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- Corporate and Regeneration.

5.2.4 **Governance & Audit Committee**

- The Council has a Governance & Audit Committee whose terms of reference comply with the latest CIPFA guidelines. These extend to monitoring and reviewing the adequacy of the governance framework.
- A number of training and development sessions were held for members of the Committee during 2023/24 and 2024/25 to ensure that they are equipped with the knowledge required to effectively undertake their roles. A self-evaluation of the effectiveness of the Governance & Audit Committee also commenced during 2024/25 in line with CIPFA guidance, and this will be completed in 2025/26.
- The Council appointed four Lay Members to the Committee from May 2022, in line with the requirements of the Local Government and Elections (Wales) Act 2021.
- During 2023/24 the Chair of the Committee participated in the Wales Governance and Audit Committee Chairs network which is supported by the Welsh Local Government Association (WLGA).

5.2.5 **Standards Committee**

- The Council has appointed a Standards Committee in accordance with the provisions of the Local government Act 2000 and associated regulations. Its terms of reference are set out in the Council's Constitution.

5.2.6 **Business Improvement Team (BIT)**

- The Business Improvement Team (BIT) is responsible for implementing and maintaining the Council's performance management framework. The Team supports and challenges the Council as a whole, and individual services, to continuously improve using relevant data and the team also supports service reviews that are undertaken as part of the Council's transformation programme.
- The BIT is part of the Council's Service Improvement and Partnership Unit which includes Policy, Transformation, Engagement, Equalities, Welsh Language, Refugees and Displaced People, and voluntary sector support. This has strengthened our approach to performance management by reinforcing the links to our policy and planning activities. It has enhanced our ability to respond to the requirements of the Well-being of Future Generations (Wales) Act 2015 in terms of having a lead role within the Gwent Public Services Board (PSB), demonstrating our own contribution to the well-being goals for Wales, delivering our Well-being Objectives, and embedding the sustainable development principle.
- The BIT also works with the Council's external auditors to co-ordinate audits and inspections, and the outcomes and recommendations arising from these audits and inspections are reported to and monitored by the Chief Executive, CMT and the Governance & Audit Committee.

5.2.7 **Information Governance**

- The Council's Information Governance structure continues to provide assurance that information is used appropriately and kept securely.
- The Head of Customer & Digital Services is the Council's Senior Information Risk Owner (SIRO), and the Procurement and Information Manager is the Deputy SIRO.

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- The SIRO's role is to assure the Council's information through implementation of the Information Risk Management Policy.
- The process for Heads of Service, as Information Asset Owners, is to submit half-yearly information risk returns to the SIRO and this continued throughout 2023/24. The process provides the SIRO with enhanced visibility to ensure risks are reported appropriately, measures to reduce risk are effective across all services, and information risk management is embedded into the culture of the organisation.
- Information Security reports directly to the Procurement and Information Manager. The recruitment of a dedicated IT Security Manager and apprentice took place during 2023/24 to increase capacity in response to increasing cyber security risks.
- The Data Protection Officer (DPO) required by Article 37 of GDPR is the Information Governance Manager. This post provides DPO reports to CMT via the SIRO and the relevant Cabinet Member quarterly. The post also fulfils the DPO function for all of the Council's schools via a Service Level Agreement and works closely with Legal Services via the Exemption Panel.
- A network of Information Governance (IG) Stewards within each Service Area assist Heads of Service in assuring their information by communicating key messages on IG policies and training and developing and maintaining a GDPR compliant Record of Processing Activities via Information Asset Registers and Privacy Notices.
- Encouraging effective records management practices across the Council including during the set-up of new technologies will continue, to ensure records repositories are well managed and to encourage services to make the best use of Council data.
- Effective records management, especially of electronic formats, will also help to address growing demands of information rights requests whilst staff Council-wide work in an agile way. The potential to automate aspects of information requests is being explored, alongside other measures to manage the volumes of requests received.
- Information Governance and IT Security continue to work closely together, and this will continue moving forward.

5.2.8 **Internal Audit**

- Internal Audit Services is responsible for monitoring the quality and effectiveness of the system of governance and internal control. A risk-based Internal Audit Plan is produced each financial year, which is agreed by CMT and the Governance & Audit Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Directorate. Each report includes recommendations for improvements and an agreed management action plan. The process includes follow-up reviews of agreed recommendations to ensure that they are acted upon. CMT and the Governance & Audit Committee receive regular updates on progress against Internal Audit recommendations.
- In May 2024, Audit Wales published its report 'Counter-Fraud Arrangements – Caerphilly County Borough Council'. Overall the report concluded that 'the Council lacks appropriate counter-fraud arrangements, which exposes it to increased risks of fraud and it has not addressed our previous recommendations in this area'. The report also included one recommendation covering a range of areas for improvement that have been accepted by management. A number of the Audit Wales recommendations have now been addressed, and progress is being kept under review by the Governance and Audit Committee. The Audit Wales report is available through the link below: -

[Counter-Fraud Arrangements – Caerphilly County Borough Council](#)

- During 2023/24 the Internal Audit Services' conformance with the Public Sector Internal Audit Standards (PSIAS) was subject to an internal self-assessment which was reported to the Governance & Audit Committee on 15 February 2024. An external peer review was conducted towards the end of 2023/24 and the assessor's report was presented to the

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Governance & Audit Committee on 03 December 2024. The Service continues to invest in the professional development of staff and four members of staff in the Internal Audit Team are currently studying for formal qualifications.

- Based on the audit work undertaken during the 2023/24 financial year the Acting Internal Audit Manager has concluded that overall, the Council's systems and control procedures are effective.

5.2.9 *External Audit (Audit Wales)*

- The Council receives Audit Wales reports on the annual statement of accounts, and other areas such as financial management and the financial position, performance management, risk management, and governance.
- At its meeting on 04 June 2024, the Governance & Audit Committee received the Audit Wales '2023 Annual Audit Summary' which provides a summary of audit work completed during 2022/23. The Audit Summary confirmed that the Auditor General gave an unqualified true and fair opinion on the Council's 2022/23 financial statements, provided details of local work undertaken for Caerphilly CBC including the review of the setting of Well-Being Objectives, the review of the use of performance information from a service user perspective and outcomes, and a review of Waste Management. The Audit Summary also included details of planned work for 2023/24. The report is available through the following link: -

[2023 Annual Audit Summary](#)

- CMT and Cabinet meet annually with Audit Wales, Care Inspectorate Wales and Estyn as part of an Assurance & Risk Assessment Review and this informs the forward work programme for audit reviews and inspections. CMT and the Governance & Audit Committee receive regular updates on progress against recommendations arising from Audit Wales and Regulator reviews.

5.2.10 *Extraordinary Events – Cost-of-Living Crisis*

- The 2023/24 financial year continued to present challenges for the Council, in particular the ongoing impact of the cost-of-living crisis.
- The cost-of-living crisis has impacted on Council budgets with financial pressures being experienced across all areas, in particular energy, fuel, food and drink, and construction/contractor costs. Despite this, the Revenue Budget outturn position for 2023/24 shows a net underspend of £8.8m across all service areas (including schools and the Housing Revenue Account (HRA)).
- The financial position remains extremely challenging moving forward and on 27 February 2024 Council approved a balanced budget for the 2024/25 financial year which included a range of measures to offset cost pressures totalling £56.5m. On 27 February 2025, Council approved the 2025/26 revenue budget which included further cost pressures totalling £66.3m. These pressures are being funded through an increase in the Welsh Government Financial Settlement of £25.0m, permanent savings of £18.2m, temporary savings of £3.1m, the one-off use of reserves totalling £4.9m, assumed UK Government funding of £5.9m in relation to the increase in employer NI contributions from April 2025, and £9.2m from a 7.9% increase in Council Tax.
- As at 31 March 2024, the balance of usable reserves held by the Council totalled £190m. A report on usable reserves was presented to Cabinet on 27 February 2025 and is available through the following links: -

[Update on Reserves](#)
[Appendix 1](#)

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[Appendix 2](#)

- Due to the higher levels of inflation in recent years, the current economic outlook, and the range of temporary budgetary measures that were approved for the 2025/26 financial year, the Council's Medium-Term Financial Plan (MTFP) has been updated based on a range of assumptions, resulting in a potential savings requirement of £23.3m for the two-year period 2026/27 to 2027/28.
- A financial strategy that seeks to continuously make cuts to our services and deplete our reserves is not a sustainable or an appropriate approach, especially when the demands upon our services are far higher than ever, as our communities continue to present far greater and increasingly complex needs to us. To ensure we are able to meet the needs of our communities, whilst operating with reduced finances, a whole council approach has been defined and is now beginning to be delivered.
- The scale of the financial challenge facing the Council requires new approaches to service delivery and this is being led by the Chief Executive, Leader, CMT, and Cabinet and is being co-ordinated through our Mobilising Team Caerphilly Transformation and Placeshaping Investment Programmes. It is vital that the required changes are developed at pace and that key decisions are made early to ensure that the projected savings requirement for 2026/27 and 2027/28 can be delivered.

5.3 **Review Outcome**

- The Council's governance arrangements are regarded as generally fit-for-purpose and are in accordance with the governance framework. The Council is committed to maintaining and improving the governance framework and resources are prioritised for this.
- The 2022/23 Annual Governance Statement identified one area where improvements could be made to strengthen existing processes and procedures during 2023/24: -
 1. **During Summer 2024 we will present a further update on the MTFP to Cabinet and Council along with specific proposals to address the anticipated financial gap aligned to the Mobilising Team Caerphilly Transformation Programme.**
- **Update** – The 2025/26 revenue budget approved by Council on 27 February 2025 includes a number of specific savings aligned to the Mobilising Team Caerphilly Transformation Programme. An updated MTFP was also presented to Council showing a potential further savings requirement of £23.3m for the two-year period 2026/27 to 2027/28. The MTFP includes further Mobilising Team Caerphilly savings targets of £5.5m and £3.4m for 2026/27 and 2027/28 respectively. A savings tracker has been developed to monitor the delivery of savings, and this will be kept under regular review by the Leadership Team, Cabinet, and the Mobilising Team Caerphilly Portfolio Board.
- The 2023/24 Annual Governance Statement has referenced the findings of the Audit Wales review of counter-fraud arrangements in Caerphilly County Borough Council and the weaknesses identified. The recommendations in the Audit Wales report have been fully accepted by management, good progress is being made, and regular updates will be provided for the Governance and Audit Committee.

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Signed:-

**Cllr Sean Morgan
Leader of the Council**

8th May 2025

**Richard Edmunds
Chief Executive**

8th May 2025