

Financial Accounts

For the year ended

31 March 2023



A greener place Man gwyrddach



Financial accounts for the year ended 31 March 2023

Contents	Pages
Narrative Report	2 - 7
Statement of Responsibilities for the Statement of Accounts	8 - 9
Independent Auditors' Report to Members of Caerphilly County Borough Council	10 - 13
Introduction to Accounting Statements	14
Comprehensive Income and Expenditure Statement	15 - 16
Movement in Reserves Statement	17 - 18
Balance Sheet	19 - 20
Cash Flow Statement	21 - 22
Notes to the Core Financial Statement	23 - 121
Housing Revenue Account	122 - 123
Movement on the Housing Revenue Account	124 - 125
Notes to the Housing Revenue Account	126 - 128
Glossary of Terms	129 - 131
Annual Governance Statement	132 - 148

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 £45.213m for the two-year period 2025/26 to 2026/27. To meet this challenge new approaches to service delivery will be required, and this will be co-ordinated through our 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.

2022/2023 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 2022/2023, 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	152,453	152,453	154,347	514	462	(2,870)
Social Services and Housing	111,010	111,010	111,602	(1,252)	228	432
Communities	61,204	61,204	63,006	(3,705)	2,176	(273)
Corporate Services	77,271	77,271	75,993	(4,324)	320	5,282
Housing Revenue Account	0	0	(18,375)	(1,191)	14,226	5,340
Total Service Expenditure	401,938	401,938	386,573	(9,958)	17,412	7,911
Funding Income	(394,028)	(394,028)	(394,448)	0	0	420
Budget Strategy Contribution from Reserves	(7,910)	(7,910)	0	(7,910)	0	0
Surplus / (Deficit) on Provision of Services	0	0	(7,875)	(17,868)	17,412	8,331
Transfer to Earmarked Reserves						3,594
Transfer to General Fund Reserves						4,737
Total Transfer to Balance Sheet						8,331
General Fund Reserves as at 31 March 2022						(27,235)
Budget Strategy Contribution						1,050
In Year Movement						14,414
Outturn Contribution						(23,246)
General Fund Reserves as at 31 March 2023						(35,017)

Caerphilly County Borough Council

Narrative Report

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 2022/2023 Report' which was presented to Council in the autumn of 2023.

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 2022/2023:

	2022/2023		
	Revised		
	Estimate	Outturn	Variance
Funding Income	<u>£000</u>	<u>£000</u>	<u>£000</u>
Council Tax (net of Police Authority and Community Council Precepts)	(76,569)	(76,989)	420
Revenue Support Grant	(253,142)	(253,142)	0
Non Domestic Rates	(64,317)	(64,317)	0
Total Funding Income	<u>(394,028)</u>	<u>(394,448)</u>	<u>420</u>

Housing Revenue Account

Details of the Housing Revenue Account are set out on pages 121 to 128. For 2022/2023, the actual outturn compared to budget, based on our management accounts for the year, was as follows:

	2022/2023		
	Original	Actual	
	Estimate	Outturn	Variance
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Expenditure	91,420	45,274	(46,146)
Income	(91,420)	(63,649)	27,771
(Surplus)/Deficit for the year on HRA Services	0	(18,375)	(18,375)

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 23.

	Restated	Movement	31 March 2023
	1 April 2022		
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Reserves - Usable	(233,308)	12,405	(220,903)
- Unusable	(280,539)	(513,022)	(793,561)
	<u>(513,847)</u>	<u>(500,617)</u>	<u>(1,014,464)</u>

Narrative Report

Loan Debt

The total amount outstanding as at 31 March 2023 was £311.248m, as measured on an amortised cost basis, the majority being owed by the Council to the PWLB. The balance comprises loans from the money market. Analysis of the loan debt is shown in the note 14. The nominal value represents the principal amount outstanding at the Balance Sheet date.

	2021/2022	2022/2023
	<u>£000</u>	<u>£000</u>
Amortised Cost of Loans:		
Loan debt repayable in one year	(6,823)	(8,937)
Loan debt repayable in more than one year	<u>(306,202)</u>	<u>(302,311)</u>
	<u>(313,025)</u>	<u>(311,248)</u>
Nominal Value of Loans:		
Loan debt repayable in one year	(4,086)	(6,237)
Loan debt repayable in more than one year	<u>(306,202)</u>	<u>(300,902)</u>
	<u>(310,288)</u>	<u>(307,139)</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 2022/2023 92.1% of payments were made within 30 days (90.81% in 2021/2022). 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 2022/2023, invoices were settled within an average of 6.01 calendar days (14.19 calendar days in 2021/2022).

Pension Liability

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 liability included for 2022/2023 is £116,274m (£590,647m in 2021/2022). Although this liability has a substantial impact upon the net worth of the Council, statutory arrangements exist to fund the deficit to ensure that the financial position of the Council will remain healthy. The deficit will be made good by increased contributions over the remaining working lives of employees, as assessed by the scheme actuary.

Details of this liability are shown in the notes accompanying the Core Financial Statements in note 15.

Narrative Report

2022/2023 Capital Expenditure

Capital expenditure during the year amounted to some £62.137m (2021/2022 - £47.792m), the major items within this figure being identified below:

	<u>£000</u>	<u>£000</u>
Housing:		
Repairs and Improvements	23,665	
Improvement Grants & Private Sites	1,599	
	25,264	
Non Housing:		
Education & Lifelong Learning	14,275	
Social Services	1,082	
Infrastructure	12,640	
Business Enterprise Renewal Team	4,873	
Property	942	
Public Protection	582	
Sports and Leisure (including Countryside)	1,364	
Corporate Services	1,115	
	36,873	
		62,137
		62,137
Financed by : Grants		42,049
Other		20,088
		62,137
		62,137

Capital expenditure was financed by grants (£42.049m) and other sources (£20.088m). The Council has also entered into several finance leases in previous years for buildings for use in its Social Services provision and computer equipment in schools.

Future Financial Developments

Due to the extended period of austerity and increasing demand for a number of services, the financial position for Local Government has been challenging in recent years. During the period 2008/09 to 2022/23 Caerphilly CBC has delivered savings of £100m to address reductions in funding and inescapable cost pressures.

The total net underspend of £8.331m for the 2022/23 financial year (including schools and the Housing Revenue Account), is significantly lower than in recent years (net underspends of £38.517m and £37.815m in 2020/21 and 2021/22 respectively), and this signifies the return of a more realistic picture of financial performance that is not impacted by the significant levels of external grant funding received in recent years in response to the Covid-19 pandemic.

The Council has managed the financial challenges presented by the Cost-of-Living crisis during the 2022/23 financial year, but the position will be extremely challenging moving forward. The 2023/24 revenue budget approved by Council on 23 February 2023 included a range of measures to offset cost pressures of £55.478m. On 27 February 2024, Council approved the 2024/25 revenue budget which included further cost pressures of £56.464m and these pressures are being funded through an increase in the Welsh Government Financial Settlement of £8.904m, permanent savings of £19.552m, temporary savings of £11.449m, the one-off use of reserves totalling £10.624m, and £5.935m from a 6.9% increase in Council Tax.

Due to the unprecedented levels of inflation experienced during 2022/23 (Consumer Prices Index (CPI) peaking at 11.1%), the current economic outlook, and the range of temporary budgetary measures that were approved for the 2024/25 financial year, the Council's Medium-Term Financial Plan (MTFP) has

Narrative Report

been updated based on a range of assumptions, resulting in a potential savings requirement of £45.213m for the two-year period 2025/26 to 2026/27.

Given the scale of the challenge that we collectively face, a financial strategy that seeks to continuously salami slice 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 and a whole county borough holistic approach is needed.

The Council will require 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 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 2025/26 and 2026/27 can be delivered.

Welsh Government Agency Arrangements

During 2022-2023, 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 £22.4m and received £20.3m in Welsh Government funding.

In addition, the Authority administered two energy schemes on behalf of the UK Government making payments of £39k and receiving grant of £642k.

Code of Practice on Local Authority Accounting in the United Kingdom 2022/2023

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 2025.

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:

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 M. Adams, Mayor

Chair of Meeting Approving the Accounts

Date:

**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 2023 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, and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.

In my opinion the financial statements:

- give a true and fair view of the financial position of Caerphilly County Borough Council as at 31 March 2023 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.

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 am 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 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 the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of 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 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;
- 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;

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

- 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 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 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 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;
- enquiring of management, the Audit and Risk 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;

**The report of the Auditor General for Wales to the members of 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 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 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
14 May 2024

1 Capital Quarter
Tyndall Street
Cardiff CF10 4BZ

Introduction to Accounting Statements

The Authority's accounts for the year 2022/2023 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 2023

Caerphilly County Borough Council

Comprehensive Income and Expenditure Statement

Restated 31 March 2022			31 March 2023				
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000		£000	£000	£000	Note
197,838	(53,921)	143,917	Education and Lifelong Learning	233,505	(52,438)	181,067	
182,189	(78,831)	103,358	Social Services and Housing	180,628	(57,205)	123,423	
121,719	(35,843)	85,876	Communities	107,079	(31,317)	75,762	
96,904	(59,593)	37,311	Corporate Services	117,099	(60,462)	56,637	
46,787	(56,670)	(9,883)	Housing Revenue Account	44,591	(53,653)	(9,062)	
645,437	(284,858)	360,579	Cost of Services	682,902	(255,075)	427,827	
56,523	(1,866)	54,657	Other Operating Expenditure	53,760	0	53,760	11
30,061	(1,379)	28,682	Financing and Investment Income and Expenditure	35,028	(4,058)	30,970	12
	(427,964)	(427,964)	Taxation and Non-Specific Grant Income		(453,573)	(453,573)	13
		15,954	(Surplus)/Deficit on Provision of Services			58,984	
		(80,417)	(Surplus)/deficit on revaluation of non-current assets			(38,654)	33
		0	(Surplus)/deficit on financial assets measured at fair value			2,611	14
		(164,373)	Actuarial (gains)/losses on pensions assets/liabilities			(523,559)	15
		(244,790)	Other Comprehensive (Income) and Expenditure			(559,602)	
		(228,836)	Total Comprehensive (Income) and Expenditure			(500,618)	

Movement in Reserves Statement

For the year ended

31 March 2023

Caerphilly County Borough Council

Movement in Reserves Statement

Restated	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
Balance at 1 April 2021	(22,496)	(115,923)	(138,419)	(14,915)	(17,653)	(10,256)	(181,243)	(103,769)	(285,012)	
Movement in reserves during 2021/2022										
Total Comprehensive Income and Expenditure	9,461	0	9,461	6,493	0	0	15,954	(244,790)	(228,836)	
Adjustments between accounting basis and funding basis under regulations	(48,314)	0	(48,314)	(15,557)	(6,245)	(1,866)	(71,982)	72,170	188	9
(Increase)/Decrease in Year	(38,853)	0	(38,853)	(9,064)	(6,245)	(1,866)	(56,028)	(172,620)	(228,648)	
Transfers (to)/from earmarked reserves	32,596	(32,618)	(22)	0	4,011	(26)	3,963	(4,150)	(187)	
Balance at 31 March 2022	(28,753)	(148,541)	(177,294)	(23,979)	(19,887)	(12,148)	(233,308)	(280,539)	(513,847)	
Movement in reserves during 2022/2023										
Total Comprehensive Income and Expenditure	51,609	0	51,609	7,375	0	0	58,984	(559,602)	(500,618)	
Adjustments between accounting basis and funding basis under regulations	(38,275)	0	(38,275)	(11,524)	(1,300)	267	(50,832)	51,020	188	9
(Increase)/Decrease in Year	13,334	0	13,334	(4,149)	(1,300)	267	8,152	(508,582)	(500,430)	
Transfers (to)/from earmarked reserves	(21,449)	21,477	28	(50)	4,438	(162)	4,254	(4,441)	(187)	
Balance at 31 March 2023	(36,868)	(127,064)	(163,932)	(28,178)	(16,749)	(12,043)	(220,902)	(793,562)	(1,014,464)	

Balance Sheet

As at 31 March 2023

Caerphilly County Borough Council

Balance Sheet

Restated 31 March 2022 £000		31 March 2023 £000	Note
1,225,653	Property, Plant & Equipment	1,262,238	24
13,780	Heritage Assets	13,780	25
3,465	Investment Properties	3,459	
55,939	Long Term Investments	56,852	14
2,318	Long Term Debtors	2,779	
1,301,155	Long Term Assets	1,339,108	
146,096	Short Term Investments	110,805	14
0	Assets Held for Sale	0	
499	Inventories	493	
89,048	Short Term Debtors	95,675	27
9,102	Cash and Cash Equivalents	21,332	28
244,745	Current Assets	228,305	
(6,823)	Short Term Borrowing	(8,937)	14
(93,404)	Short Term Creditors	(93,686)	29
(1,000)	Short Term Provisions	(976)	
(101,227)	Current Liabilities	(103,599)	
(2,826)	Long Term Provisions	(3,793)	
(306,202)	Long Term Borrowing	(302,311)	14
(620,485)	Other Long Term Liabilities	(141,933)	14-16
(1,313)	Capital Grants Receipts in Advance	(1,313)	
(930,826)	Long Term Liabilities	(449,350)	
513,847	Net Assets	1,014,464	
(233,308)	Usable Reserves	(220,903)	23
(280,539)	Unusable Reserves	(793,561)	23
(513,847)	Total Reserves	(1,014,464)	

The notes on pages 24 to 121 form part of the statement of accounts.

Cash Flow Statement

For the year ended 31 March 2023

Cash Flow Statement

Restated 2021/2022 £000		2022/2023 £000	Note
(15,954)	Net (surplus) or deficit on provision of services	(58,984)	
123,979	Adjust net surplus or deficit on the provision of services for non cash movement	105,722	43
(32,906)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(40,780)	43
75,119	Net cash flows from Operating Activities	5,958	
(99,148)	Investing Activities	9,527	45
2,306	Financing Activities	(3,255)	46
(21,723)	Net (increase) or decrease in cash and cash equivalents	12,230	
30,825	Cash and cash equivalents at the beginning of the reporting period	9,102	
9,102	Cash and cash equivalents at the end of the reporting period	21,332	28

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 2022/2023 financial year and its position at the year-end of 31 March 2023. 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 2022/2023 (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.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.0% (2.3% in 2020/2021) based on indicative returns of the iBoxx Sterling AA Rated Corporate Bond.

Notes to the Core Financial Statements

- 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 15.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of

Notes to the Core Financial Statements

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 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

Notes to the Core Financial Statements

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.

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.

Notes to the Core Financial Statements

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 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

Notes to the Core Financial Statements

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 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

Notes to the Core Financial Statements

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

Notes to the Core Financial Statements

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 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 25.

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:

Notes to the Core Financial Statements

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- Finance cost – an interest charge of 9% 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 16 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 23.

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

Notes to the Core Financial Statements

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.

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 21 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:

Notes to the Core Financial Statements

- 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
- 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 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	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 £3.328m.
Pensions Liability	<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 2023 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 £20.165m, whereas a 0.1% increase in salaries rate assumption would result in an increase in the pension liability of £2.976m. However, assumptions interact in complex ways. During 2022/2023, the Authority's Actuaries advised that the net pensions liability for all schemes had decreased by £474.373m.
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 14.</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 14.</p>
<p>Provisions</p>	<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 £3.9m 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 2023 are deemed to provide sufficient cover for the Authority's claims exposure. Details of our Insurance Reserves are set out in note 37.</p>
<p>Arrears/Provision for Bad Debt</p>	<p>At 31 March 2023, the Authority had an outstanding balance of short term debtors totalling £107m. Against this debtors balance, there is an impairment allowance of £12.1m. 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 2022/2023 Code. At the balance sheet date, there were no new relevant standards or amendments to existing standards published but not yet adopted by the 2022/2023 Code. However, the following standard was published a few years ago but deferred by CIPFA/LASAAC and is not going to be implemented until 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. Prior Year Adjustment (PPA)

In preparing its 2022-2023 accounts, several adjustments were identified that related to the prior financial year 2021-2022.

This note summaries these adjustments and their impact upon the main statements and key notes in the Statement of Accounts.

The main adjustments are outlined below:

Incorrect Valuation

An error was identified on the valuation of Maesycwmmmer primary school in 2021-22. An adjustment has been made to correct this error. This has reduced the value by £6.855m.

Additional Assets

A number of pavilions were identified as not being included in the fixed asset register. These assets were valued as at 31 March 2023, resulting in a revaluation increase of £5.447m.

Assets Under Construction.

Three assets had incorrectly been classified as assets under construction. These assets had become operational in 2021-22. These assets have been reclassified from Assets Under Construction to Other Land and Buildings and revalued resulting in a net adjustment of £2.199m.

Hafodyrynys– Impairment

Properties were purchased at Hafodyrynys to allow for their demolition. These properties were included at cost rather than their Impaired value. This adjustment removes the cost from the balance sheet, an adjustment of £2.249m.

Duplicate Asset Adjustment

As part of the review of its asset register several duplicate assets were identified. An adjustment has been made to the asset register to remove these duplicate assets from the balance sheet. This resulted in a net reduction of £4.206m.

Notes to the Core Financial Statements

Useful Economic Life (UEL) Adjustment

The incorrect Useful Economic Life was allocated to a number of assets. This resulted in a reduced depreciation charge in respect of these assets of £2.931m.

Cash Flow Statement – Investing Activities

In 2021/22, the cash flow reflected daily movements in cash rather than annualised movements, last year's figures were amended from £2,013,813 for the purchase of long and short term investments and £1,926,894 for the proceeds from sale of long and short term investments to £86,919 net. The net figure reflects the annualised movements which better reflects the change in cash investing for the year as a whole.

	Original 31 March 2022		
	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000
<u>Comprehensive Income and Expenditure Account</u>			
Education and Lifelong Learning	197,231	(53,921)	143,310
Social Services and Housing	182,189	(78,831)	103,358
Communities	112,611	(35,843)	76,768
Corporate Services	96,904	(59,593)	37,311
HRA	46,787	(56,670)	(9,883)
Cost of Services	635,722	(284,858)	350,864
Other Operating Expenditure	55,775	(1,866)	53,909
Financing and Investment Income and Expenditure	30,061	(1,379)	28,682
Taxation and Non-Specific Grant Income		(427,964)	(427,964)
(Surplus)/Deficit on Provision of Services			5,491
(Surplus)/deficit on revaluation of non-current assets			(84,808)
(Surplus)/deficit on revaluation of available-for-sale financial assets			0
Actuarial (gains)/losses on pensions assets/liabilities			(164,373)
Other Comprehensive Income and Expenditure			(249,181)
Total Comprehensive Income and Expenditure			(243,690)

Caerphilly County Borough Council

Notes to the Core Financial Statements

	Restatement Movement		
	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000
<u>Comprehensive Income and Expenditure Account</u>			
Education and Lifelong Learning	607	0	607
Social Services and Housing	0	0	0
Communities	9,108	0	9,108
Corporate Services	0	0	0
HRA	0	0	0
Cost of Services	9,715	0	9,715
Other Operating Expenditure	748	0	748
Financing and Investment Income and Expenditure	0	0	0
Taxation and Non-Specific Grant Income		0	0
(Surplus)/Deficit on Provision of Services			10,463
(Surplus)/deficit on revaluation of non-current assets			4,391
(Surplus)/deficit on revaluation of available-for-sale financial assets			0
Actuarial (gains)/losses on pensions assets/liabilities			0
Other Comprehensive (Income) and Expenditure			4,391
Total Comprehensive (Income) and Expenditure			14,854

	Restatement 31 March 2022		
	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000
<u>Comprehensive Income and Expenditure Account</u>			
Education and Lifelong Learning	197,838	(53,921)	143,917
Social Services, Public Protection and Corporate Policy / Social Services and Housing	182,189	(78,831)	103,358
Environment / Communities	121,719	(35,843)	85,876
Corporate Services	96,904	(59,593)	37,311
HRA	46,787	(56,670)	(9,883)
Cost of Services	645,437	(284,858)	360,579
Other Operating Expenditure	56,523	(1,866)	54,657
Financing and Investment Income and Expenditure	30,061	(1,379)	28,682
Taxation and Non-Specific Grant Income	0	(427,964)	(427,964)
(Surplus)/Deficit on Provision of Services			15,954
(Surplus)/deficit on revaluation of non-current assets			(80,417)
(Surplus)/deficit on revaluation of available-for-sale financial assets			0
Actuarial (gains)/losses on pensions assets/liabilities			(164,373)
Other Comprehensive Income and Expenditure			(244,790)
Total Comprehensive Income and Expenditure			(228,836)

Notes to the Core Financial Statements

	Original 31 March 2022	Restatement Movement	Restatement 31 March 2022
	£000	£000	£000
Balance Sheet			
Property, Plant & Equipment	1,240,507	(14,854)	1,225,653
Heritage Assets	13,780	0	13,780
Investment Properties	3,465	0	3,465
Long Term Investments	55,939	0	55,939
Long Term Debtors	2,318	0	2,318
Long Term Assets	1,316,009	(14,854)	1,301,155
Short Term Investments	146,096	0	146,096
Inventories	499	0	499
Short Term Debtors	89,048	0	89,048
Cash and Cash Equivalents	9,102	0	9,102
Current Assets	244,745	0	244,745
Short Term Borrowing	(6,823)	0	(6,823)
Short Term Creditors	(93,404)	0	(93,404)
Short Term Provisions	(1,000)	0	(1,000)
Current Liabilities	(101,227)	0	(101,227)
Long Term Provisions	(2,826)	0	(2,826)
Long Term Borrowing	(306,202)	0	(306,202)
Other Long Term Liabilities	(620,485)	0	(620,485)
Capital Grants Receipts in Advance	(1,313)	0	(1,313)
Long Term Liabilities	(930,826)	0	(930,826)
Net Assets	528,701	(14,854)	513,847
Usable Reserves	(233,308)	0	(233,308)
Unusable Reserves	(295,393)	14,854	(280,539)
Total Reserves	(528,701)	14,854	(513,847)

Caerphilly County Borough Council

Notes to the Core Financial Statements

<u>Movement in Reserves Statement</u>	Original 31 March 2022								
	Council Fund Balance	Earmarked Reserves	Total Council Fund Balances	Housing Revenue Account	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2021 Restated	(22,496)	(115,923)	(138,419)	(14,915)	(17,653)	(10,256)	(181,243)	(103,769)	(285,012)
Movement in reserves during 2021/2022									
Total Comprehensive Income and Expenditure	(1,002)	0	(1,002)	6,493	0	0	5,491	(249,181)	(243,690)
Adjustments between accounting basis and funding basis under regulations	(37,851)	0	(37,851)	(15,557)	(6,245)	(1,866)	(61,519)	61,707	188
(Increase)/Decrease in Year	(38,853)	0	(38,853)	(9,064)	(6,245)	(1,866)	(56,028)	(187,474)	(243,502)
Transfers (to)/from earmarked reserves	32,596	(32,618)	(22)	0	4,011	(26)	3,963	(4,150)	(187)
Balance at 31 March 2022	(28,753)	(148,541)	(177,294)	(23,979)	(19,887)	(12,148)	(233,308)	(295,393)	(528,701)

<u>Movement in Reserves Statement</u>	Restatement Movement								
	Council Fund Balance	Earmarked Reserves	Total Council Fund Balances	Housing Revenue Account	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Movement in reserves during 2021/2022									
Total Comprehensive Income and Expenditure	10,463	0	10,463	0	0	0	10,463	4,391	14,854
Adjustments between accounting basis and funding basis under regulations	(10,463)	0	(10,463)	0	0	0	(10,463)	10,463	0
(Increase)/Decrease in Year	0	0	0	0	0	0	0	14,854	14,854
Transfers (to)/from earmarked reserves	0	0	0	0	0	0	0	0	0
Balance at 31 March 2022	0	0	0	0	0	0	0	0	0

Caerphilly County Borough Council

Notes to the Core Financial Statements

Restatement 31 March 2022									
<u>Movement in Reserves Statement</u>	Council Fund Balance	Earmarked Reserves	Total Council Fund Balances	Housing Revenue Account	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2021 Restated	(22,496)	(115,923)	(138,419)	(14,915)	(17,653)	(10,256)	(181,243)	(103,769)	(285,012)
Movement in reserves during 2021/2022									
Total Comprehensive Income and Expenditure	9,461	0	9,461	6,493	0	0	15,954	(244,790)	(228,836)
Adjustments between accounting basis and funding basis under regulations	(48,314)	0	(48,314)	(15,557)	(6,245)	(1,866)	(71,982)	72,170	188
(Increase)/Decrease in Year	(38,853)	0	(38,853)	(9,064)	(6,245)	(1,866)	(56,028)	(172,620)	(228,648)
Transfers (to)/from earmarked reserves	32,596	(32,618)	(22)	0	4,011	(26)	3,963	(4,150)	(187)
Balance at 31 March 2022	(28,753)	(148,541)	(177,294)	(23,979)	(19,887)	(12,148)	(233,308)	(280,539)	(513,847)

Cash Flow Statement

	2021/2022 £000	Restatement Movement £000	Restated 2021/2022 £000
Net (surplus) or deficit on provision of services	(5,491)	(10,463)	(15,954)
Adjust net surplus or deficit on the provision of services for non cash movement	114,264	9,715	123,979
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(33,654)	748	(32,906)
Net cash flows from Operating Activities	75,119	0	75,119
Investing Activities	(99,148)	0	(99,148)
Financing Activities	2,306	0	2,306
Net (increase) or decrease in cash and cash equivalents	(21,723)	0	(21,723)
Cash and cash equivalents at the beginning of the reporting period	30,825	0	30,825
Cash and cash equivalents at the end of the reporting period	9,102	0	9,102

Caerphilly County Borough Council

Notes to the Core Financial Statements

<u>Expenditure and Funding Analysis</u>	2021-2022		
	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
Education and Lifelong Learning	133,484	9,826	143,310
Social Services and Housing	90,307	13,051	103,358
Communities	53,642	23,126	76,768
Corporate Services	56,489	(19,178)	37,311
HRA	(9,279)	(604)	(9,883)
Net Cost of Services	324,643	26,221	350,864
Other Income and Expenditure	(372,559)	27,186	(345,373)
Surplus/Deficit	(47,916)	53,407	5,491
Opening Council Fund and HRA Balance at 1 April	(92,126)		
	(47,916)		
Surplus/(Deficit) on Council Fund and HRA Balance in Year			
Closing Council Fund and HRA Balance at 31 March*	(140,042)		

<u>Expenditure and Funding Analysis</u>	Restated 2021-2022		
	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
Education and Lifelong Learning	133,484	10,433	143,917
Social Services and Housing	90,307	13,051	103,358
Communities	53,642	32,234	85,876
Corporate Services	56,489	(19,178)	37,311
HRA	(9,279)	(604)	(9,883)
Net Cost of Services	324,643	35,936	360,579
Other Income and Expenditure	(372,559)	27,934	(344,625)
Surplus/Deficit	(47,916)	63,870	15,954
Opening Council Fund and HRA Balance at 1 April	(92,126)		
	(47,916)		
Surplus/(Deficit) on Council Fund and HRA Balance in Year			
Closing Council Fund and HRA Balance at 31 March*	(140,042)		

Caerphilly County Borough Council

Notes to the Core Financial Statements

<u>Expenditure and Funding Analysis</u>	Restatement Movement 2021-2022		
	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
Education and Lifelong Learning	0	607	607
Social Services and Housing	0	0	0
Communities	0	9,108	9,108
Corporate Services	0	0	0
HRA	0	0	0
Net Cost of Services	0	9,715	9,715
Other Income and Expenditure	0	748	748
Surplus/Deficit	0	10,463	10,463
Opening Council Fund and HRA Balance at 1 April	0		
Surplus/(Deficit) on Council Fund and HRA Balance in Year	0		
Closing Council Fund and HRA Balance at 31 March*	0		

Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments between Funding and Accounting Basis 2021-2022			
	Adjustments for capital Purposes	Net Change for the Pensions Adjustments	Other Adjustments	Total Adjustments
	£000	£000	£000	£000
Education and Lifelong Learning	1,085	8,853	(112)	9,826
Social Services and Housing	1,539	11,541	(29)	13,051
Communities	12,895	10,262	(31)	23,126
Corporate Services	(3,761)	1,799	(17,216)	(19,178)
HRA	982	3,712	(5,298)	(604)
Net Cost of Services	12,740	36,167	(22,686)	26,221
Other income and expenditure from the Expenditure and Funding Analysis	(7,748)	14,433	20,501	27,186
Difference between Council Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	4,992	50,600	(2,185)	53,407

Caerphilly County Borough Council

Notes to the Core Financial Statements

Adjustments between Funding and Accounting Basis 2021-2022 - Restated				
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	1,692	8,853	(112)	10,433
Social Services and Housing	1,539	11,541	(29)	13,051
Communities	22,003	10,262	(31)	32,234
Corporate Services	(3,761)	1,799	(17,216)	(19,178)
HRA	982	3,712	(5,298)	(604)
Net Cost of Services	22,455	36,167	(22,686)	35,936
Other income and expenditure from the Expenditure and Funding Analysis	(7,000)	14,433	20,501	27,934
Difference between Council Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	15,455	50,600	(2,185)	63,870

Adjustments between Funding and Accounting Basis 2021-2022 - Restatement Movement				
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	607	0	0	607
Social Services, Public Protection and Corporate Policy / Social Services and Housing	0	0	0	0
Communities	9,108	0	0	9,108
Corporate Services	0	0	0	0
HRA	0	0	0	0
Net Cost of Services	9,715	0	0	9,715
Other income and expenditure from the Expenditure and Funding Analysis	748	0	0	748
Difference between Council Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	10,463	0	0	10,463

Caerphilly County Borough Council

Notes to the Core Financial Statements

Note 8 - Expenditure and Income Analysed by Nature - extract

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

	2021-2022	Assets Under Construction Impairment	Hafodyrnys Impairment	Duplicate Assets Adjustments	UEL Depreciation Adjustment	2021-2022 Restated
	£000	£000	£000			£000
Expenditure:						
Depreciation, amortisation, impairment	33,773	4,060	2,249	475	2,931	43,488
Loss on disposal of assets	3,211	0	0	748		3,959
Total expenditure	721,558	4,060	2,249	1,223	2,931	732,021
Total income	(716,067)	0	0	0	0	(716,067)
(Surplus)/Deficit on the Provision of Services	5,491	4,060	2,249	1,223	2,931	15,954

Note 9. extract Adjustments between accounting basis and funding basis under Regulations

Adjustments primarily involving the Capital Adjustment Account:

Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement

	2021/2022			Restatement Movements				
	Usable Reserves			Assets Under Construction Impairment	Hafodyrnys Impairment	Duplicate Asset Adjustment	UEL Depreciation Adjustment	Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Movement in Unusable Reserves	£000	£000	£000	£000	£000
Charges for depreciation and impairment of non-current assets	(18,325)	(15,363)	33,688	(4,060)	(2,249)	(475)	(2,931)	9,715
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	(1,226)	(76)	3,168	0	0	(748)	0	748
Total Adjustments	(37,851)	(15,557)	61,707	(4,060)	(2,249)	(1,223)	(2,931)	10,463

Notes to the Core Financial Statements

	Restated 2021/2022		
	Usable Reserves		Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	
Adjustments primarily involving the Capital Adjustment Account:	£000	£000	£000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement			
Charges for depreciation and impairment of non-current assets	(28,040)	(15,363)	43,403
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	(1,974)	(76)	2,050
Total Adjustments	(48,314)	(15,557)	72,170

Note 11. Other operating Expenditure	2021/2022	Derecognition of Capital Expenditure	Restated 2021/2022
	£000	£000	£000
Community Council Precepts	899	0	899
Gwent Police Authority Precept	17,506	0	17,506
Levies	9,685	0	9,685
(Gains)/losses on the disposal of non- current assets	1,303	748	2,051
Derecognition of Capital Expenditure	24,516	0	24,516
Total	53,909	748	54,657

Caerphilly County Borough Council

Notes to the Core Financial Statements

Note 24. Property, Plant and Equipment

	Other Land and Buildings	Restatement	Restated - Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Restatement	Restated Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Restatement	Restated Infrastructure Assets	Assets Under Construction	Restatement	Restated Assets Under Construction
Cost or valuation:	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2021	588,752	0	588,752	34,625	0	34,625	194,039	0	194,039	6,636	0	6,636
City Deal - Caerphilly's share of fixed assets at 1.4.21	0	0	0	0	0	0	0	0	0	296	0	296
Additions	12,062	0	12,062	2,488	0	2,488	4,970	0	4,970	5,762	0	5,762
Revaluation Increases to Revaluation Reserve	24,328	(1,408)	22,920	487	0	487	0	0	0	0	0	0
Revaluation Decreases to Revaluation Reserves	(9,761)	(2,983)	(12,744)	(85)	0	(85)	0	0	0	0	0	0
Revaluation Increases to Surplus/Deficit on Provision of Services	7,772	0	7,772	69	0	69	0	0	0	0	0	0
Revaluation Decreases to Surplus/Deficit on Provision of Services	(2,025)	(6,856)	(8,881)	0	0	0	0	0	0	0	0	0
Derecognitions - Disposals	(985)	(748)	(1,733)	(1,762)	0	(1,762)	0	0	0	0	0	0
Derecognitions - Other	(4,708)	0	(4,708)	0	0	0	0	0	0	0	0	0
Other Movements in Cost or Valuation	1,662	6,259	7,921	0	0	0	0	0	0	(1,684)	(6,259)	(7,943)
City Deal - Caerphilly's share of fixed assets at 1.4.21	0	0	0	500	0	500	0	0	0	(199)	0	(199)
At 31 March 2022	617,097	(5,736)	611,361	36,322	0	36,322	199,009	0	199,009	10,811	(6,259)	4,552
Accumulated Depreciation and impairment:												
At 1 April 2021	(4,375)	0	(4,375)	(22,093)	0	(22,093)	0	0	0	0	0	0
Depreciation Charge	(12,718)	0	(12,718)	(2,578)	(607)	(3,185)	(9,486)	(2,324)	(11,810)	0	0	0
Depreciation written back on Valuation	8,667	72	8,739	638	0	638	0	0	0	0	0	0
Depreciation written back on Disposals	0	0	0	1,002	0	1,002	0	0	0	0	0	0
City Deal - Caerphilly's share of FA Depreciation	0	0	0	(72)	0	(72)	0	0	0	0	0	0
At 31 March 2022	(8,426)	72	(8,354)	(23,103)	(607)	(23,710)	(9,486)	(2,324)	(11,810)	0	0	0
Net Book Value at 31 March 2022	608,671	(5,664)	603,007	13,219	(607)	12,612	189,523	(2,324)	187,199	10,811	(6,259)	4,552

Caerphilly County Borough Council

Notes to the Core Financial Statements

Note 33 - Revaluation Reserve	2021/2022		Restated 2021/2022	
	£000	£000	£000	£000
Balance as at 1 April		(554,746)		(554,746)
Historic Cost Adjustment between Revaluation Reserve and Capital Adjustment Account		(32,119)		(32,119)
Downward revaluation of assets and impairment losses not charged to the Surplus and Deficit on the Provision of Services	9,846		2,983	12,829
Surplus on Revaluation of Assets	(94,654)		1408	(93,246)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(84,808)		(80,417)
Difference between fair value depreciation and historical cost depreciation	15,033			15,033
Clear Revaluation Reserve for Assets Disposed in year.	0		676	676
Amount written off to the Capital Adjustment Account		15,033		15,709
Balance as at 31 March		(656,640)		(651,573)

Note 34 - Capital Adjustment account - Extract	2021/2022		Duplicate		UEL		Restated 2021/2022
	£000	£000	Assets Under Construction Impairment	Hafodrynys Impairment	Asset Adjustments	Depreciation Adjustment	
Balance as at 1 April	(258,928)						(258,928)
Depreciation:							0
In year charge	40,122	0	0	0	0	2,931	43,053
Attributable to revaluations	(39,670)	0	0	0	(72)	0	(39,742)
Asset Revaluations / Impairments:							0
Price adjustments	(5,816)	4,060	2,249	547	0	0	1,040
Disposals - Council Fund	2,874	0	0	72	0	0	2,946
Total capital costs	41,869	4,060	2,249	547	2,931	0	51,656
Balance as at 31 March	(232,745)	4,060	2,249	547	2,931	0	(222,958)

Notes to the Core Financial Statements

Note 43 - Cash Flow Statement - Adjustments to Surplus or Deficit	<u>2021/2022</u> £000	Assets Under Construction Impairment £000	Hafodrynys Impairment £000	Duplicate Asset Adjustments	UEL Depreciation Adjustment £000	Restated 2021/222 £000
Adjustment to surplus or deficit on provision of services for non-cash movements:						
Depreciation and Impairment - inclusive of downward revaluation	39,588	4,060	2,249	475	2,931	49,303
IAS19 Pensions Adjustment	50,595	0	0	0	0	50,595
Derecognition of Capital Expenditure	18,843	0	0	0	0	18,843
Other non-cash items charged to the net surplus or deficit on the provision of services	(5,814)	0	0	0	0	(5,814)
Increase / (Decrease) in Inventories	(95)	0	0	0	0	(95)
Increase / (Decrease) in Debtors	(7,150)	0	0	0	0	(7,150)
(Increase) / Decrease in Creditors	18,297	0	0	0	0	18,297
	114,264	4,060	2,249	475	2,931	123,979
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	(34,814)	0	0	0	0	(34,814)
Carrying amount of non-current assets and held for sale assets	3,169	0	0	0	0	3,169
Net loss on sale of fixed assets	(2,009)	0	0	748	0	(1,261)
	(33,654)	0	0	748	0	(32,906)

6. 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 2021-2022				2022-2023		
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
133,484	10,433	143,917	Education and Lifelong Learning	164,104	16,963	181,067
90,307	13,051	103,358	Social Services and Housing	112,940	10,483	123,423
53,642	32,234	85,876	Communities	54,777	20,985	75,762
56,489	(19,178)	37,311	Corporate Services	76,041	(19,405)	56,636
(9,279)	(604)	(9,883)	Housing Revenue Account	(4,149)	(4,912)	(9,061)
324,643	35,936	360,579	Net Cost of Services	403,713	24,114	427,827
(372,559)	27,934	(344,625)	Other Income and Expenditure	(394,529)	25,686	(368,843)
(47,916)	63,870	15,954	Surplus/Deficit	9,184	49,800	58,984
(153,337)			Opening Council Fund and HRA Balance at 1 April	(201,253)		
(47,916)			Surplus or (Deficit) on Council Fund and HRA Balance in Year	9,184		
(201,253)			Closing Council Fund and HRA Balance at 31 March*	(192,069)		

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

Caerphilly County Borough Council

Notes to the Core Financial Statements

Adjustments between Funding and Accounting Basis 2022-2023				
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	(3,371)	3,320	(19,354)	(19,405)
Housing Revenue Account	(3,720)	3,268	(4,460)	(4,912)
Net Cost of Services	14,106	32,810	(22,802)	24,114
Other income and expenditure from the Expenditure and Funding Analysis	(14,480)	16,381	23,785	25,686
Difference between Council Fund surplus/deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(374)	49,191	983	49,800

Restated Adjustments between Funding and Accounting Basis 2021-22				
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	1,692	8,853	(112)	10,433
Social Services and Housing	1,539	11,541	(29)	13,051
Communities	22,003	10,262	(31)	32,234
Corporate Services	(3,761)	1,799	(17,216)	(19,178)
Housing Revenue Account	982	3,712	(5,298)	(604)
Net Cost of Services	22,455	36,167	(22,686)	35,936
Other income and expenditure from the Expenditure and Funding Analysis	(7,000)	14,433	20,501	27,934
Difference between Council Fund surplus/deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	15,455	50,600	(2,185)	63,870

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.

7. 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 9th May 2024. 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

8. Expenditure and Income Analysed by Nature

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

	Restated 2021-2022	2022-2023
	£000	£000
Expenditure:		
Employee benefits expenses	257,139	284,391
Other service expenses	308,662	328,336
IAS 19 Pension Costs	50,595	49,186
Depreciation, amortisation, impairment and other movements in revaluations	43,488	37,699
Interest payments	15,615	18,318
Precepts and Levies	28,090	29,400
Loss on disposal of assets	3,959	1,194
Derecognition of Expenditure	24,473	23,166
Total expenditure	732,021	771,690
Income:		
Fees, charges and other service income	(133,568)	(127,708)
Gain on disposal of assets	(1,866)	0
Interest and investment income	(1,379)	(3,731)
Income from council tax, non-domestic rates	(153,435)	(160,785)
Government grants and contributions	(425,819)	(420,482)
Total income	(716,067)	(712,706)
(Surplus)/Deficit on the Provision of Services	15,954	58,984

9. 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 accounting practice. The Council Fund Balance therefore summarises the resources that the Authority

Notes to the Core Financial Statements

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 23.

Caerphilly County Borough Council

Notes to the Core Financial Statements

<u>2022/2023</u>	Usable Reserves				Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
Adjustments primarily involving the Capital Adjustment Account:	£000	£000	£000	£000	£000
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	488	0	0	0	(300)
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	(17,411)
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	(1,122)	(58)	0	0	1,180
City Deal - Accumulated Absence	(5)	0	0	0	5
Total Adjustments	(38,275)	(11,524)	267	(1,300)	51,021

Notes to the Core Financial Statements

<u>Restated 2021/2022</u>	Usable Reserves				Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£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	(28,040)	(15,363)	0	0	43,403
Capital grants and contributions applied	19,162	8,787	0	0	(27,949)
Revenue expenditure funded from capital under statute	(2,682)	0	0	0	2,682
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	(1,974)	(76)	(1,866)	0	3,916
Derecognition of Capital Expenditure charged to the Comprehensive Income and Expenditure Statement	(4,708)	(19,808)	0	0	24,516
City Deal - Capital Adjustment Account	488	0	0	0	(300)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment	4,782	2,370	0	0	(7,152)
Capital expenditure charged against the Council Fund and Housing Revenue Account balances	3,324	12,226	0	0	(15,550)
Adjustments primarily involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	6,245	0	0	(6,245)	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	1,793	0	0	0	(1,793)
Adjustments primarily involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(73,079)	(5,958)	0	0	79,037
Employer's pensions contributions and direct payments to pensioners payable in the year	26,196	2,246	0	0	(28,442)
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	184	19	0	0	(203)
City Deal - Accumulated Absence	(5)	0	0	0	5
Total Adjustments	(48,314)	(15,557)	(1,866)	(6,245)	72,170

Caerphilly County Borough Council

Notes to the Core Financial Statements

10. 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 2022/2023.

	Note	Balance at 1 April 2021 £000	Transfers from £000	Transfers to £000	Balance at 31 March 2022 £000	Transfers from £000	Transfers to £000	Balance at 31 March 2023 £000
Council Fund:								
Balances held by schools under a scheme of delegation	40	(11,340)	0	(5,923)	(17,263)	6,341	(393)	(11,315)
Capital Earmarked Reserves	39	(39,787)	7,877	(11,861)	(43,771)	2,609	(7,643)	(48,805)
Direct Services Earmarked Reserves		(84)	0	(1)	(85)	0	(2)	(87)
Service over/underspend Reserves	41	(7,286)	13,719	(15,303)	(8,870)	15,318	(10,328)	(3,880)
Insurance Earmarked Reserves	37	(6,021)	55	(1,294)	(7,260)	1,342	0	(5,918)
Other Earmarked Reserves	42	(51,399)	5,935	(25,772)	(71,236)	34,794	(20,509)	(56,951)
Cardiff Regional City Deal Earmarked Reserves		(6)	0	(50)	(56)	0	(52)	(108)
Total		(115,923)	27,586	(60,204)	(148,541)	60,404	(38,927)	(127,064)
Housing Revenue Account:								
HRA Fund Balance		(14,915)	0	(9,064)	(23,979)	5,869	(10,068)	(28,178)

11. Other Operating Expenditure

Other operating expenditure is made up as follows:

	Restated 2021/2022 £000	2022/2023 £000
Town and Community Council Precepts	899	928
Gwent Police Authority Precept	17,506	18,551
Levies	9,685	9,921
(Gains)/losses on the disposal of non-current assets	2,051	1,194
Derecognition of capital expenditure	24,516	23,166
Total	54,657	53,760

Caerphilly County Borough Council

Notes to the Core Financial Statements

Levies	2021/2022	2022/2023
	£000	£000
South Wales Fire Authority	9,099	9,287
Gwent Coroners' Service	365	395
Glamorgan Archives' Service	84	91
Gwent Archives' Service	137	148
Total Levies	9,685	9,921

Precepts	2021/2022	2022/2023
	£000	£000
Town and Community Councils:		
Aber Valley Community Council	40	40
Argoed Community Council	13	14
Bargoed Town Council	125	150
Bedwas, Trethomas and Machen Community Council	100	102
Blackwood Community Council	59	59
Caerphilly Town Council	97	98
Darren Valley Community Council	13	13
Draethen, Waterloo and Rudry Community Council	20	20
Gelligaer Community Council	133	133
Llanbradach Community Council	34	35
Maesycwmmmer Community Council	18	18
Nelson Community Council	29	29
New Tredegar Community Council	17	17
Penyrheol, Treceenydd and Energlyn Community Council	64	64
Rhymney Community Council	35	35
Risca East Community Council	25	24
Risca West Community Council	50	50
Van Community Council	27	27
	899	928
Gwent Police Authority	17,506	18,551
Total Precepts upon the Authority	18,405	19,479

12. Financing and Investment Income and Expenditure

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

	2021/2022	2022/2023
	£000	£000
Interest payable and similar charges	15,615	18,318
Pensions interest costs and expected return on pensions assets	14,433	16,381
Interest receivable and similar income	(1,379)	(3,742)
City Deal - change in fair value of investment properties	13	13
Total	28,682	30,970

Caerphilly County Borough Council

Notes to the Core Financial Statements

13. Taxation and Grant Income

	2021/2022 £000	2022/2023 £000
Council tax income	(94,098)	(96,468)
Non domestic rates	(59,337)	(64,317)
Non-ringfenced government grants	(237,449)	(253,142)
Capital grants and contributions	(37,138)	(39,084)
City Deal - Corporation Tax	58	(562)
Total	(427,964)	(453,573)

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, £1,253.95 in 2022/2023 (£1,230.57 in 2021/2022) is multiplied by the proportion specified for the particular band, adjusted for discount, to give the individual amount due. The total amount due for 2022/2023 was £97.4m (£94.8m in 2021/2022).

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	8,608	18,288	14,804	8,596	7,584	3,174	1,275	181	118

Analysis of the net proceeds from council tax:

	2021/2022 £000	2022/2023 £000
Council tax collectable		
Caerphilly County Borough Council	(76,398)	(77,914)
Gwent Police Authority - see note 11	(17,506)	(18,551)
Community Councils - see note 11	(899)	(928)
Total amount due	(94,803)	(97,393)
Less: Bad Debt Provision	705	925
Net proceeds from council tax	(94,098)	(96,468)

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 2022/2023, 53.5p in 2021/2022) 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 2022/2023 was £64.317m in total (£59.337m in 2021/2022).

Notes to the Core Financial Statements

The anticipated NNDR proceeds of £37.3m for 2022/2023 (£37.8m in 2021/2022) was based on a total rateable value at the year-end of £86.8m (£87.4m for 2021/2022).

Analysis of the net proceeds from Non-Domestic Rates:	2021/2022	2022/2023
	£000	£000
Actual proceeds	(36,374)	(36,739)
Less: Discretionary relief	447	344
Cost of collection	284	288
Bad and doubtful debts	117	(20)
Contribution to NNDR Pool	<u>(35,526)</u>	<u>(36,127)</u>
Redistributed amount due from NNDR Pool	(59,337)	(64,317)
Amount received from NNDR Pool	<u>(59,337)</u>	<u>(64,317)</u>

Non ring-fenced government grants

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/2023:

	2021/2022	2022/2023
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(236,571)	(253,142)
Hardship Fund - Council Tax Collection Grant	(878)	0
Total	<u>(237,449)</u>	<u>(253,142)</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:

Business Support Grants

Grants were payable to business of specific types (including retail, hospitality and leisure) that were liable for non-domestic rates and also for businesses that were forced to close or were materially impacted by the restrictions in place during lockdowns.

Retail, Leisure and Hospitality Rate Relief

To provide support for eligible properties by offering a discount of 100% on the non-domestic rates bill for 2021/2022 and 2022/2023.

Care Workers Payments

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

Freelancer Grants

Caerphilly County Borough Council

Notes to the Core Financial Statements

Grant provided to support freelance workers in cultural and creative sectors.

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

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 2022/2023.

2021/2022				2022/2023		
Payments Made	Funding Received	Balance at 31 March 2022		Payments Made	Funding Received	Balance at 31 March 2023
£000	£000	£000		£000	£000	£000
3,587	(4,725)	(1,139)	Business Support Grants	0	0	0
3,978	(3,972)	6	Care Worker Payments	5,007	0	5,007
113	(110)	3	Freelancer Grants	0	0	0
0	0	0	Cost of Living Support Scheme	9,946	(10,151)	(205)
3,512	(2,625)	887	Self Isolation Payments	1,151	(2,905)	(1,754)
2,247	(887)	1,360	Winter Fuel Payments	4,626	(5,641)	(1,015)
189	(192)	(3)	SSP Enhancement Payments	218	(212)	6
0	0	0	Unpaid Carers Grant	1,455	(1,454)	1
0	0	0	Alternative Fuel Payments	7	(91)	(84)
0	0	0	Energy Bill Scheme	32	(551)	(519)
13,625	(12,512)	1,112	Total	22,442	(21,005)	1,437

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

Caerphilly County Borough Council

Notes to the Core Financial Statements

	2021/2022 £000	2022/2023 £000
Capital Grants		
Welsh Government Grant	(16,040)	(27,703)
General Capital Grant	(8,674)	(3,328)
MRA Grant	(7,297)	(7,296)
Transport Grant	(1,785)	0
Other Grants	(398)	(757)
Total Capital Grants	(34,194)	(39,084)
Revenue Grants > £5m		
Housing Benefit Subsidy	(44,923)	(42,495)
Covid 19 Hardship Fund	(16,090)	(831)
Housing Support Grant	(8,140)	(8,513)
Children & Communities (Families First)	(3,491)	(3,130)
LA Education Grant	(10,463)	(8,198)
Pupil Development Grant	(6,747)	(7,566)
Regional School Improvement Grant	(6,285)	(6,306)
Children & Communities Grant	(5,328)	(7,057)
Revenue Grants > £1m		
Post 16 Schools	(4,516)	(3,967)
School to School Regional Consortium Grant	(4,209)	(3,297)
Social Care Recovery Fund	(4,036)	0
Free School Meals	0	(2,588)
Concessionary fares	(3,866)	(2,502)
Childcare Offer	(3,454)	(4,099)
Loss of Income	(2,100)	0
Grants from 3rd Parties	(2,916)	(3,063)
Sustainability and Workforce Grant	(2,974)	(2,678)
Housing Benefits - B&B	(1,903)	(1,409)
Cost Of Living	(1,670)	(296)
Sustainable Waste Management Grant	(1,164)	(833)
European Social Fund Grant	(1,136)	(865)
Community Care Grant	(1,122)	(985)
Early Years	0	(1,197)
Flood Response	(214)	(844)
Revenue Grants > £0.5m		
Circular Economy Funding	(951)	0
Sports Council For Wales	(926)	(867)
European Regional Development Fund	(897)	(812)
Youth Support Grant	(873)	(592)
Coal Tips	(847)	0
Project Gwyrdd	(783)	(783)
Housing Benefits Grant	(719)	(339)
Road Maintenance	(709)	(326)
Housing Benefit Admin Grant	(606)	(601)
WG Homelessness Grant	0	(847)
Adult Learning Grant	0	(569)
ALN Covid Recovery Grant	0	(535)
Revenue Grants < £0.5m		
Other	(6,625)	(7,768)
Total Revenue Grants	(150,683)	(126,758)
Non Specific Grant Income		
Non Domestic Rates (NDR)	(59,337)	(64,317)
Revenue Support Grant (RSG)	(237,449)	(253,142)
Total Non-Specific Grant Income	(296,786)	(317,459)

Caerphilly County Borough Council

Notes to the Core Financial Statements

14. Financial Instruments

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

	31 March 2022					31 March 2023				
	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
Financial Assets	Investments		Debtors		Total	Investments		Debtors		Total
Fair value through profit or loss	0	40,015	0	0	40,015	0	40,131	0	0	40,131
Amortised cost	33,847	115,183	2,312	26,225	177,567	37,371	92,006	2,773	36,670	168,820
Fair value through OCI	22,092	0	0	0	22,092	19,481	0	0	0	19,481
Total financial assets	55,939	155,198	2,312	26,225	239,674	56,852	132,137	2,773	36,670	228,432
Non-financial assets	0	0	6	62,823	62,829	0	0	6	59,005	59,011
Total	55,939	155,198	2,318	89,048	302,503	56,852	132,137	2,779	95,675	287,443
Financial Liabilities	Borrowings		Creditors		Total	Borrowings		Creditors		Total
Amortised cost	(306,202)	(6,823)	(27,603)	(63,168)	(403,796)	(302,311)	(8,937)	(22,706)	(59,037)	(392,991)
Total financial liabilities	(306,202)	(6,823)	(27,603)	(63,168)	(403,796)	(302,311)	(8,937)	(22,706)	(59,037)	(392,991)
Non-financial liabilities	0	0	(592,882)	(30,236)	(623,118)	0	0	(119,227)	(34,649)	(153,876)
Total	(306,202)	(6,823)	(620,485)	(93,404)	(1,026,914)	(302,311)	(8,937)	(141,933)	(93,686)	(546,867)

Caerphilly County Borough Council

Notes to the Core Financial Statements

Income, Expenses, Gains and Losses

	2021/2022		2022/2023	
	(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	(500)	0	(1,051)	0
• equity instruments measured at fair value through profit and loss	(35)	0	(850)	0
Dividend Income:				
• fair value through other comprehensive income	(844)	0	(965)	0
(Gains) or losses				
• financial assets measured at fair value	0	(1,783)	0	2,611
Total interest and investment income	(1,379)	(1,783)	(2,866)	2,611
Interest expense and similar charges	15,615	0	16,135	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 2022	31 March 2023
	£000	£000
	Soft Loans	
Opening carrying amount as at 1 April	11,896	14,746
Cash value of new loans made in year	5,175	0
Fair value adjustment on initial recognition	(2,574)	1,437
Increase in discounted amount due to passage of time	249	300
Closing carrying amount as at 31 March	14,746	16,483

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 2023 the impairment loss allowance on an £118.715m of investments held at amortised cost was £7k.

Notes to the Core Financial Statements

	<u>31 March 2022</u>		<u>31 March 2023</u>	
	Amortised Cost	Impairment Loss Provision	Amortised Cost	Impairment Loss Provision
	£000	£000	£000	£000
Cash and Cash Equivalents	9,102	0	21,332	0
Fixed Term Deposits	88,585	6	77,227	7
Negotiable Instruments	51,104	6	30,579	0
Trade Receivables for goods and services provided	28,537	325	39,443	325
City Deal - Caerphilly's Share	239	0	239	0
Total Financial Assets held at Amortised Cost	177,567	337	168,820	332

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 2023, the Authority had two money market Sterling investment funds with a fair value of £40.131m. 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 2022</u>		<u>31 March 2023</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	40,015	40,015	40,131	40,131
	40,015	40,015	40,131	40,131

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 Nat 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.

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

Notes to the Core Financial Statements

As at 31st March 2023, 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 2022		31 March 2023	
	Fair value	Dividends	Fair value	Dividends
	£000	£000	£000	£000
CCLA Property Fund	10,944	396	9,140	396
Fundamentum REIT	981	16	895	26
Aegon Asset Management plc	2,478	126	2,171	127
Schroder Investment Management Ltd	2,759	177	2,614	197
Columbia Threadneedle Investments	2,375	49	2,129	78
Fidelity International	2,555	80	2,532	142
	22,092	844	19,481	966

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 2022 £000	As at 31 March 2023 £000
<i>Fair Value Through Profit or Loss:</i>				
Equity shareholders in quoted UK companies	Level 2	Quoted prices other than quoted prices in Level 1	40,015	40,131
<i>Fair Value Through OCI:</i>				
Equity shareholders in quoted UK companies	Level 1	Market Price	22,092	19,481
Total			62,107	59,612

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.

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.

Notes to the Core Financial Statements

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 2023 quoted via Bloomberg or directly from the Custodian as these are accurate sources of information on price.

For loans borrowed at 31st March 2023 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 £40.344m 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.

<u>Financial Assets held at Amortised Cost</u>	31 March 2022		31 March 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Investments	139,689	140,727	108,045	105,091
Long term debtors	2,312	2,312	2,773	2,773
	142,001	143,039	110,818	107,864

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

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:

Caerphilly County Borough Council

Notes to the Core Financial Statements

	<u>31 March 2022</u>		<u>31 March 2023</u>	
	Short term	Long term	Short term	Long term
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Public Works Loan Board	(5,702)	(246,452)	(7,816)	(240,772)
Bank Loans	(563)	(40,343)	(563)	(40,342)
Other Loans	(558)	(19,407)	(558)	(21,196)
Private Finance Initiative Contracts	(2,201)	(24,256)	(2,226)	(21,674)
Lease Payables	(72)	(321)	(70)	(328)
Creditors - financial liabilities carried at contract amount	(60,895)	(3,026)	(56,741)	(703)
Total Financial Liabilities measured at Amortised Cost	(69,991)	(333,805)	(67,974)	(325,015)

The fair values are as follows:

	<u>31 March 2022</u>		<u>31 March 2023</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Financial liabilities	(313,025)	(243,798)	(311,248)	(300,161)
PFI and Finance Lease liabilities	(26,850)	(23,280)	(24,297)	(19,010)
Creditors	(63,921)	(63,921)	(57,444)	(57,444)
	(403,796)	(330,999)	(392,989)	(376,615)

Analysis of Liabilities by maturity

	<u>31 March 2022</u>	<u>31 March 2023</u>
	<u>£000</u>	<u>£000</u>
Maturing within 1 year	(69,991)	(69,381)
Maturing in 1 - 2 years	(9,252)	(6,668)
Maturing in 2 - 5 years	(13,686)	(29,357)
Maturing in 5 - 10 years	(36,023)	(41,214)
Maturing in 10 - 15 years	(79,743)	(104,579)
Maturing in 15 - 20 years	(61,891)	(20,906)
Maturing in 20 - 25 years	(38,694)	(31,357)
Maturing in 25 - 30 years	(9,977)	(11,972)
Maturing in 30 - 35 years	(50,196)	(49,712)
Maturing in 35 - 40 years	(14,000)	(7,500)
Maturing in 40 - 45 years	(10,000)	(20,342)
Maturing in 45 - 50 years	(10,343)	(1)
	(403,796)	(392,989)

Caerphilly County Borough Council

Notes to the Core Financial Statements

31 March 2023

Recurring fair value measurements using:	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
Financial liabilities				
<i>Financial liabilities held at amortised cost:</i>				
Loans/borrowings	0	(300,161)	0	(300,161)
Short-term creditors	0	(57,444)	0	(57,444)
<i>PFI and finance lease liabilities</i>	0	(19,010)	0	(19,010)
Total	0	(376,615)	0	(376,615)

Financial assets

Financial Assets held at Amortised Cost	0	117,743	0	117,743
Equity Instruments: Fair Value through Profit & Loss	19,481	0	0	19,481
Equity Instruments: Fair Value through Other Comprehensive Income	0	40,131	0	40,131
Total	19,481	157,874	0	177,355

31 March 2022

Recurring fair value measurements using:	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
Financial liabilities				
<i>Financial liabilities held at amortised cost:</i>				
Loans/borrowings	0	(243,798)	0	(243,798)
Short-term creditors	0	(63,921)	0	(63,921)
<i>PFI and finance lease liabilities</i>	0	(23,280)	0	(23,280)
Total	0	(330,999)	0	(330,999)

Financial assets

Financial Assets held at Amortised Cost	0	140,727	0	140,727
Equity Instruments: Fair Value through Profit & Loss	22,092	0	0	22,092
Equity Instruments: Fair Value through Other Comprehensive Income	0	40,015	0	40,015
Total	22,092	180,742	0	202,834

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 2023) arising from a commitment to pay interest to lenders above current market rates.

As at 31 March 2023, 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 2023. 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 2023.

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 2023 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 2023 were of 4.277% to 5.28% 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 "2022/23 Treasury Management Annual Strategy (including Prudential Indicators)" was approved by Council on 24 February 2022 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 2022/2023 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 Restated Credit Rating	31 March 2022		31 March 2023	
	Long-Term £000	Short-term £000	Long-Term £000	Short-Term £000
A+	2	4	0	37
A	1	2	0	0
A-	1	1	0	0
BBB+	0	2	0	0
Debtors	0	27	0	37
	<u>4</u>	<u>36</u>	<u>0</u>	<u>74</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 2023, 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 2022 £000	31 March 2023 £000
Three to six months	1,969	2,488
Six months to one year	2,492	1,219
More than one year	3,065	7,301
	<u>7,526</u>	<u>11,008</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.

Notes to the Core Financial Statements

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
- 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 2022/2023):

Prudential Indicator Analysis						
Period	Minimum	Maximum	31 March 2022		31 March 2023	
			£000		£000	
<12 Months	0%	35%	6,823	2%	8,937	3%
1-2 Years	0%	40%	3,884	1%	3,647	1%
2-5 Years	0%	50%	6,279	2%	21,413	7%
5-10 Years	0%	75%	97,713	31%	31,299	9%
>10 Years	0%	95%	198,327	64%	245,952	80%
			313,026	100%	311,248	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 2023, the Authority had £10m held in variable rate bank notice accounts. 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

Notes to the Core Financial Statements

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. 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 2022/2023 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 2023, with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	239
Increase in interest receivable on variable rate investments	(500)
Decrease in fair value of investments held at FVPL	0
Impact on Surplus or Deficit on the Provision of Services	(261)
Decrease in fair value of investments held at FVOCI	114
Impact on Surplus or Deficit on Provision of Services	114
Decrease in fair value of fixed rate investment assets	1,140
Impact on Surplus or Deficit on Provision of Services	1,140

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 2023, 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.

15. 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

	2021/2022		2022/2023	
	% of pensionable		% of pensionable	
	£m	pay	£m	pay
Employer's contribution paid	26.543	21.50	30.984	22.50
Added years paid	0.963	0.78	0.939	0.68

- 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.

	2021/2022		2022/2023	
	% of pensionable		% of pensionable	
	£m	pay	£m	pay
Employer's contribution paid (% change from 1.9.19)	14.872	23.68	15.682	23.68
Added years paid	1.678	2.67	1.710	2.58

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, Tonypanyd CF40 2XX.

Unfunded Teachers Pensions Liability

This liability exists in respect of unfunded Teachers' Discretionary Benefits paid to the former Authority employees by the Greater Gwent (Torfaen) 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 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	
	2021/2022	2022/2023	2021/2022	2022/2023
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement:				
Cost of Services				
<i>Service cost comprising:</i>				
• current service cost	65,158	65,334	0	0
• past service costs	(1,160)	0	0	0
• (gain)/loss from settlements/curtailments	0	0	0	0
• administration expenses	606	686	0	0
<i>Financing and Investment Income and Expenditure</i>				
• net interest expense	13,749	15,554	684	827
<i>Total Post Employment Benefits charged to the Surplus or Deficit on Provision of Services</i>	78,353	81,574	684	827
<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)	(36,587)	31,865	0	0
• actuarial (gains) / losses arising on changes in demographic assumptions	(9,169)	(65,764)	(352)	(433)
• actuarial (gains) / losses arising on changes in financial assumptions	(118,462)	(599,984)	(1,150)	(6,022)
• actuarial (gains) / losses - experience	2,065	115,547	(718)	1,232
<i>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</i>	(83,800)	(436,762)	(1,536)	(4,396)
	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2021/2022	2022/2023	2021/2022	2022/2023
	£000	£000	£000	£000
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	(78,353)	(81,574)	(684)	(827)
<i>Actual Amount Charged Against the Council Fund Balance for Pensions in the Year:</i>				
• employers' contributions payable to the scheme	26,480	31,302	1,962	1,913

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 2023 is a gain of £378.391m (£161.034m loss to 31 March 2022).

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:

	2021/2022	2022/2023
	£000	£000
Present value of the defined benefit obligation:		
• Local Government Pension Scheme	(1,535,049)	(1,053,226)
• Former Authorities' Liability	(5,252)	(4,519)
• Teachers' Unfunded Discretionary Pension	(26,147)	(20,571)
Fair value of plan assets:		
• Local Government Pension Scheme	975,801	962,042
Net liability arising from defined benefit obligations	(590,647)	(116,274)

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 2019 covers the contribution rates from 1 April 2020 until 31 March 2023. The rates will remain at a minimum of 21.5% for the first two years and increase to a minimum 22.5% 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 2024 is £32.255m.

Caerphilly County Borough Council

Notes to the Core Financial Statements

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

	<u>2022/2023</u>			Total £000
	Greater Gwent Scheme £000	Former Authorities Liability £000	Unfunded Teachers' Pension £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

	<u>2021/2022</u>			Total £000
	Greater Gwent Scheme £000	Former Authorities Liability £000	Unfunded Teachers' Pension £000	
Opening balance at 1 April	1,585,245	5,813	29,084	1,620,142
Current service cost	65,764	0	0	65,764
Interest cost	32,113	117	567	32,797
Contributions by scheme participants	7,511	0	0	7,511
Remeasurement (gains) and losses:				
• Actuarial (gains) / losses arising from changes in demographic assumptions	(9,169)	(96)	(256)	(9,521)
• Actuarial (gains) / losses arising from changes in financial assumptions	(118,462)	(113)	(1,037)	(119,612)
• Actuarial (gains) / losses - experience	2,065	21	(739)	1,347
Past service costs	0	0	0	0
Losses / (gains) on curtailment	0	0	0	0
Benefits paid	(30,018)	(490)	(1,472)	(31,980)
Closing balance at 31 March	1,535,049	5,252	26,147	1,566,448

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.

Caerphilly County Borough Council

Notes to the Core Financial Statements

	Greater Gwent Scheme		Former Authorities Liability		Unfunded Teachers' Pension	
	2021/2022	2022/2023	2021/2022	2022/2023	2021/2022	2022/2023
	£000	£000	£000	£000	£000	£000
Opening fair value of scheme assets	916,877	975,801	0	0	0	0
Interest Income	18,364	26,429	0	0	0	0
Remeasurement gain/(loss)						
• return on plan assets, excluding the amount included in net interest expense	36,587	(31,865)	0	0	0	0
• Other - experience	0	(15,866)				
• member contributions	7,511	8,505	0	0	0	0
Contributions from employer	26,039	30,883	490	475	1,913	1,857
Benefits paid	(29,577)	(31,845)	(490)	(475)	(1,913)	(1,857)
Administration expenses	0	0	0	0	0	0
Closing fair value of scheme assets	975,801	962,042	0	0	0	0

Local Government Pension Scheme assets comprised:

	31 March 2022				31 March 2023			
	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	% of total assets	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	% of total assets
UK Property	0	20,721	20,721	2%	0	19,483	19,483	2%
Overseas Property	0	0	0	0%	0	0	0	0%
Investment Funds and Unit Trusts:							0	
Equities	0	726,219	726,219	74%	0	710,208	710,208	74%
Bonds	0	139,787	139,787	14%	0	128,160	128,160	13%
Infrastructure	0	0	0	0%	0	12,918	12,918	1%
Other	0	85,915	85,915	9%	0	86,281	86,281	9%
Cash and Cash Equivalents:								
All	0	3,159	3,159	1%	0	4,992	4,992	1%
	0	975,801	975,801	100%	0	962,042	962,042	100%

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 2023, the discount rate has been calculated as a weighted average of "spot yields"

Notes to the Core Financial Statements

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		Teachers' Pension Scheme	
	2021/2022	2022/2023	2021/2022	2022/2023	2021/2022	2022/2023
<i>Mortality assumptions:</i>						
Longevity at 65 for current pensioners:						
- Men	20.5	20.0	21.6	21.6	20.5	20.0
- Women	23.2	22.9	23.9	24.2	23.2	22.9
Longevity at 65 for future pensioners:						
- Men	21.8	20.8	n/a	n/a	n/a	n/a
- Women	25.1	24.7	n/a	n/a	n/a	n/a
Rate of inflation	3.2%	4.8%	3.1%	2.7%	3.2%	4.8%
Rate of increase in salaries	3.5%	3.5%	n/a	n/a	3.5%	3.5%
Rate of increase in pensions	3.2%	3.0%	3.1%	2.7%	3.2%	3.0%
Rate for discounting scheme liabilities	2.7%	4.8%	2.8%	4.8%	2.7%	4.8%
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.

Impact on the Defined Benefit Obligation in the Greater Gwent (Torfaen) Pension Scheme	Increase in obligation £000	Decrease in obligation £000
Rate of increase in pension rate (increase by 0.1%)	17,479	0
Rate of increase in salaries (increase by 0.1%)	2,976	0
Rate for discounting scheme liabilities (decrease by 0.1%)	20,165	0

It is estimated that a one year increase in life expectancy would increase the Employer's Defined Benefit Obligation by 4%

Notes to the Core Financial Statements

16. 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 24.

	31 March 2022			31 March 2023		
	Road £000	Schools £000	Total £000	Road £000	Schools £000	Total £000
Gross PFI Liabilities are due:						
Payable in 2023/2024	2,621	1,599	4,220	2,499	1,638	4,137
Payable within 2 to 5 years	8,947	6,980	15,927	8,608	7,276	15,884
Payable within 6 to 10 years	7,238	9,469	16,707	5,278	8,314	13,592
Payable within 11 to 15 years	524	779	1,303	324	0	324
Total Gross Liabilities	19,330	18,827	38,157	16,709	17,228	33,937
Net PFI Liabilities are due:						
Payable in 2023/2024	1,499	702	2,201	1,441	784	2,225
Payable within 2 to 5 years	5,663	3,962	9,625	5,606	4,512	10,118
Payable within 6 to 10 years	5,860	7,581	13,441	4,320	6,939	11,259
Payable within 11 to 15 years	461	729	1,190	297	0	297
Total Net Liabilities	13,483	12,974	26,457	11,664	12,235	23,899
Finance charges allocated to future periods	(5,847)	(5,853)	(11,700)	(5,045)	(4,993)	(10,038)
Reconciliation between Net Book Values of PFI Assets held under PFI schemes:						
Net Liability (as above)	13,483	12,974	26,457	11,664	12,235	23,899
Additions	0	1,355	1,355	0	1,355	1,355
Revaluations and impairments	0	10,374	10,374	0	13,483	13,483
Repayments/ Amortisation of capital sum	23,280	8,228	31,508	25,099	8,967	34,066
Accumulated Depreciation	(12,865)	(5,918)	(18,783)	(12,865)	(5,918)	(18,783)
Net Book value of PFI Assets	23,898	27,013	50,911	23,898	30,122	54,020

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

Notes to the Core Financial Statements

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:

	2021/2022 £000	2022/2023 £000
Balance brought forward	(9,647)	(9,690)
Amounts (set aside) / taken in year: Schools	189	582
Road	(232)	724
	(9,690)	(8,384)

Future commitments for PFI Schemes

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

	Reimbursement of			Total £000
	Payment for Services £000	Capital Expenditure £000	Interest £000	
<i>Road</i>				
Payable in 2023/2024	2,089	1,441	1,058	4,588
Payable within 2 to 5 years	8,427	5,606	3,002	17,035
Payable within 6 to 10 years	10,977	4,320	958	16,255
Payable within 11 to 15 years	1,401	297	27	1,725
	22,894	11,664	5,045	39,603
<i>School</i>				
Payable in 2023/2024	3,267	784	854	4,905
Payable within 2 to 5 years	13,418	4,512	2,764	20,694
Payable within 6 to 10 years	16,684	6,939	1,375	24,998
	33,369	12,235	4,993	50,597

Termination Options

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

17. 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 £960,197 in 2022/2023, (£967,250 in 2021/2022) and were charged to the relevant service area in the Comprehensive Income and Expenditure Statement.

Notes to the Core Financial Statements

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

	<u>2021/2022</u>		<u>2022/2023</u>	
	Land & Buildings £000	Total £000	Land & Buildings £000	Total £000
Not later than one year	739	739	812	812
Later than one year and not later than five years	2,768	2,768	3,067	3,067
Later than five years	9,218	9,218	10,117	10,117
	12,725	12,725	13,996	13,996

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 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:

	<u>2021/2022</u>			<u>2022/2023</u>		
	Industrial Units £000	Other Land & Buildings £000	Total £000	Industrial Units £000	Other Land & Buildings £000	Total £000
Not later than one year	99	581	680	120	571	691
Later than one year and not later than five years	432	1,959	2,391	312	1,853	2,165
Later than five years	0	2,209	2,209	0	2,175	2,175
	531	4,749	5,280	432	4,599	5,031

18. Members' Allowances

The total value of Members' Allowances payments in 2022/2023 was £1,417,225 (£1,294.824 in 2021/2022). 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>

19. Officers' Emoluments

The number of employees (excluding those employees who are listed separately overleaf) whose remuneration, excluding employer's pension contributions, was £60,000 or more in bands of £5,000, during the year ended 31 March 2023 were:

Notes to the Core Financial Statements

2022/2023

Remuneration Band	Number of employees		Total	Left in year
	School based	Non-School based		
£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.

2021/2022

Remuneration Band	Number of employees		Total	Left in year
	School based	Non-School based		
£60,000 - £64,999	53	29	82	0
£65,000 - £69,999	17	3	20	0
£70,000 - £74,999	9	4	13	0
£75,000 - £79,999	9	2	11	0
£80,000 - £84,999	3	0	3	1
£85,000 - £89,999	4	1	5	1
£90,000 - £94,999	5	1	6	0
£95,000 - £99,999	2	0	2	0
£100,000 - £104,999	0	7	7	0
£105,000 - £109,999	3	0	3	0
	105	47	152	2

Of the leavers in the year, one was school based and one was non-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.

Caerphilly County Borough Council

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><i>*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.</i></p> <p><i>*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.</i></p> <p><i>*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.</i></p> <p><i>*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.</i></p> <p><i>*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.</i></p>					

Caerphilly County Borough Council

Notes to the Core Financial Statements

2021/2022					
Post	Salary £	Expenses / other payments £	Total Remuneration excluding Employer's Pension Contributions £	Employer's Pension Contributions at 21.5% £	Total Remuneration including Employer's Pension Contributions £
Chief Executive *a	146,848	0	146,848	27,456	174,304
Corporate Director - Social Services & Housing *b	136,037	0	136,037	29,248	165,285
Corporate Director - Economy & Environment	132,080	0	132,080	28,397	160,477
Corporate Director - Education & Corporate Services *c	132,920	0	132,920	25,546	158,466
Head of Financial Services & S151 Officer *d	101,303	0	101,303	11,884	113,187
Assistant Director - Social Services & Housing (Adult Services)*e	102,090	0	102,090	22,265	124,355
Assistant Director - Social Services & Housing (Children Services)*f	102,090	0	102,090	22,265	124,355
Head of Housing *g	31,719	0	31,719	3,820	35,539
	885,087	0	885,087	170,881	1,055,968

*a In addition to those payments listed above, the Chief Executive received Returning Officer expenses during the year to 31 March 2022 of £11,231 in respect of a combined election for the Police and Crime Commissioner and Senedd Members.

*b In addition to those payments listed above, the Corporate Director - Social Services & Housing received Returning Officer expenses during the year to 31 March 2022 of £550 in respect of a combined election for the Police and Crime Commissioner and Senedd Members. The Corporate Director also received additional salary of £3,898 whilst temporarily acting as Chief Executive.

*c In addition to those payments listed above, the Corporate Director - Education & Corporate Services received Returning Officer expenses during the year to 31 March 2022 of £550 in respect of a combined election for the Police and Crime Commissioner and Senedd Members.

*d In addition to those payments listed above, the Head of Financial Services & S151 Officer received Returning Officer expenses during the year to 31 March 2022 of £350 in respect of a combined election for the Police and Crime Commissioner and Senedd Members

*e The Assistant Director - Social Services received additional salary of £2,012 during the year for "acting up" to Director, whilst the Corporate Director - Social Services & Housing was Acting Chief Executive

*f The Assistant Director - Social Services received additional salary of £2,012 during the year for "acting up" to Director, whilst the Corporate Director - Social Services & Housing was Acting Chief Executive

*g The Head of Housing - appointed on the 30th November 2021, is included in this note as the Director of Social Services & Housing acted up as Chief Executive until the 31st December 2021.

The annualised 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. (The remuneration of the highest paid officer of the Authority (the Chief Executive) in the financial year to 31 March 2022 was £146,848. This was 6.6 times the median remuneration of the workforce, which was £22,129).

Notes to the Core Financial Statements

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.

(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 £	
	2021 / 2022	2022 / 2023	2021 / 2022	2022 / 2023	2021 / 2022	2022 / 2023	2021 / 2022	2022 / 2023
£0 - £20,000	4	0	93	90	97	90	472,165	374,096
£20,001 - £40,000	1	0	8	7	9	7	237,342	202,701
£40,001 - £60,000	0	0	1	2	1	2	50,100	85,405
Total	5	0	102	99	107	99	759,607	662,202

20. 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.

	2021/2022 £000	2022/2023 £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	237	277
Fees payable to the Auditor General for Wales in respect of statutory inspection	105	108
Fees payable to the Auditor General for Wales for the certification of grant claims and returns	41	68
	383	453

21. 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.

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

Notes to the Core Financial Statements

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 13. At 31 March 2023, £4.7m was due to Welsh Government (£5.3m in 2021/2022), whilst £34.2m was due to the Authority from Welsh Government (£42.8m in 2021/2022).

Precepts and Levies

Note 11 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 19. All "declaration of interest" returns were received from directors which 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 2022/2023 is shown in Note 18. 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 2023.

Related Party, relationship and 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	12	7	1	0
Citizens Advice Bureau	428	1	0	10
Groundwork Trust	69	7	0	1
Caerphilly Uniform Exchange	14	0	0	1
Puddleducks Playgroup	52	3	2	0
Nelson Pizza	1	0	0	0
White Rose Information and Resource Centre	59	0	0	1
Parish Trust	17	0	0	0
Caerphilly Mind	115	0	0	0
Community Volunteers Wales	15	0	0	0

Notes to the Core Financial Statements

Related Party, relationship and transaction details	Amounts paid out by Authority	Amounts received by Authority	Balance Outstanding - Debtors	Balance Outstanding - Creditors
2021/2022	£000	£000	£000	£000
Caerphilly Skip Hire	94	9	1	0
Citizens Advice Bureau	405	0	0	0
Groundwork Trust	77	11	1	4
Homestart Caerphilly	111	0	0	17
Undercurrents (Aber Valley Arts)	7	0	0	0
Nelson Pizza	1	0	0	0
White Rose Information and Resource Centre	43	31	38	3

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 2023, £2,183,477 was due to the Authority from the Health Board (£4,403,482 at 31 March 2022) whilst the Authority owed £6,982,543 to the Health Board in respect of the project (£4,861,225 at 31 March 2022). 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 15.

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 £1.160m were made to the EAS during 2022/2023 (£1.169m in 2021/22). Income of £240k was received from the EAS in 2022/2023 (£227k in 2021/22) A balance of 196k was due from the EAS as at 31 March 2023. (A balance of £56k was due from the EAS as at 31 March 2022).

Notes to the Core Financial Statements

	Amounts paid out by Authority £000	Amounts received by Authority £000	Balance Outstanding - Debtors £000	Balance Outstanding - Creditors £000
EAS	1,160	240	196	0

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 2022/2023 (nil Contribution in 2021/2022). The Authority had no outstanding balances due to or from the joint committee as at 31 March 2023. The Authority had no outstanding balances due to or from the joint committee as at 31 March 2022.

The Authority contributed £146k to the running costs of the joint committee in 2022/2023 (£138k in 2021/2022).

22. 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.

Notes to the Core Financial Statements

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.

23. 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
Reserve	Note	1 April	Movement	31 March	Movement	31 March
		2021	in year	2022	in year	2023
		£000	£000	£000	£000	£000
Council Fund		(21,313)	(5,922)	(27,235)	(7,782)	(35,017)
Housing Revenue Account	38	(14,915)	(9,064)	(23,979)	(4,199)	(28,178)
Direct Service Earmarked Reserves		(84)	(1)	(85)	(2)	(87)
Capital Earmarked Reserves	39	(39,787)	(3,984)	(43,771)	(5,034)	(48,805)
Service Over/Underspend Reserves	41	(7,286)	(1,584)	(8,870)	4,990	(3,880)
Schools Earmarked Reserves	40	(11,340)	(5,923)	(17,263)	5,948	(11,315)
Insurance Earmarked Reserves	37	(6,021)	(1,239)	(7,260)	1,342	(5,918)
Other Earmarked Reserves	42	(51,399)	(19,837)	(71,236)	14,285	(56,951)
Cardiff Regional City Deal Council Fund		(1,183)	(336)	(1,519)	(334)	(1,853)
Cardiff Regional City Deal Council Earmarked		(6)	(50)	(56)	(52)	(108)
Usable Capital Receipts	36	(10,256)	(1,892)	(12,148)	105	(12,043)
Capital Grants Unapplied	35	(17,653)	(2,233)	(19,886)	3,138	(16,748)
Total Usable Reserves		(181,243)	(52,065)	(233,308)	12,405	(220,903)

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

<u>Unusable Reserves</u>	Balance 1 April 2021 £000	Restated Net Movement in year £000	Restated Balance 31 March 2022 £000	Net Movement in year £000	Balance 31 March 2023 £000	Purpose of Reserve	Further details of movements
Financial Instruments Adjustment Account	638	(1,792)	(1,154)	2,601	1,447	Amounts required by statute to be set aside in respect of discounts and premia on the rescheduling of the Authority's debts.	
Revaluation Reserve	(554,746)	(96,827)	(651,573)	(24,845)	(676,418)	Gains on revaluation of fixed assets not yet realised through sales.	<i>Note 33</i>
Capital Adjustment Account (CAA)	(258,928)	35,970	(222,958)	(17,505)	(240,463)	Capital resources set aside to meet past capital expenditure	<i>Note 34</i>
Deferred Capital Receipts	(408)	(143)	(551)	(82)	(633)	Proceeds to be received over future accounting periods arising principally from the sale of council dwellings	
Pensions Reserve	704,425	(113,778)	590,647	(474,373)	116,274	Reserve set aside to mitigate the impact of pension liabilities on Council Tax as required by statute	<i>Note 32</i>
Accumulated Absences Account	5,250	(200)	5,050	1,182	6,232	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	(103,769)	(176,770)	(280,539)	(513,022)	(793,561)		

Caerphilly County Borough Council

Notes to the Core Financial Statements

24. Property, Plant and Equipment

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets under Construction	Surplus Assets	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£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	13,819	2,039	10,759	468	10,273	0	59,409	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)	
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	0	0	500	0	0	(199)	0	301	0
At 31 March 2023	423,138	633,789	35,288	198,063	4,131	9,442	810	1,304,661	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	0	0	(72)	0	0	0	0	(72)	0
At 31 March 2023	0	(7,031)	(25,348)	(9,986)	(58)	0	0	(42,423)	(12,865)
Net Book Value at 31 March 2023	423,138	626,758	9,940	188,077	4,073	9,442	810	1,262,238	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

***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 £187m 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 2023, the Authority has gross book value of infrastructure assets of £360m and accumulated depreciation of £172m in its balance sheet.

Caerphilly County Borough Council

Notes to the Core Financial Statements

Restated	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets*	Community Assets	Assets under Construction	Surplus Assets	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
Cost or valuation:	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2021	367,906	588,752	34,625	194,039	3,571	6,636	810	1,196,339	64,097
City Deal - Caerphilly's share of fixed assets at 1.4.21	0	0	0	0	0	296	0	296	0
Additions	19,808	12,062	2,488	4,970	0	5,762	0	45,090	0
Revaluation Increases to Revaluation Reserve	45,952	22,920	487	0	73	0	0	69,432	0
Revaluation Decreases to Revaluation Reserves	0	(12,744)	(85)	0	0	0	0	(12,829)	(320)
Revaluation Increases to Surplus/Deficit on Provision of Services	0	7,772	69	0	0	0	0	7,841	0
Revaluation Decreases to Surplus/Deficit on Provision of Services	0	(8,881)	0	0	0	0	0	(8,881)	0
Derecognitions - Disposals	0	(1,733)	(1,762)	0	0	0	0	(3,495)	0
Derecognitions - Other	(19,808)	(4,708)	0	0	0	0	0	(24,516)	0
Other movements in cost or valuations	0	7,921	0	2	19	(7,943)	0	(1)	0
City Deal - Caerphilly's share of fixed assets	0	0	500	0	0	(199)	0	301	0
At 31 March 2022	413,858	611,361	36,322	199,011	3,663	4,552	810	1,269,577	63,777
Accumulated Depreciation and impairment:									
At 1 April 2021	0	(4,375)	(22,093)	0	(41)	0	0	(26,509)	(12,865)
Depreciation Charge	(15,331)	(12,718)	(3,185)	(11,810)	(10)	0	0	(43,054)	0
Depreciation written back on Valuation	15,331	8,739	638	0	1	0	0	24,709	0
Depreciation written back on Disposals	0	0	1,002	0	0	0	0	1,002	0
City Deal - Caerphilly's share of FA Depreciation	0	0	(72)	0	0	0	0	(72)	0
At 31 March 2022	0	(8,354)	(23,710)	(11,810)	(50)	0	0	(43,924)	(12,865)
Net Book Value at 31 March 2022	413,858	603,007	12,612	187,201	3,613	4,552	810	1,225,653	50,912
Net Book Value at 31 March 2021	367,906	584,377	12,531	194,039	3,530	6,932	810	1,170,125	51,231

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 2022-23 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	8,333	34,788	209,873	2,338	0	255,332
Valued at current value as at:							
31 March 2019	0	17,004	0	0	0	0	17,004
31 March 2020	0	25,572	0	0	1,234	0	26,806
31 March 2021	0	74,238	0	0	151	0	74,389
31 March 2022	0	89,252	0	0	130	0	89,382
31 March 2023	423,138	419,390	0	0	278	0	842,806
Total Cost or Valuation	423,138	633,789	34,788	209,873	4,131	0	1,305,719

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

Capital Commitments

At 31 March 2023, 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 2022 £000	31 March 2023 £000
Highways and Transportation:	Bridge strengthening & infrastructures	765	90
	Major highways improvements	2,939	0
	Infrastructure Retaining Walls	765	0
	Vehicle Restraint Services	348	0
	Caerphilly Interchange	345	0
	Troedrhwiwfuwch	0	115
Education:	Cwm Gwyddon	0	5,701
	St Martins Comprehensive School Toilets	112	0
	Risca Comprehensive and LC Boiler	128	0
	Rhymney Library	0	145
Economy and Enterprise:	Monmouthshire & Brecon Canal	165	107
HRA:	Ty Darran, Risca	0	716
Community and Leisure:	Heolddu LC Equipment	0	101
	Bedwas ATP Replacement	263	0
		5,830	6,975

25. Heritage Assets

	Other Land and Buildings £000	Civic Regalia £000	Total Heritage Assets £000
<u>Reconciliation of the carrying Value of Heritage Assets held by the Authority</u>			
Cost or Valuation			
1 April 2021	13,524	256	13,780
Impairment (losses)/reversals recognised in the Revaluation Reserve	0	0	0
31 March 2022	13,524	256	13,780
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

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

Notes to the Core Financial Statements

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

This asset 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

This asset is an 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

This watermill was built in the 17th Century and houses a radio museum and a candle making workshop, which has a Royal Warrant to make candles for HRH Prince Charles. 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

This 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

Llancaiach Fawr is a fortified Manor House. This was valued at 31 March 2021 using existing depreciated replacement cost. The Manor 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 fell in two world wars and other conflicts. These are situated in parks and streets and have been valued on a depreciated replacement cost basis.

Notes to the Core Financial Statements

Civic Regalia

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

26. 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	
	2022	2023
	£000	£000
Opening Capital Financing Requirement	375,669	368,804
Capital Investment:		
Operational Assets	45,090	59,409
Invest to Save	0	0
Home Improvement Loans	19	146
Revenue Expenditure funded from Capital Under Statute	2,682	2,678
Sources of Finance:		
Grants	(31,648)	(42,049)
Other Contributions	(169)	(501)
Capital Expenditure Funded from Revenue	(15,550)	(17,411)
Capital Receipts Set Aside	(137)	82
Minimum Revenue Provision	(7,152)	(7,902)
Closing Capital Financing Requirement	368,804	363,256

27. Debtors

	31 March 2022	31 March 2023
	£000	£000
Trade receivables	24,002	34,042
Prepayments	1,326	1,787
Other Local Authorities and Public Bodies	23,041	29,379
Government Grants	30,415	20,507
Other receivable amounts	9,367	9,119
City Deal - Caerphilly's share of debtors	897	841
	89,048	95,675

Notes to the Core Financial Statements

28. Cash and Cash Equivalents

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

	31 March 2022 £000	31 March 2023 £000
Cash held by the Authority	82	82
Bank current accounts	794	10,944
City Deal - Caerphilly's share of cash held	8,226	10,306
Total cash and cash equivalents	9,102	21,332

29. Creditors

	31 March 2022 £000	31 March 2023 £000
Trade payables	(35,357)	(39,382)
Receipts in advance	(9,128)	(7,006)
Other Local Authorities and Public Bodies	(16,253)	(20,383)
HMRC	(5,338)	(4,958)
Accumulated Absence accrual	(5,045)	(6,225)
Other payables	(16,408)	(5,798)
City Deal - Caerphilly's share of creditors	(5,875)	(9,934)
Total Creditors	(93,404)	(93,686)

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.

Caerphilly County Borough Council

Notes to the Core Financial Statements

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 2022 £000	Year Ended 31 March 2023 £000
<u>Funding - Pooled Fund Contributions</u>		
Blaenau Gwent County Borough Council	(610)	(599)
Caerphilly County Borough Council	(2,101)	(2,264)
Monmouthshire County Council	(1,456)	(1,469)
Newport City Council	(1,824)	(1,891)
Torfaen County Borough Council	(783)	(805)
Aneurin Bevan University Health Board	(9,213)	(9,493)
Total Funding	(15,987)	(16,521)
Expenditure		
<u>Reimbursements</u>		
Blaenau Gwent County Borough Council	511	556
Caerphilly County Borough Council	1,787	1,970
Monmouthshire County Council	1,436	1,477
Newport City Council	1,834	1,826
Torfaen County Borough Council	796	821
Aneurin Bevan University Health Board	9,067	9,059
Central Costs	678	738
Invest to Save Loan Repayment	0	0
Total Expenditure	16,109	16,447
Net in-year (Under)/Overspend	122	(74)
Balance brought forward at 1 April	(503)	(381)
Balance carried forward at 31 March	(381)	(455)

Caerphilly County Borough Council

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 2022 £000	Year Ended 31 March 2023 £000
<u>Funding - Pooled Fund Contributions</u>		
Blaenau Gwent County Borough Council	(480)	(164)
Caerphilly County Borough Council	(534)	(503)
Monmouthshire County Council	(419)	(322)
Newport City Council	(413)	(334)
Torfaen County Borough Council	(417)	(368)
Torfaen County Borough Council Telecare	(118)	(79)
Torfaen County Borough Council ICF	(666)	(748)
Torfaen County Borough Council SCRF	(500)	0
Aneurin Bevan University Health Board	(1,040)	(865)
Community Resource Team	(225)	(112)
Contribution to Lead Commissioner - LAs	(149)	(153)
Contribution to Lead Commissioner - LHB	(30)	(31)
Reserve	0	(261)
Total Funding	(4,991)	(3,940)
Expenditure		
Staff	174	182
Non-Staff	4,033	3,758
Total Expenditure	4,207	3,940
Net (Surplus)/Deficit Arising on the Pooled Budget	(784)	0

Caerphilly County Borough Council

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 2022 £000	Year Ended 31 March 2023 £000
<u>Funding - Pooled Fund Contributions</u>		
Blaenau Gwent County Borough Council	(6,953)	(8,185)
Caerphilly County Borough Council	(22,762)	(26,918)
Monmouthshire County Council	(9,420)	(10,828)
Newport City Council	(18,629)	(23,144)
Torfaen County Borough Council	(10,670)	(13,071)
Aneurin Bevan University Health Board	(31,410)	(36,563)
Total Funding	(99,844)	(118,709)
Expenditure		
<u>Reimbursements</u>		
Gwent Local Authority Residential Homes	14,900	16,828
Other Elderly Frail Residential Care	11,545	13,076
Other Elderly Mentally Infirm Residential Care	20,444	23,928
Elderly Frail Funded Nursing Care	19,594	24,513
Elderly Mentally Infirm Funded Nursing Care	11,101	14,216
Elderly Frail Continuing Health Care	6,611	6,949
Elderly Mentally Infirm Continuing Health Care	15,360	18,896
Step Up/Step Down	227	241
Lead Commissioner Costs	62	62
Total Expenditure	99,844	118,709
Net in-year (Under) / Overspend	0	0
Balance brought forward at 1 April	0	0
Balance carried forward at 31 March	0	0

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 2023 was:

Notes to the Core Financial Statements

£186,750 - relating to Education Trust Funds administered by the Interim Head of Corporate Finance, (£181,770 in 2021/2022), which are held to provide prizes and awards to pupils in the Authority's schools. Of these funds, £43 is vested in shareholdings and £186,707 is held in bank deposits (£43 and £181,727 respectively in 2021/2022). There are no other underlying assets or liabilities. The Trust Funds received £4,980 in dividends and interest during the year (£1,628 in 2021/2022) and incurred expenditure of £nil (£nil in 2021/2022).

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 2023 was £5,358,139 (£5,678,011 as at 31 March 2022.)

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.

	2021/2022	2022/2023
	£000	£000
Balance as at 1 April	704,425	590,647
Actuarial (gains) or losses on pensions assets and liabilities	(164,373)	(523,559)
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	79,037	82,401
Employer's pension contributions and direct payments to pensioners payable in the year	(28,442)	(33,215)
Balance at 31 March	590,647	116,274

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 2023 therefore only shows revaluation gains accumulated since 1 April 2007.

	Restated 2021/2022 £000	2022/2023 £000 £000	
	<u> </u>	<u> </u>	<u> </u>
Balance as at 1 April	(554,746)		(651,573)
Historic Cost Adjustment between Revaluation Reserve and Capital Adjustment Account	(32,119)	0	
Downward revaluation of assets and impairment losses not charged to Surplus and Deficit on the Provision of Services	12,829	94,054	
Surplus on Revaluation of Assets	<u>(93,246)</u>	<u>(132,708)</u>	
Surplus or deficit on revaluation of non-current assets not posted to Surplus or Deficit on the Provision of Services	(80,417)		(38,654)
Difference between fair value depreciation and historical cost depreciation	15,033	13,673	
Clear Revaluation Reserve for Assets Disposed in year.	<u>676</u>	<u>136</u>	
Amount written off to the Capital Adjustment Account	<u>15,033</u>		<u>13,809</u>
Balance as at 31 March	<u>(651,573)</u>		<u>(676,418)</u>

Caerphilly County Borough Council

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.

	Restated 2021/2022		2022/2023	
	£000	£000	£000	£000
Balance as at 1 April		(258,928)		(222,958)
Historic Cost Adjustment between Revaluation Reserve and Capital Adjustment Account		32,119		0
Set Aside - Capital Receipts		(137)		0
Funding:				
Revenue funding applied	(15,550)		(17,411)	
Capital receipts applied	142		82	
Capital grants and contributions applied	(31,960)		(42,550)	
Total Funding		(47,368)		(59,879)
MRP		(7,152)		(7,902)
Depreciation:				
In year charge	43,053		38,857	
Attributable to revaluations	(39,742)		(42,429)	
Written back on revaluations	24,018		28,575	
Written back on disposals	0		0	
		27,329		25,003
Derecognition of capital expenditure		24,516		23,166
Asset Revaluations / Impairments:				
Price adjustments	1,040		(1,062)	
		1,040		(1,062)
Disposals - Council Fund	2,946		791	
Disposals - HRA	295		0	
		3,241		791
Revenue Expenditure funded from Capital	2,682		2,678	
		2,682		2,678
Invest to save		0		0
Total capital costs		51,656		42,674
City Deal - Caerphilly's share of Capital Adjustment Account		(300)		(300)
Balance as at 31 March		(222,958)		(240,463)

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.

	2021/2022		2022/2023	
	£000	£000	£000	£000
Opening balance		(17,653)		(19,886)
Grants:				
HRA	2,941		0	
Education	(1,494)		(101)	
Property Services	(46)		46	
Community and Leisure	240		246	
Highways	(1,458)		970	
Corporate Projects	615		0	
Economic Development	(320)		(812)	
Corporate	<u>(2,794)</u>		<u>2,801</u>	
		(2,316)		3,150
Section 106 Contributions:				
Highways	(132)		0	
Economic Development	215		(12)	
Community and Leisure	<u>0</u>		<u>0</u>	
		83		(12)
Other Contributions:				
Private Housing	<u>0</u>		<u>0</u>	
		0		0
Balance as at 31 March		<u><u>(19,886)</u></u>		<u><u>(16,748)</u></u>

36. Capital Receipts Reserve

	2021/2022	2022/2023
	£000	£000
Amounts receivable in year	(2,029)	105
Amounts set aside	137	0
Amounts applied to finance new capital investment in year	<u>0</u>	<u>0</u>
Total increase/(decrease) in realised capital resources in year	(1,892)	105
Balance brought forward at 1 April	(10,256)	(12,148)
Balance at 31 March	<u><u>(12,148)</u></u>	<u><u>(12,043)</u></u>

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 2022 £000	Transfers from Reserves £000	Transfers to Reserves £000	Balance at 31 March 2023 £000
Insurance Reserve	(7,033)	1,285	0	(5,748)
Risk Management Reserve	(227)	57	0	(170)
	(7,260)	1,342	0	(5,918)

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 127, 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 2022 £000	Transfers from Reserves £000	Transfers to Reserves £000	Balance at 31 March 2023 £000
Housing Earmarked Capital	(215)	0	0	(215)
Private Housing	(100)	100	0	0
Corporate - All Authority	(4,024)	1,135	(3,260)	(6,149)
Social Services	(3,197)	543	(292)	(2,946)
Corporate Projects	(16,052)	0	0	(16,052)
Planning	(212)	0	0	(212)
Education	(15,541)	0	(70)	(15,611)
Highways and Transportation	(860)	513	(355)	(702)
Property	(626)	0	0	(626)
Corporate Services	(307)	0	0	(307)
Economic Development & Tourism	(172)	0	(212)	(384)
Trading Standards	0	0	(24)	(24)
Environmental Health	(126)	0	(75)	(201)
Community & Leisure	(2,339)	318	(3,355)	(5,376)
	(43,771)	2,609	(7,643)	(48,805)

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.

Reserve:	Balance at 1 April 2022 £000	Transfers from Reserves £000	Transfers to Reserves £000	Balance at 31 March 2023 £000
Secondary Schools	(4,856)	2,938	0	(1,918)
Middle School	(252)	2	0	(250)
Primary Schools	(11,239)	3,298	(393)	(8,334)
Special School	(916)	103	0	(813)
Total Schools Balances	(17,263)	6,341	(393)	(11,315)

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.

Reserve:	Balance at 1 April 2022 £000	Transfers from Reserves £000	Transfers to Reserves £000	Balance at 31 March 2023 £000
Education	(1,075)	2,885	(3,296)	(1,486)
Corporate Services	(568)	2,417	(3,012)	(1,163)
Social Services	(5,397)	4,214	(1,530)	(2,713)
Housing Non HRA	(600)	1,766	(162)	1,004
Communities Directorate	(1,230)	4,036	(2,328)	478
	(8,870)	15,318	(10,328)	(3,880)

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 2022 £000	Transfers from reserves £000	Transfers to reserves £000	Balance at 31 March 2023 £000
Waste Management Reserve	to cover future costs in respect of landfill sites	(235)	235	0	0
PFI Equalisation Reserve (Schools)	to match PFI funding and unitary charge payments over the period of the contracts - see note 14	(7,770)	1,434	(852)	(7,188)
PFI Equalisation Reserve (Roads)		(1,920)	724	0	(1,196)
PFI Schools Earmarked Reserve	reinvestment and works outside the scope of the PFI projects	(1,447)	0	(130)	(1,577)
Service Initiative Reserves	to fund expenditure upon service specific initiatives	(38,124)	26,465	(17,869)	(29,528)
Carbon Trust Fund Reserve	to provide match funding to draw down grant from the Carbon Trust, to fund major works for energy efficiency measures	(276)	121	(169)	(324)
Area Forum Reserve	to meet costs incurred from environmental works undertaken by the Authority as identified by the local area partnerships	(39)	14	0	(25)
Cemeteries Reserve	to meet costs incurred in general upkeep and maintenance of Authority-owned cemeteries	(295)	32	(74)	(337)
Electoral Admin Reserve	to meet the objectives of the Electoral Administration Act 2006	(709)	190	0	(519)
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	(582)	0	(235)	(817)
Social Services Partnership Reserve	to support collaborative initiatives with other LAs and public bodies	(2,459)	126	(535)	(2,868)
Invest to Save Reserve	to promote savings initiatives across the authority	(735)	0	(127)	(862)
Local Management of Schools	to undertake school based initiatives	(2,093)	0	(136)	(2,229)
Community Infrastructure Levy Reserve	to recycle CIL charges to fund infrastructure and to support local developments	(3,802)	3,715	(375)	(462)
Interest Equalisation Reserves	to manage interest adjustments on soft loans received by us.	(10,428)	1,737	0	(8,691)
Other Reserves	a number of smaller reserves held for a variety of purposes.	(59)	1	(7)	(65)
Total		(71,236)	34,794	(20,509)	(56,951)

Caerphilly County Borough Council

Notes to the Core Financial Statements

43. Cash Flow Statement – Adjustments to Surplus or Deficit

	Restated 2021/2022 £000	2022/2023 £000
Adjustment to surplus or deficit on provision of services for non-cash movements:		
Depreciation and Impairment - inclusive of downward revaluation	49,303	62,213
IAS19 Pensions Adjustment	50,595	49,186
Derecognition of Capital Expenditure	18,843	678
Other non-cash items charged to the net surplus or deficit on the provision of services	(5,814)	1,986
Increase / (Decrease) in Inventories	(95)	8
Increase / (Decrease) in Debtors	(7,150)	(7,348)
(Increase) / Decrease in Creditors	18,297	(1,001)
	123,979	105,722
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	(34,814)	(40,032)
Carrying amount of non-current assets and held for sale assets	3,169	0
Net loss on sale of fixed assets	(1,261)	(748)
Net adjustment from the sale of short and long term investments	0	0
	(32,906)	(40,780)

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

	2021/2022 £000	2022/2023 £000
Interest received	475	3,056
Dividends received	0	950
Interest paid	(12,912)	(19,230)
	(12,437)	(15,224)

45. Cash Flow Statement – Investing Activities

	Restated 2021/2022 £000	2022/2023 £000
Purchase of property, plant and equipment and intangible assets	(48,058)	(61,963)
Purchase of short-term and long-term investments	(86,919)	0
Proceeds from sale of property, plant and equipment and intangible assets	1,866	0
Proceeds from sale of short-term and long-term investments	0	32,370
Other receipts from investing activities	34,337	39,120
Other payments from investing activities	(374)	0
	(99,148)	9,527

Caerphilly County Borough Council

Notes to the Core Financial Statements

46. Cash Flow Statement - Financing Activities

	2021/2022 £000	2022/2023 £000
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(1,970)	(2,636)
Repayments of short-term and long-term borrowing	(4,463)	(4,076)
Cash receipts of short-term and long-term borrowing	6,003	600
Other receipts for financing activities	0	122
City Deal - Grant receipts	2,736	2,735
	2,306	(3,255)

47. Reconciliation of liabilities arising from financing activities

	As at 1 April 2022 £000	Financing cash flows £000	Non-cash changes		As at 31 March 2023 £000
			Acquisition £000	Other non- cash changes £000	
Long-term borrowings	(306,203)	(600)	0	4,492	(302,311)
Short-term borrowings	(6,823)	(5,679)	0	3,565	(8,937)
Lease liabilities	(393)	78	0	(83)	(398)
On balance sheet PFI liabilities	(26,457)	2,558	0	0	(23,899)
Total liabilities from financing activities	(339,876)	(3,643)	0	7,974	(335,545)

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

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

Caerphilly County Borough Council

Notes to the Core Financial Statements

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. The comparative figures for 2021/2022 have been revised to reflect the final audited accounts.

<u>Cardiff Capital Region City Deal (CCRCD)</u>	2021/2022		2022/2023	
	Total £000	CCBC share £000	Total £000	CCBC share £000
<u>Income & Expenditure Account</u>				
Cost of Services	6,273	751	23,247	2,782
Operating Income	(8,592)	(1,028)	(24,176)	(2,893)
Net Cost of Services	(2,319)	(277)	(929)	(111)
Interest & Investment Income	(168)	(20)	(1,562)	(187)
Movement in fair Value of Investment Properties	112	13	2,411	289
Financing & Investment Income & Expenditure	(56)	(7)	849	102
Capital Grants & Contributions	(5,181)	(620)	(28,220)	(3,377)
Corporation Tax	488	58	(158)	(19)
Taxation and Non Specific Grant Income (Surplus) / Deficit on Provision of Services	(4,693)	(562)	(28,378)	(3,396)
Other Comprehensive Income & Expenditure	0	0	0	0
Total Comprehensive Income & Expenditure	(7,068)	(845)	(28,458)	(3,406)
<u>Balance Sheet</u>				
Long term assets	51,634	6,180	94,784	11,344
Current assets	76,231	9,123	68,674	8,219
Current liabilities	(49,091)	(5,875)	(38,033)	(4,552)
Long term liabilities	(27,743)	(3,320)	(46,563)	(5,573)
Total Assets less Liabilities	51,031	6,108	78,862	9,438
Usable Reserves	14,511	1,737	22,885	2,739
Unusable Reserves	36,520	4,371	55,977	6,699
	51,031	6,108	78,862	9,438

Caerphilly County Borough Council

Notes to the Core Financial Statements

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):

<u>Statement of Profit or Loss</u>	Year Ended	Year Ended
	31 March 2022	31 March 2023
	£000	£000
Revenue	6,288	6,878
Cost of sales	(5,193)	(5,283)
Gross Surplus	1,095	1,595
Other operating income and expenditure	(1,984)	(1,994)
Operating Surplus	(889)	(399)
Investment Income	1	39
Financing costs	(291)	(315)
Deficit before Tax	(1,179)	(675)
Other Comprehensive Income		
Actuarial gain/(loss) on pension scheme	3,732	12,005
Adjustment to underwritten balance	(2,545)	(11,225)
Other Comprehensive Income net of income tax	1,187	780
Total Comprehensive Income for the year	8	105

Caerphilly County Borough Council

Notes to the Core Financial Statements

<u>Statement of Financial Position</u>	Year Ended	Year Ended
	31 March 2022 £000	31 March 2023 £000
Non-Current Assets	11,287	30
Current Assets	1,894	2,244
Total Assets	13,181	2,274
Non-Current Liabilities	11,225	0
Current Liabilities	1,691	1,904
Total Liabilities	12,916	1,904
Net Assets	265	370
Retained Profit	265	370

Housing Revenue Account
for the year ended 31 March 2023

Caerphilly County Borough Council

Housing Revenue Account

2021/2022		2022/2023		Note
£000		£000	£000	
	Income			
(49,749)	Dwelling rents	(50,559)		1
(307)	Non-dwelling rents	(312)		
(1,059)	Charges for services and facilities	(1,099)		
(5,555)	Contributions towards expenditure	(1,683)		
(56,670)	Total Income		(53,653)	
	Expenditure			
16,281	Repairs and maintenance	13,734		
10,330	Supervision and management	11,369		
2,974	Special Services	3,934		
1,174	Rents, rates, taxes and other charges	1,130		
15,363	Depreciation and impairment of non-current assets	13,183		2
34	Debt Management Costs	29		
492	Increase in bad debt provision	1,047		
46,648	Total Expenditure		44,426	
(10,022)	Net Expenditure/(Income) of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		(9,227)	
139	HRA services share of Corporate and Democratic Core Costs		167	
(9,883)	Net Expenditure of HRA Services		(9,060)	
5,546	Interest payable and similar charges	5,375		
(7,297)	Major Repairs Allowance	(7,296)		8
(1,490)	Other Grants	(2,358)		
19,884	(Gain) / Loss on sale of HRA non-current assets	21,570		
(267)	Interest and investment income	(856)		
16,376			16,435	
6,493	(Surplus)/deficit for the year on HRA services		7,375	

Movement on Housing Revenue Account Statement

<u>2021/2022</u>		<u>2022/2023</u>		
<u>£000</u>		<u>£000</u>	<u>£000</u>	<u>Note</u>
(14,915)	Balance on the HRA at the end of the previous year		(23,979)	
6,493	(Surplus) or Deficit for the year on the HRA Income and Expenditure Statement	7,375		
(15,557)	Adjustments between accounting basis and funding basis under statute	(11,524)		
(9,064)	Net (increase)/decrease before transfers to or from reserves	(4,149)		
0	Transfers (to) / from Reserves	(50)		
(9,064)	(Increase) or decrease in year on the HRA		(4,199)	
(23,979)	Balance on the HRA at the end of the current year		(28,178)	7

Note of Movement on Housing Revenue Account Statement

<u>2021/2022</u>		<u>2022/2023</u>		
<u>£000</u>		<u>£000</u>	<u>£000</u>	<u>Note</u>
	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	0		
(15,363)	Depreciation and Impairment of non-current assets	(13,183)		2
(19,808)	Derecognition of Capital Expenditure charged to the HRA Income and Expenditure Statement	(21,343)		
(76)	Gain/(Loss) on sale of HRA non-current assets	(227)		
(5,958)	Net charges made for retirement benefits in accordance with IAS 19	(5,950)		9
8,787	Capital Grants and Contributions Applied (including Major Repairs Allowance)	9,653		
(32,418)			(31,050)	
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year			
2,246	Employer's contributions payable to the Greater Gwent Pension Fund and retirement benefits payable direct to pensioners	2,681		9
2,370	HRA Minimum Revenue Provision	2,677		
12,226	Capital expenditure funded by the HRA	14,226		
19	Adjustment involving the Accumulated Absences Account	(58)		
16,861			19,526	
(15,557)	Net additional amount required by statute to be credited to the HRA Balance for the year		(11,524)	

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 2023, 3.06% of lettable properties were void (an increase on 2.4% in 2021/2022) although this fluctuates throughout the year. The average weekly rent at 31 March 2023 was £101.48 (£99.54 in 2021/2022), based on a 48-week collection period.

2. Depreciation and Impairment

	2021/2022	2022/2023
	£000	£000
Operational assets comprising:		
Dwellings (refer to Note 24 Core Financial Statements)	15,331	13,137
Other Land & Buildings	16	8
Vehicles, Plant and Equipment	38	38
Asset Impairments/revaluations	(22)	0
	15,363	13,183
Total HRA depreciation and impairment	15,363	13,183

3. Rent Arrears

The rent arrears encompass monies owed by both current and former council tenants. During the year, total rent arrears increased by £339,000. The total of current rent arrears represents 7.11% of Gross Rent Income.

	£000
Arrears at 31 March 2022	3,423
Bad Debt Provision 31 March 2022	(1,484)
Net Arrears at 31 March 2022	1,939
Arrears at 31 March 2023	4,618
Bad Debt Provision 31 March 2023	(2,340)
Net Arrears at 31 March 2023	2,278

4. Housing Stock

The Authority was responsible for managing an average of 10,653 dwellings during 2022/2023. The type of stock is made up of approximately 59% houses, 26% flats and 15% bungalows.

	2021/2022	2022/2023
	Number	Number
Stock at 1 April	10,645	10,648
Acquisitions/New Build	7	29
Sales/Demolitions/Expired Leases	(4)	(19)
Stock at 31 March	10,648	10,658

Notes to the Housing Revenue Account

5. Capital Expenditure and Financing

	2021/2022	2022/2023
	Assets	Assets
	£000	£000
Capital Expenditure:		
Operational Assets : Houses	23,792	23,665
Vehicles, Plant & Equipment	0	0
Total Expenditure	23,792	23,665
Capital Financing :		
Capital Grants	(4,485)	(2,370)
Major Repairs Allowance	(7,297)	(7,296)
Revenue Reserves	(12,011)	(14,226)
Capital Receipts	0	227
Total Income	(23,793)	(23,665)

6. Capital Receipts and Unapplied Capital Income

	2021/2022	2022/2023
	£000	£000
Sale of Council Dwellings	(169)	0
Sale of Land	(6)	0
Other Capital Receipts	(44)	227
Total	(219)	227

7. Balance Carried Forward

The working balance at 31 March 2023 was £28.178m, a net increase of £4.199m over the year.

Reserve:	Balance at 1 April 2022	Appropriati ons From Reserves	Appropriati ons To Reserves	Balance at 31 March 2023
	£000	£000	£000	£000
Housing Fund Balances - represents the general, unallocated balances associated with the Housing Revenue Account	(21,579)	4,447	(5,522)	(22,654)
HRA Earmarked Reserve - exists to meet future commitments in respect of planned programme works	(2,400)	1,422	(4,546)	(5,524)
	(23,979)	5,869	(10,068)	(28,178)

Notes to the Housing Revenue Account

8. Major Repairs Allowance

	2021/2022	2022/2023
	£000	£000
Amount Received in Year	(7,297)	(7,296)
Amounts Applied in Year	7,297	7,296
Amounts Carried Forward	0	0

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

	2021/2022	2022/2023
	£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	(5,958)	(5,950)
Employer's pension contributions and direct payments to pensioners payable in the year	2,246	2,681
Total Contribution (to) / from the Pension Reserve	(3,712)	(3,269)

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. 2022/2023.

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 2022/2023, 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.
- 1.3 The 2022/23 financial year presented some key challenges for the Council, in particular the ongoing impact of the cost-of-living crisis. The Consumer Prices Index (CPI) inflation rate peaked at 11.1% in October 2022, which is the highest level in 40 years, and the impacts of this have been keenly felt by both the Council and our residents. More details are provided in Section 5.2.10 of this document.

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 also had a duty under the Local Government Act 1999 and the Local Government and Elections (Wales) Act 2021 (Part 6 chapter one), which provides for a new and reformed 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.

We also have a duty to consult a range of people and to report on performance (Sections 90 and 91).

- 2.2 The Well-being of Future Generations (Wales) Act 2015 places a duty on public bodies to carry out sustainable development in setting its objectives. To do this we have set and published Well-being Objectives including the steps we will take, and the resources we will need to deliver them.
- 2.3 Audit Wales and the Future Generations Commissioner accept that public bodies will publish one set of objectives covering improvement and well-being and there is an expectation that the Corporate Plan, which encompasses the Well-being Objectives is reviewed annually.

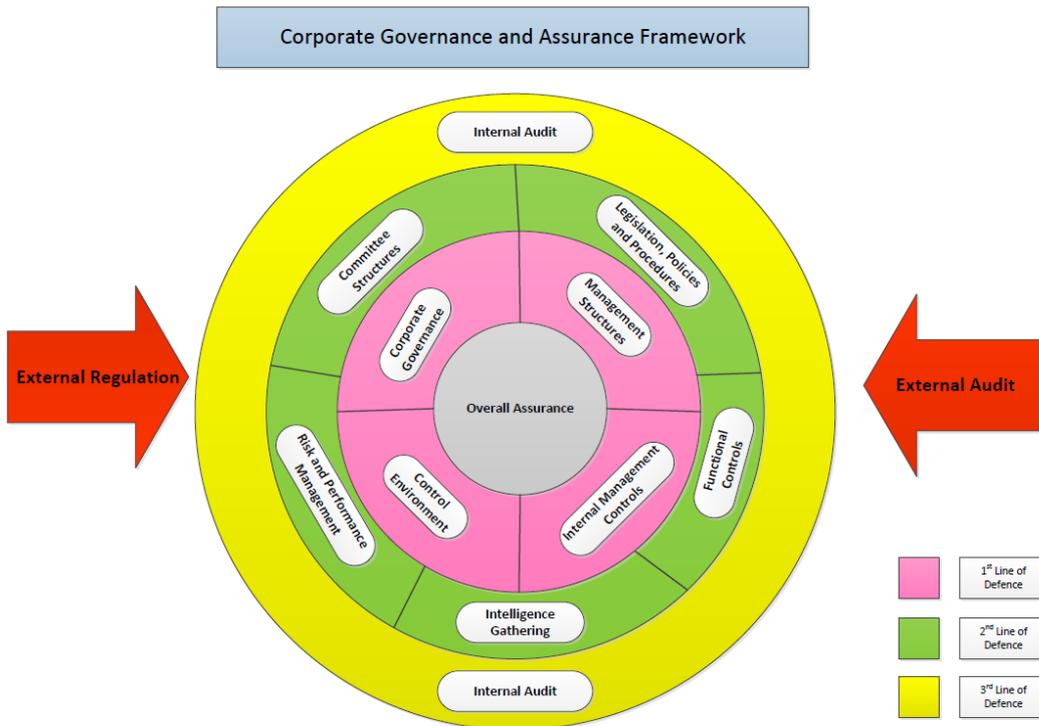
Annual Governance Statement

- 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](#)
- 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.

Annual Governance Statement



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 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 (2018-2023), approved by Council on 17 April 2018, set out the Cabinet's commitments, priorities, and Well-being Objectives. A copy of the Plan is available through the link below: -

[Link to Corporate Plan](#)

- The Well-being Objectives were informed by the information from the local assessment of well-being carried out by the Caerphilly Public Services Board (PSB). The Corporate Plan included our well-being statement detailing why we chose our Objectives at that time, and how they would be monitored and resourced.

Annual Governance Statement

- During the 2022/23 financial year work began on development of the new five-year Corporate Plan for 2023-2028, with the first workshops commencing in November 2022. The new plan was agreed by Council on 29 November 2023 and is available through the link below: -

[Link to Updated Corporate Plan](#)

- Long-term outcomes and interim performance standards have been established for each Well-being Objective and progress will be reported via the relevant Scrutiny Committees on a six-monthly basis. Annual reports will also be presented to Council on progress made.
- Through our chosen Objectives we contribute to the high level strategic Public Services Board (PSB) Well-being Plan for the county borough area ('The Caerphilly We Want 2018-2023'). Our Corporate Plan follows the same planning cycle to ensure alignment and because it is based on the same data and community.
- The Council's Annual Self-Assessment Report tells citizens and service users how we have performed against the Well-being Objectives, as required under the Well-being of Future Generations (Wales) Act 2015 and the Local Government and Elections (Wales) Act 2021.
- The Corporate Plan, PSB Well-being Plan and Annual Self-Assessment Report are endorsed by Council and communicated via media release.
- The Council structures its communications programme around the Council's Well-being themes with planned activity aligned to the chosen objectives as demonstrated in the Caerphilly newsletter and Place Shaping communications.
- Following the Local Government elections in May 2022, the newly appointed Cabinet is leading the administration until May 2027. As mentioned above, new Well-being Objectives have been developed which are now incorporated into the five-year Corporate Plan for 2023-2028.

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

- The five PSBs 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 has been used to develop the next iteration of the well-being plan, which is set on a Gwent regional footprint. This work continued over the 2022 and 2023 calendar years, with the Gwent PSBs new Well-being Plan for the period 2023-2028 being signed off in July 2023. A link to the new Plan is provided below: -

[Gwent-WBP-Final-digital-version-2023-2.pdf \(gwentpsb.org\)](#)

- The Council's Corporate Plan is regularly reviewed 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

Annual Governance Statement

partner in the Gwent PSB and leads on the data assessment work. This data assessment is 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 transformation programme through the Team Caerphilly - Better Together Strategy. This has now been rebranded as Mobilising Team Caerphilly 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 will be 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](#)

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 new performance framework was established and approved by the 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.

Annual Governance Statement

- Freedom of Information requests received and compliance.
- The CPA dashboard is presented twice-yearly to Cabinet and will also be presented to an all-Member Joint Scrutiny Committee moving forward. The dashboard provides a position 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 quarter.
 - Progress on Directorate priorities.
 - Performance data.
 - Customer intelligence.
 - Resources – Financial, workforce, and assets.
 - Risk Register.
 - Well-being Objectives.
 - Lessons learned.
 - Conclusion.
- The DPAs are received by Directorate Management Teams on a routine basis providing opportunities to account for progress, challenge performance and agree improvement activity. The 2022/23 end of year CPA was presented to an all-Member Joint Scrutiny Committee on 20 July 2023 and subsequently to Cabinet on 20 September 2023.
- The new performance framework is different from the previous process by joining a 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** – The approach to service planning centres on a Directorate service planning workshop, if required by the relevant Director.
- In advance of the workshop, Heads of Service are tasked with working through a set of questions with their staff to identify key priorities and targets for the year ahead; recognise service contributions to the Wellbeing Objectives; propose measures of success; and define potential risks.
- In 2022 Cabinet Members were invited to a series of workshops to provide a political leadership perspective on emerging priorities and the development of Well-being Objectives for 2023-2028. These were tested against the views of our communities, the data from the local assessment of well-being, and re-tested with senior managers to determine their completeness and deliverability
- Corporate priorities are transposed into the DPA and CPA dashboards for quarterly review. The outputs are also incorporated into the MyTime Extra review process as well as being published and distributed as a booklet to staff from across the service, thus providing a golden thread throughout the organisation.
- 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

Annual Governance Statement

quarterly by the Corporate Management Team and 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 has improved the Personal Development Review (PDR) process for all staff. The new 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 the service objectives defined at service planning workshops, 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, Scrutiny Committees, 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.

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.***

- 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 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 a living document and is reviewed and refreshed on a regular basis 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 11 May 2023. The report recommended a number of changes, the details of which are available through the following links: -

[Refinements to the Council's Constitution Appendix 3](#)

- In addition, Members approved that overseeing the Constitution should be added to the terms of reference of the Council's Democratic Services Committee.
- 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

Annual Governance Statement

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.***

- 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 Service Level Risk Assessments. These are all key elements of the new performance framework that was approved by Cabinet on 26 February 2020.
- The Council has formally agreed a Risk Management Strategy which was originally endorsed in 2013 and updated in 2017. More recently, an updated Risk Management Strategy was approved by the Governance and Audit Committee on 25 January 2022. The updated Strategy is available through the following link: -

[Risk Management Strategy 2022](#)

- 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 an Audit Committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.***

Annual Governance Statement

- The Council has appointed 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. Ad-hoc training is provided as required or where specific needs have been identified.
- The Terms of Reference 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 have been appointed to the Committee in accordance with the Local Government and Elections Act (Wales) 2021.
- During the 2024/25 financial year a self-evaluation and skills/knowledge assessment will be undertaken for the Governance and Audit Committee based on the latest CIPFA guidance.

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 a variety of mechanisms, including the following: -
 - Corporate Management Team.
 - Directorate Management Teams.
 - Heads of Service.
 - Head of Legal Services & Monitoring Officer.
 - 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 Monitoring Officer and during 2022/23 Council approved the establishment of a new Deputy Chief Executive post and a new Deputy Section 151 Officer role. Appointments have since been made to both of these posts.

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, with the latest report being presented to the Committee on 28 February 2023, covering the 2021/22 financial year. There were no whistleblowing referrals during the 2022/23 financial year and a report will be presented to the Standards Committee in the coming months to confirm this position.
- The Council also operates a formal Corporate Complaints Procedure, which has been widely publicised.

Annual Governance Statement

- 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 are being made to the system to enhance the features available, which in turn will streamline the process further. It is anticipated that the system will be fully rolled out in April 2024 and will provide data that will allow 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.
- 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. Although some progress has been made with developing an I.T. solution, this is still in progress and needs review in line with the impact of the General Data Protection Regulation (GDPR).

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. In February 2020, the Council also adopted its 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.

Annual Governance Statement

- 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.
- Since its adoption, the Council has made good progress in building upon these intentions. Internally, the Council's engagement team have organised a series of awareness raising/information sessions for staff on effective consultation and engagement.
 - The Council has also undertaken a number of significant consultation exercises since the framework's inception. The "Caerphilly Conversation" is an ongoing resident survey which seeks resident views on a wide range of subject areas, including satisfaction with Council services, service transformation going forward, what the Council should focus on, and the role of communities.
 - The feedback from these surveys has been shared with CMT, Cabinet and the wider staff group, and the information is used for service and financial planning.
 - During 2022/23 the Council has been developing a new on-line engagement platform to complement face-to-face activity. This platform dubbed 'Engagement HQ' allows topic based and geographically based engagement, including mapping, sentiment analysis, analytics and feedback in an open and transparent common tool to be used across the Council.

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 bi-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. The Third Sector Partnership Agreement has been updated to align with the PSB's Well-being Plan and was signed by all PSB organisations in July 2019.
- 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 CJs can directly employ staff and must have a Chief Executive, Finance Officer, and Monitoring Officer. The four CJs 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.

Annual Governance Statement

- 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 all significant corporate systems, processes, and controls, spanning the whole range of the Council's activities, including in particular those designed to ensure:-

- 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.

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.

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.

5.2.4 **Governance & Audit Committee**

- The Council has appointed 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.
- Periodic ad-hoc training and development sessions are held for members of the Committee to ensure that they are equipped with the knowledge required to effectively undertake their roles.
- The Council appointed four Lay Members to the Committee in December 2021 and April 2022, in line with the requirements of the Local Government and Elections (Wales) Act 2021.

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, Equalities, Welsh Language 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**

Annual Governance Statement

- 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.
- 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 2022/23. 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 2022/23 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.
- Investment in Information Governance continued throughout 2022/23 with the contract for the existing Information Compliance Officer extended for an additional year and two additional Information Compliance Officers recruited in March 2022 to improve the Council's data protection and access rights (Freedom of Information Act 2000 and Environmental Information Regulations 2004) compliance.
- 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.
- At its meeting on 14 June 2022, the Governance & Audit Committee considered the 'Draft Cyber Security Strategy 2022-2025', and this was subsequently formally approved by Cabinet at its meeting on 30 November 2022. The Strategy is available through the following link: -

[Cyber Security Strategy 2022-2025](#)

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 the Chief Executive 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

Annual Governance Statement

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.

- During 2017/18 the Internal Audit Services' conformance with the Public Sector Internal Audit Standards (PSIAS) was subject to external peer review which determined that with the exception of a few minor issues the Section was compliant. A new review cycle has now been entered into and plans are in place for a further external review to take place during 2024/25.
- In recent years, a number of the Internal Audit Team staff have left the Council's employment due to retirement or resignation. However, good progress has been in recruiting to these posts with just one vacant post now remaining. Furthermore, the capacity of the team has been increased, and four members of staff are currently studying for formal qualifications.
- During the 2021/22 financial year an Anti-Fraud Strategy was drafted, and this was endorsed by the Governance & Audit Committee on 14 June 2022. The Strategy is underpinned by an Action Plan that was presented to the Committee on 11 October 2022.

[Anti-Fraud Strategy](#)

[Anti-Fraud Action Plan](#)

- Based on the audit work undertaken during the 2022/23 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 18 April 2023, the Governance & Audit Committee received the Audit Wales 'Annual Audit Summary 2022' which provided a summary of audit work completed during 2021/22. The Audit Summary confirmed that the Auditor General gave an unqualified true and fair opinion on the Council's 2021/22 financial statements, provided details of local work undertaken for Caerphilly CBC, a summary of wider local government studies, and details of planned work for 2022/23. The report is available through the following link: -

[Annual Audit Summary 2022](#)

- 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 2022/23 financial year presented some key challenges for the Council, in particular the ongoing impact of the cost-of-living crisis. The Consumer Prices Index (CPI) inflation rate peaked at 11.1% in October 2022, which is the highest level in 40 years, and the impacts of this have been keenly felt by both the Council and our residents.
- During 2022/23 the Council received grant funding from the Welsh Government (WG) for the Cost-of-Living Support Scheme and administered circa 76,000 payments to our

Annual Governance Statement

residents totalling £11.6m. The Council also made in excess of 24,000 Winter Fuel Payments totalling £4.8m on behalf of the Welsh Government.

- At its meeting on 04 October 2022, Council agreed to set aside £3m of usable reserves to create a Cost-of-Living Hardship Fund to support a range of initiatives that will assist our communities.
- 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 2022/23 shows a net underspend of £8.3m across all service areas (including schools and the Housing Revenue Account (HRA)).
- The financial position remains extremely challenging moving forward and the Council approved a balanced budget for the 2023/24 financial year on 23 February 2023, which included a range of measures to offset cost pressures totalling £55.4m. On 27 February 2024, Council approved the 2024/25 revenue budget which included further cost pressures totalling £56.5m. These pressures are being funded through an increase in the Welsh Government Financial Settlement of £8.9m, permanent savings of £19.6m, temporary savings of £11.5m, the one-off use of reserves totalling £10.6m, and £5.9m from a 6.9% increase in Council Tax.
- As at 31 March 2023, the balance of usable reserves held by the Council totalled £220m. This balance will reduce significantly moving forward with £15.3m of the usable reserves having since been set aside to support the 2023/24 revenue budget, and a further £10.6m being allocated to support the 2024/25 revenue budget. A report on usable reserves was presented to Cabinet on 27 February 2024 and is available through the following link: -

[Update on Reserves](#)

- Due to the unprecedented levels of inflation, the current economic outlook, and the range of temporary budgetary measures that were approved for the 2024/25 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 £45.2m for the two-year period 2025/26 to 2026/27.
- A financial strategy that seeks to continuously "salami slice" 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 and a whole county borough holistic 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 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 2025/26 and 2026/27 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 2021/22 Annual Governance Statement identified one area where improvements could be made to strengthen existing processes and procedures during 2022/23: -

Annual Governance Statement

- 1. In January 2023 we will present an updated Medium-Term Financial Plan to the Cabinet aligned to the emerging corporate priorities of the new administration and the Council's transformation programme.**

Update – An updated Medium-Term Financial Plan (MTFP) was presented to Full Council on 23 February 2023, and this showed a potential savings requirement of £48.3m for the two-year period 2024/25 to 2025/26. A further updated MTFP was presented to Council on 27 February 2024, and this shows a revised savings requirement of £45.2m for the two-year period 2025/26 to 2026/27. The updated Corporate Plan covering the five year period 2023-2028 was approved by Council on 29 November 2023. A further iteration of the MTFP will be presented to Cabinet and Council in the coming months which will include details of the potential savings arising from projects currently under consideration as part of the Mobilising Team Caerphilly Transformation Programme.

- The review of the Council's governance arrangements operating throughout 2022/23 has highlighted one area where further steps will need to be taken to ensure that sound governance arrangements are in place and are fit-for-purpose to deal with emerging issues: -
 - 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.**
- We propose over the coming months to take steps to address the above matter to further enhance our governance arrangements. We are satisfied that these steps will address the issue identified during the review process and we will monitor implementation.

Signed:-

**Cllr Sean Morgan
Leader of the Council**

9th May 2024

**Dave Street
Deputy Chief Executive**

9th May 2024