

# Torfaen County Borough Council



## Statement of Accounts 2023/24



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## Narrative Report

### Introduction

Torfaen County Borough Council's Statement of Accounts provides a record of the Council's financial position for the year. The Narrative Report supplements the financial information in the accounts with the aim of providing an overview of the major financial and accounting issues which affected the Council in the year. The accounts have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom, based on International Financial Reporting Standards (IFRS), and the relevant Accounts and Audit (Wales) Regulations.

### Basis of Preparation and Presentation

The Council produces its Statement of Accounts to explain the Council's finances, to give assurance that public money has been properly accounted for, and that the financial standing of the Council is on a secure basis. The Statement of Accounts must provide a 'true and fair' view of the Council's financial position at the 31 March, and of its income and expenditure during the financial year.

When preparing these accounts consideration is given to the materiality of information. The Council's materiality level is in the region of £3.96 million and any notes to the accounts below this value, which are not statutorily required, and where the Council believes they do not aid understanding, have been excluded.

The Council's services will continue to be delivered by the public sector; therefore, the accounts are prepared on a 'going concern' basis. The level of usable reserves (£62.2 million) is sufficient to meet the short-term cost of the provision of services over the medium-term.

### Key facts about Torfaen

Torfaen County Borough Council is the third smallest borough in Wales and is a 12-mile-long valley situated just north of the M4 corridor in South-East Wales. Torfaen is the fifth most densely populated local authority area in Wales and has a population of around 92,860.



The southern parts of the county borough are urbanised around Cwmbran. Cwmbran Shopping Centre is the main retail area of Torfaen.

The former industrial town of Pontypool is the next largest settlement located in the heart of the borough. The Council's main administrative headquarters are in Pontypool.

Blaenavon is the most northerly settlement in the borough. In 2000, UNESCO added the Blaenavon Industrial Landscape as a World Heritage Site.

### Political and management structure

On the 31 March 2024, the Council has 40 locally elected councillors representing 18 wards, the current political make-up is 29 Labour, 5 The Independent group, 3 Torfaen Independent group, and 3 Individual Independents.

The Council operates under a Leader and Cabinet (Executive) governance model; Council determines the Authority's policy framework and budget and other constitutional functions, Cabinet comprises eight elected members, who each have lead responsibility for an area of the Council's business, for the 2023/24 Municipal Year the makeup of Cabinet was as follows:

- Leader of the Council and Executive Member for Strategic Leadership
- Deputy Leader of the Council and Executive Member Children, Families & Education
- Executive Member Corporate Governance & Performance
- Executive Member Resources
- Executive Member Adult Services & Housing
- Executive Member Economy, Skills & Regeneration
- Executive Member Environment
- Executive Member Communities

At its' Annual General Meeting on the 14 May 2024, Council agreed that the make-up of Cabinet for the 2024/25 Municipal Year would be:

- Leader of the Council and Executive Member for Strategic Leadership
- Deputy Leader of the Council and Executive Member Children, Families & Education
- Executive Member Economy, Skills and Regeneration
- Executive Member Corporate Governance & Resources
- Executive Member Communities
- Executive Member Adult Services & Housing
- Executive Member Environment
- Executive Member Waste & Sustainability

Below Council and Cabinet there are numerous committees that fulfil various scrutiny, statutory oversight and regulatory functions.

The Cabinet and all elected members are supported by the Council's Senior Leadership Team which is led by the Chief Executive. For management purposes the Council's operations are organised into Service Areas each of which report to the Chief Executive. The Service Areas, during 2023/24, were:

- **Adults and Communities** (Building Resilient Communities, Libraries, Customer Services, ICT Client management, Digital Transformation, Skills & Employability, Community Safety, Information Management & Senior Information Risk Owner (SIRO), Registrars, Communications, Elections, the client management of Torfaen Leisure Trust, Housing Strategy, Housing-related Support, Assessment & Care Management, Day & Domiciliary Activities, and Community Meals).
- **Children and Families** (Schools and Early Years provision, Youth and Play Services, Safeguarding, Additional Learning Needs, the client management of the Education Achievement Service, Children's Social Care including Family Support, Adoption & Foster Care, Looked After Children).
- **Corporate Resources** (Procurement, Internal Audit, Legal Services, Strategic HR, Payroll, Employee Services, Financial Services, Revenues & Benefits, Pensions, Policy Making, Performance and Scrutiny, Committee and Member Support, Project Management Office, and Administrative Support).

- **Economy and Environment** (Economic Development, Streetscene, Waste, Planning & Building Control, Highways & Transport, Culture, Tourism, Sports & Outdoor Recreation, Environmental Health, Environmental Services, Licensing & Enforcement, and Cemeteries).

All Services are supported by the SRS, a joint ICT service that provides ICT services to Torfaen, Blaenau Gwent, Monmouthshire and Newport Councils and Gwent Police.

### **The Council's corporate aims and objectives**

The Council's strategic direction is shaped by its' County Plan and its aims and priorities. The County Plan was adopted in December 2022 and is the key strategic document that will guide how Torfaen Council delivers its services up to 2027. The County Plan identifies 9 key priorities that will collectively form the well-being objectives for the duration of the plan. These priorities are:

1. We will raise educational attainment, helping young people and adults to gain the qualifications and skills needed to lead positive lives.
2. We will encourage and champion children, young people and families so they can thrive.
3. We will tackle inequality by focusing on early identification and prevention activities that support people to live independent and fulfilling lives.
4. We will make Torfaen more sustainable by connecting people and communities, socially, digitally and physically.
5. We will respond to the climate and nature emergencies, recycle more and make improvements to the local environment.
6. We will make Torfaen a great place to do business by working with local employers, encouraging new business start-ups and entrepreneurial activities.
7. We will support and promote healthier lifestyles in Torfaen to improve mental and physical well-being.
8. We will support our local culture and heritage and make Torfaen a thriving, safe and attractive place to live and visit.
9. We will provide efficient customer focused services that reflect the way people live their lives and wish to access services.

The plan will be reviewed on a regular basis and as schemes and projects are developed, they will form part of the annual delivery plan which moves our ambition into action.

### **Performance:**

Our County Plan 2022-27 was adopted by Council in December 2022, and our subsequent delivery plan was agreed in February 2023 for the second year of the County Plan (2023/24). The delivery plan for 2023/24 focused on key service initiatives, as well as wider delivery commitments, highlighting the key activity planned for the new financial year, to meet the ambitions and well-being objectives, as set out within our County Plan.

Our performance towards our well-being objectives and ambitions is monitored on a quarterly basis to demonstrate progress against our high-level outcomes. All our activity is managed robustly through a combination of project management and corporate performance monitoring governance processes that aims to ensure visibility of progress, management of risks and accountability for delivery. An overview of our progress for 2023/24, up to the end of Quarter 3, (April-December), is outlined below:

## Economy and the Environment

- We are consistently achieving our target of 99% of all reports of fly tipping cleared within 5 working days.
- We have responded to almost 94% of complaints about smashed glass within one day and 95% of dog fouling within 3 days.
- Over 97% of our highways and other relevant land inspected was of a high or acceptable standard of cleanliness.
- We have undertaken formal enforcement action against 100% of people responsible for fly/tipping where evidence was found.
- Our initial unverified data for 2023/24 in respect of our reuse or recycling of municipal waste collected stands at 64.3%. The Council is currently conducting a review of the Waste & Recycling Service with the aim of improving performance in this area and achieve Welsh Governments 2024/25 70% recycling rate target.

## Children & Families

- Over the last two years, there have been a few developments within the council that have impacted upon our education services.
- As part of our organisational drive to improve education services, there have been several changes to the leadership and management structure. This has included strategically aligning children services (previously placed within Social Care) and our education services, under one single directorate – Children and Families, focused on developing and improving outcomes for our children and families across the borough.
- During January 2024, Estyn inspectors revisited our Children and Families Directorate to conduct a monitoring visit to consider progress against their previous recommendation 1 – to improve outcomes for learners, particularly in secondary schools. This resulted in a positive inspection, which highlighted that we as an organisation, continue to drive improvements across education services, where the council are now holding schools and support services to account more effectively for their work, thus helping to secure better outcomes for pupils.
- Our average attendance rates at both primary and secondary schools have improved over the past academic year, according to provisional data.
- Earlier in 2023, we approved and rolled out a new Attendance Strategy that reinforces the importance of daily attendance and sets out the help children and families can expect if they struggle to attend consistently. Our #NotInMissOut campaign, has also helped to celebrate the varied benefits of going to school every day.
- We have rolled out Universal Free School Meals to all our Primary school pupils.
- In May 2023, we saw a significant expansion of our childcare provision within Torfaen, which set out to benefit more families, as new Flying Start areas were introduced across the borough. It is estimated 251 families, currently access Flying Start childcare within Torfaen, with around 173 more expected to benefit from the expansion and it is hoped funded childcare will be provided to all two- and three-year-olds, across the borough within the next few years.
- We opened a new childcare setting at Ysgol Gymraeg Gwynllyw.
- We continue to exceed our target for the number of children placed with our 'in house' foster carers. As at the end of December, 81.58% of our children in mainstream foster placements were placed with 'in house' carers.



- Whilst the number of children on our children protection register continues to remain at a figure higher than we would like, we continue to work safely towards reducing these figures.
- We have fully implemented an online referral pathway throughout all our schools, to ensure that children and families get the right help at the right time and to minimise escalation through to statutory services.

### **Adults & Communities**

- We continue to reduce the average queue time for customers using our call centres, especially for priority areas, as follows:
- Adult Social Care & Blue Badges – as at Quarter 3 2023/24, the average waiting time is 48 seconds against a target of 90 seconds.
- Benefits - as at Quarter 3 2023/24 the average waiting time is 282 seconds against a target of 360 seconds.
- Council Tax queries - as at Quarter 3 2023/24, the average waiting time is 237 seconds against a target of 360 seconds.
- We have also continued to reduce or maintain the percentage of abandoned calls for our busiest areas, as follows:
- Adult Social Care & Blue Badge queries – an abandoned call rate of 1.22% against a target of 3%.
- Benefits queries - abandoned call rate of 9.58% against a target of 8%, although this is just over our target of 8% this can vary month on month, and we work hard to reduce it.
- Council Tax queries - abandoned call rate of 8.24% against a target of 8%, although this is just over our target, this area can fluctuate with demand often driven by Council Tax team activities and the time of the year, but we always strive to bring the abandoned rate down.
- We have enrolled 1,531 people onto our adult and community learning basic skills and vocational courses to increase the number of adult residents with GCSE-equivalent qualifications, supported through the Welsh Government Direct Delivery grant, Shared Prosperity Fund and Multiply Programme.
- We have worked with 693 young people through youth support services, to prevent them entering the criminal justice system, with the impact being safer communities and a reduction in anti-social behaviour.
- Progressed projects to planning stage so that they are ready to deliver over £7 million through the Levelling Up Fund and private investment to support the regeneration of our town centres.
- Up to the end of December 2023, we have supported 313 residents through Building Resilient Communities, to help maximise their income.
- In addition, we have continued to reduce the number of hours of Domiciliary Care waiting to be commissioned in the community from 713.25 in 2021/22, to 571 at the end of December 2022 and finally down to circa. 38 in Quarter 3 2023/24.

### **Organisational Health**

- We responded to 99.8% of Freedom of Information requests, within the statutory time limit.
- We paid 95% of undisputed trade invoices within 30 days.
- Our sickness rate, per full time employee at the end of Quarter 3 2023/24, has decreased from 4.15 days per FTE in the previous year, to 3.07 days.
- We have maximised benefits take up, for customers wherever possible, and at the end of Quarter 3 we have made 584 referrals to benefits advice.



- We continue to carry out social care means testing assessments and as at end of Quarter 3 we have carried out 1125 assessments.
- 859 households have benefitted from the Discretionary Housing Payment (DHP) award during the year and the total value of those payments has amounted to £403,673.

### **Developing our Approach to Performance**

The Council has been through a process of change over the last 2 years, significantly developing its approach to Performance Management, Service Planning and Risk Management, aimed at supporting the delivery of the Council's new County Plan. Our revised approach to performance has also been in response to the Local Government and Elections Act 2021 and new Leadership within the Council, which has placed greater prominence on the Council's performance structures, processes and culture. The Act regards effective self-assessment as fundamental to enabling Councils to understand how they are performing and where they could do better. Our performance reporting arrangements are therefore critical to the Council's response to the Act.

Aligned with the ethos of the Local Government and Elections Act 2021, our Performance Management Framework is as much about implementing changes to processes, as it is about fostering a new culture of continuous self-assessment and improvement in the Council, by placing a much greater prominence on service-planning and the importance of routine performance monitoring.

Our new service plans are developed to ensure a clear linkage between directorate's plans, the County Plan, and key corporate strategies. Routine monitoring of service plans enable the Council to monitor key actions associated with the Council's County Plan and strategic delivery plans. Our approach continues to be carefully nurtured, supported, and challenged, as it develops.

We have begun making use of available data that is on the Data Cymru hub, to benchmark our performance and more recently we have been collaborating with other local authorities and Data Cymru to further develop this system and the availability of comparative information. Further comparative information will be available going forward, through a common residents' survey that will be rolled out across Wales in the year ahead.

Our Leadership Team will continue to focus on performance, through an agreed twelve weekly performance schedule. This provides a specific focus on each directorate's performance, relating to risks, progress against our County Plan well-being objectives and many other investigations into areas of performance.

The Council's Policy Development Forum (Cabinet and Leadership Team) will also continue to receive quarterly progress updates against the County Plan Delivery Plan. These are now supplemented with a quarterly update on the Council's budget position. Work on enhancing, reporting and monitoring of performance will continue, which will bring an opportunity to further strengthen and align our plans and processes, taking a more integrated approach to the consideration of the challenges, aspirations and resources available to the Council in the year ahead, thus leading to more effective planning of our services. Our County Plan Delivery Plan update reports are received by full Council every 6 months, one half yearly and another at the end of the financial year, ensuring the Council is as transparent and accountable as possible.

In the coming months we will start to consider both the challenges and the areas we will prioritise in the forthcoming year, alongside how we can strengthen our process for service planning. This forms part of our ongoing drive to further strengthen the ties between our Corporate, Service and Financial planning processes, to deliver the best possible outcomes for the residents of Torfaen.

### **The main accounting statements:**

The accounts within this document contain two main sections, the first section covers the main financial statements – the Comprehensive Income & Expenditure Statement (CIES), the Movement in Reserves Statement (MiRS), the Balance Sheet and the Cashflow statement – an explanation of each is provided at the beginning of each statement; whilst the second section covers the notes that support the main financial statements.

Torfaen Council's share of the transactions and balances of the joint committees, and other joint arrangements, it is involved in, are incorporated into the main financial statements. Separate statements of accounts are produced for all administered joint committees and the Greater Gwent (Torfaen) Pension Fund. Details of the joint operations are outlined in note 10, whilst the accounts for the Pension Fund can be obtained at the Greater Gwent (Torfaen) Pension Fund website.

### **Revenue Budget for 2023/24**

The 2023/24 budget was approved in February 2023 with a £319.6 million gross revenue budget that was financed from £96.8 million of service specific government grants, fees and charges for services and other funding & contributions. The net budget of £223 million was funded by £172.4 million of unhypothecated funding from Welsh Government and £50.6 million by Council Tax.

The 2023/24 revenue outturn produced a net favourable position, after contributions to specific reserves, of £234,000 against its £223 million budget. Whilst also not drawing down contributions from its General Fund Balance to support various initiatives, including the budgeted use of the Fund that was scheduled to be used to fund the anticipated spike in energy costs in 2023/24.

In providing its day-to-day services the Council (including its schools) incurred a gross actual spend of £337.1 million, comprising employee costs of £164.6 million, running costs of £162.3 million and capital costs of £10.2 million.

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The revenue position of the Council is summarised as follows:

	<b>Original Budget</b>	<b>Working Budget</b>	<b>Actual spend</b>	<b>Variance</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Children & Family Services	113,004	110,458	110,888	430
Adults & Communities	45,722	48,938	45,679	(3,259)
Economy & Environment	21,505	21,931	23,196	1,265
Resources	15,737	16,096	16,474	378
Capital Financing	9,398	9,278	8,538	(740)
Council Tax Reduction Scheme	10,298	10,298	10,256	(42)
South Wales Fire Authority	5,409	5,409	5,409	0
Other Budgets	1,930	595	(1,201)	(1,796)
Less: Contributions to Specific Reserves				3,538
<b>Net Favourable Position after contributions to specific reserves</b>				<b>(227)</b>
Less, General Fund in year use included in management accounts				624
Add, Specific reserve written out to General Fund Balance				(1,500)
<b>Movement (increase) in General Fund balance</b>				<b>(1,103)</b>

The primary favourable reasons for the out-turn position are summarised as follows:

- Favourable saving from staff vacancies / turnover across all Service Areas.
- Receipt of additional grant funding over that budgeted.
- Receipt of additional fees and charges income above that budgeted and receipts of additional unexpected one-off income receipts.
- An underspend on change management costs associated with schools.
- Refunds from the Welsh Government Non-Domestic Rates Pool.
- Additional Council Tax receipts to initial estimates.
- An underspend against the 2023/24 pay contingency budget.
- A delayed start of the school leaver initiative.
- Resource re-alignment to recognise work undertaken in readiness for the construction of the 2024/25 budget.
- Completion of a review of the balance sheet and write back of appropriate entries.

These favourable points were however offset by pressures relating to:

- Children's Social Care placement support availability, and the associated costs with resolving.
- Absorption of the closure costs of Cwmbran Farm during its refurbishment.
- Additional costs associated with the Waste and Recycling service.
- Funding of the termination costs associated with the reviews undertaken to support the delivery of the 2024/25 budget.
- Pressure on the Housing Benefits subsidy income budget arising from the use of temporary B&B accommodation to support homelessness cases.

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In allocating the out-turn position the future financial stability of the Council was a primary consideration together with the policy direction of the Council. The reserves supplemented are as follows:

Name	Type	£000s
Redundancy reserve - SPF programme staff	Corporate Reserve	1,315
Pay contingency	Corporate Reserve	900
Pupil Deprivation Grant	Corporate Reserve	482
Children & Families - Education	Service Reserve	400
Shared Prosperity Fund (SPF)	Corporate Reserve	342
ICT	Corporate Reserve	77
Economy & Environment	Service Reserve	13
Adults & Communities	Service Reserve	9
<b>Total</b>		<b>3,538</b>

Further details on the out-turn position are provided in the June 2024 Cabinet report.

The cost of services in the above are reported on a management accounting basis, i.e., the same basis as the budget reports used for internal reporting. The figure for the net cost of services in the Comprehensive Income and Expenditure (CIES) is different because it is prepared on a financial accounting basis as specified by accounting guidelines. Note 6 reconciles the figures.

**General and specific reserves/balances:** The following summarises the Council's general and service area balances, together with corporate reserves. Further information on these can be found in notes 23 and 24. During the year a few reserves were consolidated or transferred to the General Fund Balance, to assist with the response required to address the projected MTFP deficit.

Reserves & Provisions	31 March 2023 £000s	31 March 2024 £000s
General Fund Balance	10,895	11,998
Service Area Balances	5,742	4,926
School Balances	8,968	5,936
Insurance Reserves & Provision	3,185	3,426
Corporate Reserves	14,060	14,791

**Schools:** The following table summarises the delegated school position:

	31 March 2023 £000s	31 March 2024 £000s
Primary	4,343	3,123
Secondary	3,842	2,360
Special	783	453
<b>Total</b>	<b>8,968</b>	<b>5,936</b>

**Capital spending:** In addition to the revenue spending the Council also spent £23 million on its assets through its 2023/24 capital programme which included spending on our land and buildings including:

- implementing the Sustainable Communities for Learning Programme through

## STATEMENT OF ACCOUNTS 2023/24

- extending the Crownbridge school, and
- planning the building of the new Maendy primary school.
- continued advancements to the park and ride facility at Pontypool & New Inn train station.
- continued with the development of the British site.
- continued investment in the highway and building estate infrastructure.
- continued to invest in disabled facility grants to support our vulnerable citizens.

The capital programme is summarised as follows:

£ millions	Original Budget	Revised Budget	Planned Slippage	Working Budget	Out Turn	Slippage
Children & Families	22.44	<b>28.10</b>	(16.51)	<b>11.59</b>	<b>9.92</b>	1.67
Economy & Environment	9.23	<b>16.77</b>	(6.65)	<b>10.12</b>	<b>8.00</b>	2.12
Adults & Communities	6.65	<b>11.59</b>	(4.27)	<b>7.32</b>	<b>5.30</b>	2.02
Cardiff City Region	2.46	<b>4.90</b>	(4.69)	<b>0.21</b>	<b>0.00</b>	0.21
Corporate	0.72	<b>1.11</b>	(0.28)	<b>0.83</b>	<b>0.22</b>	0.61
Uncommitted	1.01	<b>0.94</b>	0.23	<b>1.17</b>	<b>0.00</b>	1.17
<b>Total</b>	<b>42.51</b>	<b>63.41</b>	<b>(32.17)</b>	<b>31.24</b>	<b>23.44</b>	<b>7.80</b>

The 2023/24 capital programme experienced £7.8 million slippage into 2024/25, the primary reasons being –

- Sustainable Communities for Learning – slippage due to contractor payments less than anticipated.
- Economy & Environment – the main areas of slippage were AMP and school asset maintenance of £854,000, highways maintenance £325,000, low carbon heat pumps £311,000, bulking and baling £245,000. The balance of the slippage was on smaller grant funded schemes that have moved into 2024/25.
- Adults and Communities – slippage is mainly on the grant funded schemes, such as, Levelling Up Fund £1.5 million, Transforming Towns £151,000, the remaining £353,000 slippage is mainly on the Council funded schemes of Greenmeadow Farm and Disabled Facilities Grants
- Corporate – the main slippage is on the Council's contribution to City Deal

The programme was funded by £2.67 million Government approved borrowing, £19.33 million specific grants/contributions received, £0.31 million from reserve contributions, and funding from a Salix loan of £1.13 million.

### Cardiff Capital Region City Deal (CCRCDD)

The Council continues to be a member of the Cardiff Capital Region and this Council will make a 6.1% contribution to the total £120 million programme and the ten constituent councils have committed to borrow over 20 years with the percentage being based on its proportion of the regional population; we will also fund our annual costs of this investment. There was a nil contribution towards capital spending during 2023/24 (£nil in 2022/23).

**Significant capital receipts:** The Council received four capital receipts in 2023/24 totalling £170,000, no receipt exceeded £60,000.

**Revaluation of non-current assets:** The Council has a policy of revaluing all assets every five years on a rolling programme. During 2023/24 comprehensive schools, special school, heritage centre, and Llanyravon Manor were revalued. The programme for subsequent years is as follows:

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- 2024/25 - Civic centre, Waste Transfer centre, Ty Blaen, community centres and community Education centres.
- 2025/26 - land, grazing land, car parks, multistorey car parks, libraries, community farm, cemeteries, storage warehouse.
- 2026/27 – Leisure facilities-sports halls/recreation and sports grounds, ski slope, golf course, boating lake.

In addition to this rolling asset revaluation programme, an annual review is also undertaken of our assets for any significant changes in their use. Additionally certain specified asset valuations were actioned using general building indices to recognise any high inflationary or deflationary changes.

During 2023/24 the gross value of our assets has changed to £509.76 million, through recognising the in-year asset enhancing spend of £14.05 million; the 2023/24 rolling asset revaluations increasing their held value by £9.7 million; and the sale/disposal of assets valued at £0.17 million. Further details are outlined in note 13.

**Borrowing arrangements and sources of funds:** The Council's overall borrowing, on a principal valuation basis, is as follows:

31 March 2023 £000s		31 March 2024 £000s
(62,220)	Public Works Loan Board (PWLB)	(66,008)
(40,000)	Banks	(24,500)
(30,000)	Local Authorities – Temporary Borrowing	(20,000)
(1,162)	Other sources	(1,938)
<b>(133,382)</b>	<b>Total</b>	<b>(112,446)</b>

The Council continued to operate within its limits as required by the Local Government Act 2003 and the CIPFA Prudential Code. Further information is disclosed in note 17.

**Collection of Council Tax and Non-Domestic Rates:** The 2023/24 Council Tax charge for Torfaen County Borough Council was £1,477.44 for properties in valuation Band D (£1,449.18 for 2022/23). We collected 94.2% in year of the total due (94.1% 2022/23). Non-Domestic Rates collection equated to 94.5% in 2023/24 (92.3% in 2022/23). During the year £151,165 Council Tax and £123,234 Non-Domestic Rates' debts were written off (£76,177 and £69,513 in 2022/23).

**Explaining the Pension Liability:** We must state the cost of paying retirement pensions when we become committed to the costs, not when we pay them. An Actuary estimates this figure for us, and 2023/24 shows a net liability of £8 million (£74 million in 2022/23). This figure will vary each year depending on the Actuary's assumptions, and over the year to 31 March 2024 the changes in the financial assumptions have decreased the liabilities. Note 36 shows a comparison of the assumptions. The date of the latest actuarial valuation was 31 March 2022, which set the employers' contribution rates from April 2023 until 31 March 2026.

### Looking to the future

The Council continues, like all Local Authorities, to face rising demands for its services, price inflation, and constraints on resources. Details regarding the 2024/25 budget and the Council's latest Medium-Term financial projections were considered by Council on the 27 February 2024. The following outlines the key areas considered:

**2024/25:** Following the receipt of its' principal funding settlement from the Welsh Government, which provided an uplift of 3.24% or £5.58 million, the Council set its 2024/25 revenue budget with a Council Tax increase of 4.95%, which increased the Council's annual Band D Council



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Tax charge by £73.13 to £1,550.57. The resultant budget uplifted funding to the school community by £3.18 million, provided resources to Adult Social Care to maintain services at existing levels of demand at around 936 clients, and funded Childrens Services placements at an average level of 432 financial placements. The approved budget included £9.6 million of mitigations and estimate amendments, which have minimal impacts to delivered services.

**The Medium Term:** The Council meeting also approved the Medium-Term Financial Plan (MTFP) for 2025 to 2029, which identified a further £35.2 million financial challenge to be addressed to ensure that balanced financial plans are achieved. This projection, over the duration of the MTFP, arises through:

- 1) Assumed annual pay awards from 2025/26 onwards for all employees of 3% p.a., which produces an anticipated pay-related pressure of £11.2 million in the schools' community and £11.9 million in the remainder of the Council.
- 2) Rising demand, rising cost of delivering services and removal of reserve funding, are estimated to be £6 million in the schools' community and £16.8 million in the remainder of the Council.
- 3) Annual Council Tax increases of 4.95% over the duration of the MTFP are modelled.
- 4) Assumed unhypothecated Welsh Government funding increases of 1% annually for the duration of the MTFP.
- 5) Specific grants that underpin recurring revenue activities, and that are scheduled to end during the lifetime of the MTFP (mainly the Shared Prosperity Fund and Regional Integration Fund); the funding commitment has been removed from relevant years of the MTFP and hence provides a pressure to be resolved.

The table below summarises the latest MTFP:

All £000s	2025/26	2026/27	2027/28	2028/29	Total
<b>Schools</b>					
Pay related pressures	2,686	2,726	2,827	2,931	11,170
Pupil Growth	320	(233)	(47)	(329)	(289)
Non-pay pressures (excl. Pupil Growth)	1,267	685	615	629	3,196
<b>Total schools recurring</b>	<b>4,273</b>	<b>3,178</b>	<b>3,395</b>	<b>3,231</b>	<b>14,077</b>
<b>Local Authority Related</b>					
Pay related pressures	3,029	2,866	2,971	3,079	11,945
Non-pay pressures	11,271	5,781	4,073	7,017	28,142
<b>Total Local Authority Related</b>	<b>14,300</b>	<b>8,647</b>	<b>7,044</b>	<b>10,096</b>	<b>40,087</b>
<b>Sub Total cost pressures</b>	<b>18,573</b>	<b>11,825</b>	<b>10,439</b>	<b>13,327</b>	<b>54,164</b>
<b>Funding changes Council Tax &amp; RSG (gross)</b>	<b>(4,501)</b>	<b>(4,659)</b>	<b>(4,822)</b>	<b>(4,995)</b>	<b>(18,977)</b>
<b>Total financial challenge</b>	<b>14,072</b>	<b>7,166</b>	<b>5,617</b>	<b>8,332</b>	<b>35,187</b>

In looking to address the above shortfalls the Council will utilise the existing change programme management approach and will concentrate on the following categories of activity:

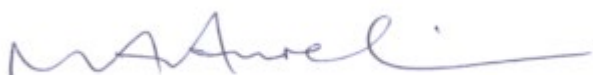
- a) Review of early intervention and prevention and the support provided by external grant funding in achieving the required reduction in demand.
- b) Place based grants and the employment arrangements supporting these. Also including approval / gatekeeping process.
- c) Demand management.
- d) Functional redesign reviews of services across the Council.

- e) Fleet functional redesign / review.
- f) Review / reduction of buildings and sites used to deliver services.
- g) Ensuring fees charged for services are commensurate with the costs of providing the services.
- h) School services.
- i) Exploring the delivery of services using shared delivery models.
- j) Exploring digital shift opportunities.
- k) Reviewing existing and exploring new partnerships.

The Council's Forward Capital Programme for the period 2025/26 to 2028/29 amounts to round £38 million, principally supporting the policy frameworks of the school redevelopment programme, disabled facilities grants and asset protection.

The **Annual Governance Statement** covers all significant corporate systems, processes, and controls. It is scrutinised by the Senior Leadership Team and the Governance & Audit Committee before approval by Council and is signed by the Chief Executive and the Leader of the Council.

**If you need more information:** You can get more information about our accounts from the Deputy Chief Executive (Resources), Torfaen County Borough Council, Civic Centre, Pontypool, Torfaen NP4 6YB. Our accounts will also be available on the Council's internet site.



**Nigel Aurelius, CPFA**  
**Deputy Chief Executive**  
**27 November 2024**

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### **Presiding Member at Council Certificate**

I can confirm that the Council approved the Statement of Accounts on 19 November 2024.



**Councillor Rose Seabourne, 27 November 2024**

### **Hyperlinked Documents**

It should be noted that the hyperlinked documents within the Narrative Report do not fall within the scope of the audit of the financial statements.

## Statement of Responsibilities for the Statement of Accounts

### The Council's responsibilities

The Council is required to:

- plan 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 Council, that officer is the Deputy Chief Executive.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

### The Deputy Chief Executive's Responsibilities

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

In preparing this Statement of Accounts, the Deputy Chief Executive 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 Deputy Chief Executive has also:

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

### The Deputy Chief Executive's Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of Torfaen County Borough Council at the accounting date and its income and expenditure for the year ended 31 March 2024.



Signed:

**Nigel Aurelius, CPFA**  
**Deputy Chief Executive**  
**Date: 27 November 2024**

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

#### **Opinion on financial statements**

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

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

The financial reporting framework that has been applied in their preparation is applicable law UK adopted and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024.

In my opinion the financial statements:

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

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

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

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

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

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

#### **Other information**

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

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained during 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 during 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 2024; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

### **Matters on which I report by exception**

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

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

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

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, set out on page 16, 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.
- assessing the Council's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible financial officer anticipates that the services provided by the Council will not continue to be provided in the future.

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

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

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

influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to Torfaen 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 the following areas: revenue recognition, expenditure recognition, posting of unusual journals.
- Obtaining an understanding of the Council's framework of authority as well as other legal and regulatory frameworks that Torfaen 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 the Council.
- Obtaining an understanding of related party relationships.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- enquiring of management, the Governance and Audit Committee about actual and potential litigation and claims.
- reading minutes of meetings of those charged with governance and the 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.
- 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 can detect irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of Torfaen County Borough Council's controls, and the nature, timing and extent of the audit procedures performed.

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

### **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 Torfaen County Borough Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.



Adrian Crompton  
Auditor General for Wales  
Date: 28 November 2024

1 Capital Quarter  
Tyndall Street  
Cardiff, CF10 4BZ

**Electronic publication of financial statements**

The maintenance and integrity of the Torfaen County Borough Council website is the responsibility of the Council. The work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Statement of Accounts since they were initially presented on the web site.

## **Section One – The Main Financial Statements**

## STATEMENT OF ACCOUNTS 2023/24

### Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting principles, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (note 6) and the Movement in Reserves Statement.

### Comprehensive Income and Expenditure Statement for the year ended 31 March 2024

31 March 2023 Restated				31 March 2024			Notes
Expenditure £000s	Income £000s	Net £000s		Expenditure £000s	Income £000s	Net £000s	
77,254	(28,376)	48,877	Adults & Communities	82,689	(34,607)	48,082	
160,529	(39,762)	120,768	Children & Family Services	160,922	(40,242)	120,681	
52,024	(21,058)	30,966	Economy & Environment	44,467	(13,832)	30,634	
43,674	(26,181)	17,493	Resources	41,094	(26,005)	15,089	
10,184	0	10,184	Council Tax Reduction Scheme	10,256	0	10,256	
834	(23)	811	Corporate Property Maintenance	1,079	(28)	1,051	
2,705	(1,857)	848	Other Services	2,080	(1,962)	118	
346,565	(116,618)	229,947	Cost of Services	342,589	(116,676)	225,912	6a, 6b
			<u>Other Operating Expenditure</u>				
1,698	0	1,698	Precepts - Community Councils	1,699	0	1,699	
10,374	0	10,374	Precept - Police and Crime Commissioner for Gwent	11,114	0	11,114	
4,801	0	4,801	Levy - South Wales Fire Authority	5,409	0	5,409	
212	0	212	Levy - Home Office - Coroners Courts	256	0	256	
32	0	32	Levy-Brecon Beacons	32	0	32	
1,548	(676)	872	(Gain)/Loss on disposal of non-current assets	2,009	(176)	1,833	
			<u>Financing and Investment Income and Expenditure</u>				
5,342	0	5,342	Interest payable and similar charges	4,280	0	4,280	17a
0	(1,525)	(1,525)	Interest and investment income and expenditure	0	(3,071)	(3,071)	17a
25,192	(15,367)	9,825	Net interest on the net pension liability (asset)	30,154	(26,755)	3,399	
12	0	12	Changes in the fair value of investment properties	0	(155)	(155)	
0	(1,205)	(1,205)	Income/expenditure related to investment properties	892	(1,803)	(911)	
0	0	0	(Gain)/Loss on trading operations – controlled server	0	0	0	
			<u>Taxation and Non-Specific Grant Income</u>				
0	(11,604)	(11,604)	Recognised capital grants and contributions	0	(13,471)	(13,471)	12
0	(61,557)	(61,557)	Council Tax	0	(63,410)	(63,410)	11
0	(33,649)	(33,649)	Non-Domestic Rates (NDR)	0	(29,950)	(29,950)	12
0	(126,471)	(126,471)	Revenue Support Grant (RSG)	0	(142,456)	(142,456)	12
395,776	(368,672)	27,104	(Surplus)/Deficit on Provision of Services	398,433	(397,923)	510	
		(36,894)	(Surplus)/deficit on revaluation of non-current assets			(23,321)	25a
		6,442	Premium incurred on the redemption of loans			3,500	25c
		(308,078)	Re-measurements re pension net liability (asset)			36,106	25d
		(338,550)	Other Comprehensive Income and Expenditure			16,285	
		(311,426)	<b>Total Comprehensive Income and Expenditure</b>			<b>16,795</b>	

## STATEMENT OF ACCOUNTS 2023/24

### Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e., those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, which is shown in more detail in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance for Council Tax setting.

### Movement in Reserves Statement for the year ended 31 March 2024

	Council Fund Balance £000s	Corporate Earmarked Reserves and Service Area Balances (Note 23) £000s	Total Council Fund £000s	School Balances (Note 24a) £000s	Capital Receipts Reserve (Note 24b) £000s	Capital Grants Unapplied £000s	Total Usable Reserves (Notes 23 & 24) £000s	Unusable Reserves (Note 25) £000s	Total Reserves £000s	Total JOPs Reserves (Note 10) £000s	Total Reserves £000s
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<b>Balance at 31 March 2023</b>	10,895	22,388	33,283	8,968	6,368	15,470	64,090	178,998	243,088	3,882	246,970
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Movement in reserves during 2023/24											
<b>Total Comprehensive Income and Expenditure</b>	(2,625)	0	(2,625)	(3,032)	0	0	(5,658)	(12,787)	(18,445)	1,645	(13,934)
Adjustments between accounting basis and funding basis under regulations (note 8)	2,230	1,932	4,162	0	170	(589)	3,743	(3,743)	0	0	0
<b>Net increase /(decrease) before transfers to Reserves</b>	(395)	1,932	1,535	(3,032)	170	(589)	(1,916)	(16,530)	(18,445)	1,645	(16,795)
Transfers to/(from) Earmarked Reserves	1,500	(1,500)	0	0	0	0	0	0	0	0	0
<b>Increase/(decrease) in Year</b>	1,103	432	1,535	(3,032)	170	(589)	(1,916)	(16,530)	(18,445)	1,645	(16,795)
<b>Balance at 31 March 2024 carried forward</b>	11,998	22,820	34,818	5,936	6,538	14,881	62,173	162,474	224,648	5,527	230,175

	Usable Reserves	Unusable Reserves		JOPs Reserves	Total Reserves
<b>Balance at 31 March 2024 carried forward</b>	62,173	162,474		5,527	230,175
Incorporate JOPs Reserves	1,938	3,589		(5,527)	0
<b>Balance at 31 March 2024 carried forward</b>	64,111	166,063		0	230,175

# STATEMENT OF ACCOUNTS 2023/24

## Movement in Reserves Statement for the year ended 31 March 2023

Movement in Reserves Statement for the year ended 31 March 2022	Council Fund Balance	Corporate Earmarked Reserves and Service Area Balances (Note 23)	Total Council Fund	School Balances (Note 24a)	Capital Receipts Reserve (Note 24b)	Capital Grants Unapplied	Total Usable Reserves (Notes 23 & 24)	Unusable Reserves (Note 25)	Total Reserves	Total JOPs Reserves (Note 10)	Total Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s

Balance at 31 March 2022	9,262	20,304	29,566	11,846	5,693	13,608	60,712	(128,431)	(67,719)	3,263	(64,456)
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Movement in reserves during 2022/23											
Total Comprehensive Income and Expenditure	(31,133)	0	(31,133)	(2,878)	0	0	(34,011)	344,818	310,807	619	311,426
Adjustments between accounting basis and funding basis under regulations (note 8)	34,851	0	34,851	0	675	1,862	37,389	(37,389)	0	0	0
Net increase /(decrease) before transfers to Reserves	3,718	0	3,718	(2,878)	675	1,862	3,378	307,429	310,807	619	311,426
Transfers to/(from) Earmarked Reserves	(2,084)	2,084	0	0	0	0	0	0	0	0	0
Increase/(decrease) in Year	1,634	2,084	3,718	(2,878)	675	1,862	3,378	307,429	310,807	619	311,426
Balance at 31 March 2023 carried forward	10,895	22,388	33,283	8,968	6,368	15,470	64,090	178,998	243,088	3,882	246,970

	Usable Reserves	Unusable Reserves		JOPs Reserves	Total Reserves
Balance at 31 March 2023 carried forward	64,090	178,998		3,882	246,970
Incorporate JOPs Reserves	1,080	2,802		(3,882)	0
Balance at 31 March 2023 carried forward	65,170	181,800		0	246,970

# STATEMENT OF ACCOUNTS 2023/24

## Balance Sheet

The Balance Sheet summarises the Council's financial position as at 31 March 2024. It shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories, either usable or unusable.

## Balance Sheet as at 31 March 2024

31 March 2023 £000s		31 March 2024 £000s	Notes
389,965	Property, Plant and Equipment	409,233	13
1,376	Heritage Assets	1,366	14
14,901	Investment Property	15,056	15
1,112	Long Term Debtors	1,207	
<b>407,354</b>	<b>Long Term Assets</b>	<b>426,861</b>	
25,325	Short-term Investments	5,693	17
734	Inventories	813	
44,821	Short Term Debtors	43,126	19
14,310	Cash And Cash Equivalents	8,578	20
534	Assets Held for Sale	19	13
<b>85,724</b>	<b>Current Assets</b>	<b>58,230</b>	
(32,803)	Short Term Borrowing	(24,490)	17
(25,755)	Short Term Creditors	(23,798)	21
(1,305)	Grants Receipts in Advance-Revenue	(1,228)	12
(2,880)	Provision for Accumulated Absences	(1,048)	
<b>(62,743)</b>	<b>Current Liabilities</b>	<b>(50,563)</b>	
(2,422)	Long term Creditors	(3,747)	17
(1,379)	Provisions	(773)	
(99,612)	Long Term Borrowing	(86,132)	17
(79,951)	Other Long-Term Liabilities	(113,701)	22
<b>(183,364)</b>	<b>Long Term Liabilities</b>	<b>(204,353)</b>	
<b>246,970</b>	<b>Net Liabilities</b>	<b>230,175</b>	
(10,895)	Council Fund	(11,998)	MiRS
(5,742)	Council Fund - Service Area Balances	(4,926)	23
(16,646)	Corporate Earmarked Reserves	(17,894)	23
(1,080)	Earmarked Reserves – JOPs	(1,938)	10
(8,968)	School Balances	(5,936)	24a
(6,368)	Capital Receipts Reserve	(6,538)	24b
(15,470)	Capital Grants Unapplied	(14,881)	
<b>(65,169)</b>	<b>Usable Reserves</b>	<b>(64,111)</b>	
(139,411)	Revaluation Reserve	(153,099)	25a
74,448	Pensions Reserve	107,883	25d
(129,087)	Capital Adjustment Account	(133,410)	25b
9,369	Financial Instruments Adjustment Account	11,515	25c
2,880	Short-Term Accumulating Absences Account	1,048	
<b>(181,801)</b>	<b>Unusable Reserves</b>	<b>(166,063)</b>	
<b>(246,970)</b>	<b>Total Reserves</b>	<b>(230,175)</b>	



## Cash Flow Statement

The Cash Flow Statement shows the changes in the cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

## Cash Flow Statement for 2023/24

2022/23 £000s Restated*		2023/24 £000s	Notes
<b>(27,104)</b>	<b>Net surplus or (deficit) on the provision of services</b>	<b>(510)</b>	
31,715	Adjustments to net surplus or deficit on the provision of services for non-cash movements	21,065	26
(7,004)	Reversal of operating activity included in the net surplus or deficit on the provision of services that are shown separately	(11,597)	27
(4,580)	Interest paid and interest and dividends received	(1,874)	27
<b>(6,973)</b>	<b>Net cash flows from operating activities</b>	<b>7,084</b>	
(4,442)	Investment Activities	14,985	28
9,685	Financing Activities	(27,802)	29
<b>(1,730)</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>(5,733)</b>	
16,041	Cash and cash equivalents at the beginning of the reporting period	14,311	20
<b>14,311</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>8,578</b>	20

\*The prior year restatement relates to the movement of S106 balances from Creditors to Other Long-Term Liabilities (Receipts in Advance).

## **Section Two - Notes to the Main Financial Statements**

## **Notes to the Financial Statements**

### **1. Accounting Policies**

#### **a) General Principles**

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 (as amended) in accordance with proper accounting practices. These practices, under Section 21 of the Local Government Act 2003, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), supported by International Financial Reporting Standards (IFRS). Following the UK withdrawal from the remit of the EU-endorsement framework, the Code will be based on standards adopted for UK application under the terms of the International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019 (SI 2019/685). These accounts have been prepared principally on an historical cost basis, modified by the revaluation of certain categories of non-current assets and financial instruments. They are also prepared on a going concern basis. The financial statements are presented in UK/GB pounds (£s).

#### **b) Accruals of Income and Expenditure**

Accruals of income and expenditure are accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- (i) Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised in line with IFRS 15 – Revenue from Contracts with Customers, which provides a single, principles-based five-step model to determine how and when to recognise revenue from contracts with customers. In essence it means recognition occurs 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.
- (ii) Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- (iii) 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 flow fixed or determined by the contract.
- (iv) Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor 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.
- (v) Income from the sale of non-current assets is recognised only when all material conditions of sale have been met and is measured as the sums due under the sale contract.

#### **c) Tax Income (Council Tax and Non-Domestic Rates (NDR))**

Non-Domestic Rates (NDR) - The Council collects NDR on behalf of the Welsh Government and pays the money collected from local businesses into the Welsh Government National Pool. This is then re-distributed back to Councils based on a fixed amount for every person living in their area. It is in substance an agency arrangement. It therefore follows that:

- (i) NDR income is not the income of the Council (the billing authority) and is therefore not included in the Comprehensive Income and Expenditure Statement. Only the cost of collection allowance received by the Council is the billing authority's income and is included.

- (ii) NDR debtor and creditor balances with taxpayers and the impairment allowance for doubtful debts are not assets and liabilities of the Council and are not recognised in the Balance Sheet.
- (iii) The difference between the cash collected from NDR taxpayers and the amount paid into the NDR national pool is included within financing activities in the Cash Flow Statement.

Council Tax - All Council Tax income is included in the Comprehensive Income and Expenditure Statement within the Taxation and Non-Specific Grant Income line. Council Tax debtors or creditors and impairment allowance for doubtful debts are wholly included in the Balance Sheet.

d) Cash and cash equivalents

Cash includes any cash in hand, overnight deposits and bank overdrafts. Cash equivalents must be readily convertible to known amounts of cash with insignificant risk of change in value and refer to instant access call accounts such as Money Market Funds. Any other short term investment deposits are excluded from cash and cash equivalents and are included in current assets. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts.

e) Employees Benefits

The Code requires the Council to account for all employee benefits as they are earned by the employee.

Benefits payable during employment:

- (i) Short term employee benefits - short term employee benefits are those that the Council expects to be settled within twelve months of Balance Sheet date. They include salaries and wages accrued up to the Balance Sheet date, and paid annual leave earned but not yet taken at the Balance Sheet date. The benefit is recognised as an expense in the year service is provided. An accrual is made for the cost of holiday entitlements (or any form of leave where material). The accrual is made at the pay rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Comprehensive Income and Expenditure Statement, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.
- (ii) Other long term employee benefits - The Council does not pay long term disability or injury benefits outside of the pension arrangements. Therefore, the Council accounts for them in the same way as 'defined benefit post-employment benefits' as described below in Post-Employment Benefits.

Termination Benefits

These are employee benefits payable because of:

- (i) A decision by the Council to terminate an employee's employment before normal retirement date, or
- (ii) An employee's decision to accept voluntary redundancy in exchange for those benefits.

It should be noted that if voluntary early retirement occurs under the pension scheme rules it is not a 'termination benefit' and instead is treated as a 'post-employment benefit'. The recognition point is the earlier of:

- i) the date at which the Council cannot withdraw an offer, or
- ii) the date the Council recognises costs for a restructuring that involves the payment of termination benefits.

The Council recognises as a liability and expense both lump sum redundancy payments and any enhancements of retirement benefits which result in a phased payment of 'strain' costs to the Pension Fund.

### Post-Employment Benefits

Employees of Torfaen County Borough Council can be members of one of two separate pension schemes:

- (i) Local Government Pension Scheme - The Council provides employment benefits (retirement lump sums and pensions) to employees (other than teachers) via the Local Government Pension Scheme (LGPS). This is a funded pension scheme meaning that the employer and employee pay contributions which are invested in a separate fund. This scheme is accounted for in accordance with the Code's requirements for defined benefit plans.

The liabilities of the Greater Gwent (Torfaen) Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method. This is 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 estimates of projected earnings for current employees. The liabilities are discounted to their value at current prices using the rate of return on high quality corporate bonds.

The assets of the Greater Gwent (Torfaen) Pension Fund attributable to the Council are included in the Balance Sheet at their fair value as calculated by the actuary.

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

Service cost comprising:

- (i) current service cost - the increase in liabilities because of years of service earned this year - allocated to the respective service lines within the Comprehensive Income and Expenditure Statement.
- (ii) past service cost - the increase in liabilities because of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to Non-Distributed Costs within the Other Services line of the Comprehensive Income and Expenditure Statement.
- (iii) net interest - the net interest expense for the Council calculated on both its liabilities and assets - it reflects the change in the net benefit liability (asset) that arises from the passage of time and is charged to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.

Re-measurements comprising:

- (i) the return on plan assets - would only apply to amounts excluding net interest on the defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- (ii) actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuary has updated his assumptions - charged to the Pension Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Greater Gwent (Torfaen) Pension Fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

- (ii) Teachers Pension Scheme - The Council and our employees who are teachers pay contributions to the Teachers Pension Scheme. This is a national scheme administered by the Teachers Pension Agency. The arrangements mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teacher's Pensions in the year.

Discretionary Benefits - The Council has restricted powers to make discretionary awards of retirement benefits (LGPS and Teachers' schemes). Any liabilities estimated to arise because of such an award to any member of staff (including teachers) are described as 'unfunded liabilities,' and are accrued in the year of decision to make the award. Our Actuary works out the value of these for the Balance Sheet. The Comprehensive Income and Expenditure Statement shows the past service cost arising from these. There are no investment assets built up to meet these liabilities and cash must be generated to meet payments as they fall due.

f) Events after the Reporting Period

Events after the Balance Sheet date are those events that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. There are two types:

- (i) 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.
- (ii) 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) Changes in Accounting Policies

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 Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless the Code stipulates transitional arrangements) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

h) Financial Instruments

Financial liabilities

The Councils' financial liabilities are initially measured at fair value, which equates to cost, and carried at their amortised cost, which equates to principal amount borrowed plus accrued interest amended for any further adjustments such as effective interest rate calculations for stepped interest rate loans. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable on loans are based on the carrying amount of the loan, multiplied by the effective rate of interest for that loan.

For most of the borrowing that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.



### Premiums/Discounts

Where premiums and discounts have been incurred regulations allow the impact on the Council Fund Balance to be spread over future years. The Council has a policy of spreading any premiums over the term that was remaining on the loan against which the premium was payable, and discounts are spread over a minimum period equal to the outstanding term of the repaid loan or 10 years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### Financial assets

Under IFRS 9, financial assets are recognised when the Council becomes party to the contractual provision of the financial instrument or, in the case of trade receivables, when the goods have been delivered. A principle-based approach is taken to the classification of financial assets.

Financial assets are classified not only determined by their characteristics, but also by the investment strategy or business model under which the asset has been acquired. Business models refer to how groups of financial assets are managed to generate cash flows and achieve business objectives. There are three models: -

1. These are classified as Amortised Cost.
2. The 'to collect contractual cash flows and sell' model. These are classified as 'Fair Value through Other Comprehensive Income'.
3. The 'to sell' model i.e., Money Market Funds (MMFs). These are classified as 'Fair Value through profit/loss'.

This Council predominantly follows model 1 above but also uses low risk MMFs. Under model 1, financial assets are classified as Amortised Cost (previously Loans & Receivables). Under model 3, financial assets are classified as Fair Value through Profit & Loss. The classification is determined at the time of initial recognition.

Financial assets measured at amortised cost are those held within a business model whose objective is to hold financial assets to collect contractual cash flows and where the cash flows are solely payments of principal and interest. This includes most trade receivable, loans receivable, and other simple debt instruments.

Financial assets classified as at Amortised Cost are initially measured at fair value and subsequently carried at their amortised cost. Interest income received in the Comprehensive Income and Expenditure Statement is based on the carrying amount of the investment multiplied by the effective rate of interest for that investment. This means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest), and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the investment agreement. The interest on financial assets (investments) is included within current assets in the Balance Sheet.

Fair value through profit and loss assets are measured using quoted market prices i.e., 'marked to market' and shown at fair value on the balance sheet. All gains and losses including changes in the fair value are shown in the Comprehensive Income & Expenditure Statement.

### Soft loans

A soft loan is a loan which carries a favourable rate of interest compared to current market rates. The fair value of the loan shall be determined as the net present value of the future cash payments discounted using the prevailing market rate of interest at which the Council could borrow for a loan with similar terms - the PWLB rate is considered appropriate. Subsequent accounting will require the loan's effective interest rate to be used which is then reversed to the Financial Instruments Adjustment Account.

### Impairment of Financial Assets – The Expected Credit Loss Model

A loss allowance is set aside for expected credit losses upon initial recognition. The loss allowance will be equal to either 12-month expected credit losses or lifetime expected credit losses. It is a forward-looking model.

This Council adopts the simplified approach to impairment, in accordance with the Code, and measures the loss allowance for trade receivables, contract assets and lease receivables at an amount equal to lifetime expected losses using a provision matrix based on historically observed default rates adjusted for forward-looking estimates.

This concept of impairment applies to financial assets whose contractual cash flows are solely payments of principal and interest i.e., held at amortised cost, and are not part of a business model or investment strategy that requires them to be classified as Fair Value Through Profit and Loss.

Impairment losses are calculated to reflect the expectation that cash flows might not take place because the borrower could default on their obligations and is recognised in the Surplus or Deficit on the Provision of Service as an impairment gain or loss. The Council's impairment for investments is immaterial due to the products used. There is also a requirement for impairment loss allowances to be assessed for instruments other than financial assets.

#### i) Government grants and contributions

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions have been satisfied and relevant expenditure incurred.

Monies received as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are subsequently satisfied, and the relevant expenditure incurred, the grant or contribution is credited to the relevant service line 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 in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

#### j) Investment Property

Investment property is defined as property that is held solely to earn rental income or for capital appreciation or both. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Initially investment properties are measured at cost including transaction costs, and subsequently at Fair Value. Investment Properties are not depreciated but are revalued annually. Gains or losses arising from a change in fair value between periods are recognised in the Financing and Investment

Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year they arise. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement and result in a gain for the Council Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance. The gains and losses are reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, to the Capital Receipts Reserve.

k) Fair Value Measurement

The Council measures its assets held for sale, surplus assets, investment properties and 'fair value through profit and loss' financial instruments 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. Measurement will be at highest and best use from the perspective of a market participant. The fair value of an investment property held under a lease is the lease interest.

It is assumed that any fair value measurement of an asset or liability uses the same assumptions that market participants acting in their economic best interest would use and that the transaction takes place in the principal market or failing that in the most advantageous market for the asset or liability.

l) Valuation Techniques and Input Levels

Appropriate valuation techniques are used for which sufficient data is available. Inputs to the techniques are categorised within the fair value hierarchy that consists of three levels as follows:

1. Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that are accessible by the Council at the measurement date.
2. Level 2 inputs are quoted prices other than quoted prices within Level 1 that are observable either directly or indirectly.
3. Level 3 inputs are unobservable inputs for an asset or liability.

The use of relevant observable inputs is maximised, and the use of unobservable inputs is minimised.

The Valuation Techniques used to Determine Level 2 and 3 Fair Values are: -

Level 2 – Significant Observable Inputs

The fair value for assets held for sale has been based on the market approach using prices and other relevant information generated by market transactions involving comparable properties. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as Level 2.

Level 3 – Significant Unobservable Inputs

The industrial and commercial investment portfolio in the area is measured using the income approach, which converts future net income to a single current amount using present value techniques. There are differences between comparables and the Councils' properties

relating to occupancy rates and condition, so the yields applied to the valuation have been adjusted. As this measurement technique is using significant unobservable inputs it is categorised as Level 3.

The valuation for surplus assets follows the market approach. It uses comparable evidence of disposals and development land sales. However, where site investigation works have not been carried out there could be abnormal costs of development. This significant unobservable input could have a significant impact on the value.

There has been no change in the valuation techniques used during the year for investment properties.

### Highest and Best Use

In estimating the fair value of the Council's investment property, the Valuers have determined that, after consideration of alternative uses, the highest and best use of the properties is their current use.

For recurring valuations of investment property any gains or losses are recognised in the Comprehensive Income and Expenditure Statement within the line for income and expenditure related to investment properties. For non-recurring valuations of assets held for sale any gains or losses are recognised in the gains and losses on disposal of non-current assets, and for surplus assets in the cost-of-service lines.

Any transfers between valuation levels will take place at the valuation date at the end of the reporting period.

### m) Non-Current Assets Held for Sale

Non-current assets held for sale are recognised as a current asset when the sale of an asset is highly probable and management are committed to a plan to sell the asset, and that sale is expected to occur within one year. Non-current assets held for sale are valued at the lower of the carrying value and the fair value less disposal costs. Any subsequent decrease to fair value, less costs to sell, is posted to the Comprehensive Income and Expenditure Statement in the line for gain or loss on disposal of non-current assets. 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. Non-current assets are not depreciated while they are classified as held for sale.

### n) Overheads and Support Services

The Council operates and manages its support services generally within the Resources, Services area and this is how these services are reported to management. The costs of overheads and support services are therefore not re-apportioned.

o) Property, Plant and Equipment

Assets that have physical substance and are held for use, and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. (Also referred to as Non-Current Assets as they are expected to be used during more than one financial year.) Property, Plant and Equipment includes:

- (i) Operational assets – these include land and buildings
- (ii) Vehicles, plant and equipment
- (iii) Community assets - assets such as parks which provide a service/benefit to the community and cannot be disposed of because of legal restrictions.
- (iv) Infrastructure assets - these are utility assets owned by the Council, such as roads, footpaths, street lighting, sewers and drainage.
- (v) Non-Operational – Surplus Assets which do not meet the definition of assets held for sale.

**Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, if it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as a revenue expense to the Comprehensive Income and Expenditure Statement when incurred. A de-minimis level of £10,000 is applied to the recognition of expenditure on Property Plant and Equipment. The Council does not capitalise any borrowing costs incurred on qualifying assets in the period prior to it becoming operational.

Where a large asset, for example a building, includes several components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives according to the following de-minimis principles:

- (i) An asset is not considered for componentisation unless its carrying value is £2.3 million or greater or it is classed as the asset type secondary school, primary school or sport centre in which case the asset is additionally reviewed for the requirement to componentise.
- (ii) For a component to be recognised its value must be greater than 20% of the asset.

**Measurement**

An item of Property, Plant and Equipment is initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at current value as at the date of acquisition. Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income and Expenditure 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 carried in the Balance Sheet using the following measurement bases:

- (i) Infrastructure, community assets and assets under construction – depreciated historical cost.
- (ii) Surplus Assets – fair value determined by the highest and best value use.

- (iii) all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

### **Revaluations**

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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 as follows:

- (i) 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).
- (ii) 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, being the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **Impairment**

The values of each category of assets and material individual assets are reviewed at the end of each financial year for evidence of reductions in service potential (impairment). Where impairment is identified as part of this review or because of the valuation exercise it is accounted for as follows:

- (i) Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, any impairment is written down against this balance (up to the amount of the accumulated gains).
- (ii) 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**

All Council Property, Plant and Equipment assets are depreciated on a straight-line basis at rates that will write-off their cost or valuation, less any estimated realisable value, over their expected useful lives. Depreciation is charged on closing asset values. The valuer assesses the useful lives of buildings during valuations. The standard length of time over which we depreciate our assets is summarised in the following table:



## STATEMENT OF ACCOUNTS 2023/24

Asset Type	Depreciation Period
Infrastructure i.e., roads and bridges	12 to 99 years based on asset types
Plant & equipment	5 years
Buildings (as determined by valuer)	1 to 60 years

Land is not depreciated; therefore, building values are calculated after considering the land element as a residual value. Community Assets and Assets under Construction are also not depreciated. Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

### **Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is 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 more than £10,000 are categorised as capital receipts. These receipts are credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council'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. Receipts lower than £10,000 are credited directly to the Comprehensive Income and Expenditure 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.

p) Leases

Leases are classified as finance leases when substantially all the risks and rewards incidental to ownership of the leased property transfer to the lessee, whether title is eventually transferred. 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.

(i) Finance leases - lessee

Assets held under finance leases are treated as if they had been purchased outright, and the corresponding liability to the leasing company is included as an obligation under finance leases on the Balance Sheet. The lease is recognised initially at fair value, or if lower, at the present value of the minimum lease payments. Non-current assets recognised under finance leases are accounted for using the policies applied generally to Property, Plant and Equipment, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life. Leasing payments or rentals are treated as consisting of capital and interest elements. The capital charge reduces the lease obligation, and the interest is charged to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement. The Council 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. In the case of finance leases this amount will be equal to the rent that writes down the Balance Sheet liability.

(ii) Operating leases - lessee

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the Comprehensive Income and Expenditure Statement as an expense to the relevant service on a straight-line basis over the term of the lease.

(iii) Operating leases - lessor

Where the Council 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.

q) Charges to Revenue for Non-Current Assets

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

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

The Council 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 - a minimum revenue provision (MRP) - towards the reduction in its overall borrowing requirement. The charge is equal to an amount calculated on a prudent basis

according to the policy determined by the Council in accordance with statutory guidance. An annual MRP Statement is submitted to Council for approval in advance of each year stating its policy and is put to Council if it is proposed to vary the terms of the original Statement during the year. The policy for supported borrowing is to recover the opening Capital Financing Requirement (CFR) for 2019/20 over 40 years and subsequent annual supported borrowing will also be recovered over 40 years on a straight-line basis, whereas for unsupported borrowing the asset life method is used or as directed by Welsh Government. In the case of finance leases the MRP requirement will be met by a charge equal to the rent that goes to write down the Balance Sheet liability.

Depreciation, revaluation and impairment losses and amortisations are replaced by the contribution in the Council Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

r) Provisions

Provisions are sums we set aside in the appropriate service line in the Comprehensive Income and Expenditure Statement for liabilities relating to past events, but the exact timing and amount of the payment required is uncertain. The Council recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) because of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation at the Balance Sheet date, considering relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. All Council provisions are treated as long-term by nature.

s) Reserves

Reserves are sums we set aside in our accounts for purposes other than as described above for provisions. 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 on the Movement in Reserves Statement so that there is no net charge against Council Tax for expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

t) Revenue expenditure funded from capital under statute (REFCUS)

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. These items are generally grants and expenditure on property not owned by the Council. Where this cost is being met from existing capital resources or by borrowing, then the charge is reversed out by a transfer in the Movement in Reserves Statement from the Council Fund Balance to the Capital Adjustment Account so that there is no impact on the level of Council Tax.

u) Value Added Tax (VAT)

These accounts have been prepared on a VAT exclusive basis except where VAT is irrecoverable, and any net VAT due or owing at balance date is included in debtors or creditors as appropriate.

v) Interest in Companies and Other Entities

Councils are required to consider all their interests (including those in other Councils and similar bodies) and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or jointly controlled entities. Inclusion in the group is dependent upon the extent of the Council's control over the entity demonstrated through ownership, a shareholding in an entity or representation on an entity's board of directors. An assessment of all the Council's interests has been carried out during the year in accordance with the Code to determine whether any group relationships exist and whether they should be included in group accounts. No group accounts are required, and the results of the review are shown in note 35 and note 3. In relation to schools accounting policy x) is also pertinent in terms of there being no requirement to produce group accounts.

w) Jointly Controlled Operations (JOPs) and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. Joint Committees are an example of jointly controlled operations that are relevant to the Council. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

x) Treatment of Schools

The Code 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 Council. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the Council's 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.

In terms of assets, the accounting treatment depends on the balance of control. Control will only lie with a voluntary aided (VA) school if the school owns the asset. However, in the case of many VA schools of a religious nature the ownership will reside with trustees and the school merely operates under an informal agreement, which will not constitute control for the purpose of including in the single account of the Council. Similarly, the voluntary controlled school, referred to within Note 3 below, is owned by the Hopkins and Hill Trust. For these voluntary aided schools and the voluntary controlled school capital expenditure is treated as "REFCUS" (Revenue from Capital under Statute) expenditure and written off each year to the Comprehensive Income and Expenditure Statement within Education Services.

## 2. Accounting standards issued, not yet adopted

At the balance sheet date, there are no new relevant standards or amendments to existing standards that have been published but not yet adopted by the Code that will have any impact upon the financial statements.

However, the following details are provided for information purposes: -

### 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 assets. CIPFA/LASAAC have a compulsory implementation for IFRS 16 for local government as 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.

## 3. Critical judgements in applying accounting policies

In applying the accounting policies set out in note 1, the Council 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:

- (i) School Assets - the Council has established with the relevant bodies that six Voluntary Aided (VA) schools are not controlled by the schools, as ownership resides with the religious body and are occupied under informal arrangements only. Similarly, there is one Voluntary Controlled school where the ownership resides with a Trust - The Hopkins and Hill Charitable Trust. As neither the Council nor the schools control the assets they are not included within the single accounts of the authority.
- (ii) Group Accounts – the Council's group boundaries have been assessed using the criteria outlined in the Code. It has assessed that there are no entities that are required to be consolidated with the Council. Note 35 on Related Parties provides further information on the decision-making criteria applied to each entity in reaching this conclusion.
- (iii) A Joint Working Agreement established the Cardiff Capital Region Joint Committee as a Joint Committee, with delegated functions, from 1 March 2017 as a partnership between the 10 councils in South-East Wales, including Torfaen County Borough Council. From the 18 March 2024 the city region became a Corporate Joint Committee. The public body will be known as Cardiff Capital Region (CCR), but legal name will be the South-East Wales Corporate Joint Committee. Note 10 on Joint Operations provides further information.
- (iv) Council Tax Reduction Scheme (CTRS) – several points are considered relevant in determining to present this item of expenditure as gross in the Cost of Services segment of the Comprehensive Income and Expenditure Statement rather than netting it off Council Tax income in the Taxation and Non-Specific Grant Income segment. The most persuasive and significant of these being that, as there is no specific reference to the proper accounting treatment of CTRS in the CIPFA Accounting Code of Practice or Guidance Notes, reliance

has been placed on IPSAS 23 - Revenue from Non-Exchange Transactions (taxes and transfers). This standard is relevant to public sector bodies, and states that taxation revenue shall be determined at a gross amount; it shall not be reduced for expenses paid through the tax system.

**4. Assumptions made about the future and other major sources of estimation uncertainty.**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made considering historical experience, current trends and other relevant factors however, actual results could be different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2024 which are subject to the highest risk of estimation uncertainty in the forthcoming financial year are as follows:

- (i) The valuations provided to the Council by its valuers this year recognises that there are factors continuing to affect economies and real estate markets globally. In relation to the 2023/24 accounts, an additional change in asset valuations was actioned using indices to recognise the recent inflationary changes. For 2023/24 the All-in Tender Price Index was used rather than the General Building Cost Index. These indices were applied to certain specified asset valuations and were in addition to the normal annual review. It is further recognised that there is potential for market conditions to move rapidly in response to environmental and economic changes and the valuers therefore highlight the increased importance of the valuation date.
- (ii) Revaluation of Property, Plant and Equipment - Property, Plant and Equipment (except for infrastructure, community assets, assets under construction and small value items of vehicles, plant and equipment) are revalued on a periodic basis and tested annually for impairment. It is estimated that a 1% change in these asset values would result in a change of £3.51 million.
- (iii) Depreciation of Property, Plant and Equipment - Assets are depreciated based on useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. If the Council does not undertake the assumed maintenance, and asset lives decrease, it is estimated that the annual depreciation charge for 'Other Land and Buildings' would increase by circa £2.0 million for every year that useful lives had to be reduced.
- (iv) Fair Value Measurements - When Level 1 inputs based on quoted prices in an active market cannot be used to assess fair values then appropriate valuation techniques are used. Where possible the inputs to these valuation techniques will use observable data (Level 2 inputs), but where this is not judgement is required (Level 3 inputs using unobservable data). These judgements include consideration of uncertainty and risk. Information about the valuation techniques and input levels used by the Council are disclosed in accounting policy I.
- (v) The significant unobservable inputs used in the fair value measurements include management assumptions regarding rent yields, and vacancy rates for investment properties, and in relation to surplus assets an assumption that there will be no abnormal costs of development. Any significant change in the unobservable inputs would result in a significantly lower or higher fair value measurement.
- (vi) Provisions - The Council has made provision in relation to insurance claims made to the Council. These provisions are based 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. It is not certain that the precedents set in previous years will be applicable to the current outstanding claims.

- (vii) Arrears - At 31 March 2024 the Council had outstanding debtors totalling £47.39 million. A review of these outstanding balances was undertaken, and an impairment allowance made totalling £5.13 million. The current economic climate makes this assessment more difficult. If collection rates were to deteriorate by 10% then the Council would need to review its policies on the calculation of its impairment allowance.
- (viii) Pensions Liability – Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the expected rate of price inflation, the rate at which salaries and pensions are expected to increase, mortality rates and rate of commutation of pensions. A firm of actuaries are engaged to provide the Council with expert advice about the assumptions to be applied. A sensitivity analysis of these assumptions is provided in Note 36.

## **5. Material Items of Income and Expenditure**

There are no material items to report in relation to the accounting period 2023/24.



## STATEMENT OF ACCOUNTS 2023/24

### 6. Expenditure and Funding Analysis

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

2023/24	As reported for resource management	Adjustment to arrive at the net amount chargeable to the Council Fund (Note 6b)	Net expenditure chargeable to the Council Fund balance	Adjustments between funding and accounting basis (Note 6b)	Net expenditure in the Comprehensive Income & Expenditure Statement
	£000s	£000s	£000s	£000s	£000s
Children & Family Services	110,895	4,312	115,207	5,474	120,681
Adults & Communities	45,679	213	45,955	2,127	48,082
Economy & Environment	22,071	1,969	24,040	6,594	30,634
Resources	16,465	(687)	15,778	(689)	15,089
Capital Financing	8,538	(8,538)	0	0	0
Council Tax Reduction Scheme	10,256	0	10,256	0	10,256
South Wales Fire Service Levy	5,409	(5,409)	0	0	0
Corporate Property Maintenance	1,125	(74)	1,051	0	1,051
Other Services	(1,203)	1,416	214	(96)	118
<b>Net Cost of Services</b>	<b>219,237</b>	<b>(6,797)</b>	<b>212,501</b>	<b>13,410</b>	<b>225,911</b>
<b>Other Income and Expenditure</b>					
Other Operating Expenditure	12,812	5,697	18,509	1,885	20,343
Financing and Investment Income and Expenditure	(3,205)	6,142	2,937	605	3,542
Taxation and Non-Specific Grant Income	(235,816)	(1,731)	(237,547)	(11,740)	(249,287)
<b>Total Other Income and Expenditure</b>	<b>(226,208)</b>	<b>10,108</b>	<b>(216,101)</b>	<b>(9,250)</b>	<b>(225,402)</b>
<b>Surplus or deficit</b>	<b>(6,909)</b>	<b>3,310</b>	<b>(3,599)</b>	<b>*4,160</b>	<b>509</b>

<b>Opening Council Fund balance at 31 March 2023</b>	<b>(10,895)</b>
Transfer – Earmarked Reserves (MiRS)	1,500
Deficit on Council Fund in year (above)	(3,599)
- Adjust for JOPs reserves (Note 10)	(1,645)
- Adjust for Schools reserves (MiRS)	3,032
Movement on Service Area Balances (MIRS)	(432)
Deficit on Council Fund in year per MiRS	(1,103)
<b>Closing Council Fund balance at 31 March 2024</b>	<b>** (11,998)</b>

\*This figure cross references to note 8 Adjustment Between Accounting Basis and Funding Basis Under Regulations.

\*\* Total Council Fund balances can be found in the MiRS on page 23.



## STATEMENT OF ACCOUNTS 2023/24

2022/23 Restated	As reported for resource management	Adjustment to arrive at the net amount chargeable to the Council Fund (Note 6b)	Net expenditure chargeable to the Council Fund balance	Adjustments between funding and accounting basis (Note 6b)	Net expenditure in the Comprehensive Income & Expenditure Statement
	£000s	£000s	£000s	£000s	£000s
Childrens & Family Services	103,629	3503	107,132	13,636	120,768
Adults & Communities	40,997	562	41,559	7,318	48,877
Economy & Environment	18,569	2067	20,636	10,330	30,966
Resources	14,632	371	15,003	2,490	17,493
Capital Financing	9,787	(9,786)	1	-	1
Council Tax Reduction Scheme	10,183	0	10,183	-	10,183
South Wales Fire Service Levy	4,801	(4,801)	-	-	-
Corporate Property Maintenance	911	(97)	814	(3)	811
Other Services	(1,116)	668	(448)	1,296	848
<b>Net Cost of Services</b>	<b>202,393</b>	<b>(7,514)</b>	<b>194,879</b>	<b>35,068</b>	<b>229,946</b>
<b>Other Income and Expenditure</b>					
Other Operating Expenditure	12,072	5,045	17,117	872	17,989
Financing and Investment Income and Expenditure	(5,912)	8,102	2,170	10,259	12,429
Taxation and Non-Specific Grant Income	(221,677)	(237)	(221,914)	(11,347)	(233,261)
<b>Total Other Income and Expenditure</b>	<b>(215,517)</b>	<b>12,910</b>	<b>(202,627)</b>	<b>(216)</b>	<b>(202,843)</b>
<b>Surplus or deficit</b>	<b>(13,124)</b>	<b>5,396</b>	<b>(7,718)</b>	<b>* 34,852</b>	<b>27,104</b>

<b>Opening Council Fund balance at 31 March 2022</b>		<b>(9,262)</b>	
Transfer – Earmarked Reserves		1,724	
- Deficit on Council Fund in year (above)		(7,718)	
- Adjust for JOPs reserves (Note 10)		(602)	
Adjust for Schools reserves (MiRS)		2,878	
Deficit on Council Fund in year per MiRS		<b>(3,718)</b>	
Adjust for transfer from reserves		2,084	
<b>Closing Council Fund balance at 31 March 2023</b>		<b>**(10,895)</b>	

\*This figure cross references to note 8 Adjustment Between Accounting Basis and Funding Basis Under Regulations.

\*\* Total Council Fund balances can be found in the MiRS on page 24.

# STATEMENT OF ACCOUNTS 2023/24

## b. Note to the Expenditure and Funding Analysis

Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2023/24	Adjustments between accounting and funding basis							
	Other (Reserve funding and impairment losses)	Capital Finance	Levies reported at Services level	Total to arrive at amount charged to the Council fund	Adjustments for capital purposes	Net change for the pension adjustments	Other adjustments	Total differences
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Children & Family Services	4,312	0	0	4,312	10,810	(3,577)	(1,759)	5,474
Adults & Communities	213	0	0	213	3,206	(1,044)	(35)	2,127
Economy & Environment	892	1,077	0	1,969	7,316	(681)	(41)	6,594
Resources	(687)	0	0	(687)	0	(628)	(61)	(689)
Capital Financing	0	(8,538)	0	(8,538)	0	0	0	0
Council Tax Reduction Scheme	0	0	0	0	0	0	0	0
South Wales Fire Service Levy	0	0	(5,409)	(5,409)	0	0	0	0
Corporate Property Maintenance	40	(114)	0	(74)	0	0	0	0
Other Services	1,748	(44)	(288)	1,416	0	(96)	0	(96)
<b>Net Cost of Services</b>	<b>6,518</b>	<b>(7,619)</b>	<b>(5,697)</b>	<b>(6,797)</b>	<b>21,332</b>	<b>(6,026)</b>	<b>(1,896)</b>	<b>13,410</b>
<b>Other Income and Expenditure</b>								
Other Operating Expenditure	0	0	5,697	5,697	1,885	0	0	1,885
Financing and Investment Income	(1,477)	7,619	0	6,142	(2,794)	3,399	0	605
Taxation and Non-Specific Grant	(1,731)	0	0	(1,731)	(11,740)	0	0	(11,740)
<b>Total Other Income and</b>	<b>(3,208)</b>	<b>7,619</b>	<b>5,697</b>	<b>10,108</b>	<b>(12,649)</b>	<b>3,399</b>	<b>0</b>	<b>(9,250)</b>
<b>Surplus or deficit</b>	<b>3,310</b>	<b>0</b>	<b>0</b>	<b>3,310</b>	<b>8,683</b>	<b>(2,627)</b>	<b>(1,896)</b>	<b>4,160</b>

## STATEMENT OF ACCOUNTS 2023/24

Adjustments from Council Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2022/23 Restated	Adjustments between accounting and funding basis							
	Other (Reserve funding and impairment losses)	Capital Finance	Levies reported at Services level	Total to arrive at amount charged to the Council fund	Adjustments for capital purposes	Net change for the pension adjustments	Other differences	Total adjustments
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Children & Family Services	3,503	0	0	<b>3,503</b>	7,138	6,115	383	<b>13,636</b>
Adults & Communities	562	0	0	<b>562</b>	3,133	4,176	9	<b>7,318</b>
Economy & Environment	728	1,339	0	<b>2,067</b>	7,579	2,730	21	<b>10,330</b>
Resources	0	371	0	<b>371</b>	0	2,570	(80)	<b>2,490</b>
Capital Financing	1	(9,787)	0	<b>(9,787)</b>	0	0	0	<b>0</b>
Council Tax Reduction Scheme	0	0	0	<b>0</b>	0	0	0	<b>0</b>
South Wales Fire Service Levy	0	0	(4,801)	<b>(4,801)</b>	0	0	0	<b>0</b>
Corporate Property Maintenance	40	(137)	0	<b>(97)</b>	3	0	0	<b>(3)</b>
Other Services	956	(44)	(244)	<b>668</b>	0	1,296	0	<b>1,296</b>
<b>Net Cost of Services</b>	<b>5,789</b>	<b>(8,258)</b>	<b>(5,045)</b>	<b>(7,515)</b>	<b>17,848</b>	<b>16,886</b>	<b>334</b>	<b>35,068</b>
<b>Other Income and Expenditure</b>								
Other Operating Expenditure	0	0	5,045	<b>5,045</b>	872	0	0	<b>872</b>
Financing and Investment Income	(527)	8,629	0	<b>8,102</b>	434	9,825	0	<b>10,259</b>
Taxation and Non-Specific Grant Income	(237)	0	0	<b>(237)</b>	(11,347)	0	0	<b>(11,347)</b>
<b>Total Other Income and Expenditure</b>	<b>(764)</b>	<b>8,629</b>	<b>5,045</b>	<b>12,910</b>	<b>(10,041)</b>	<b>9,825</b>	<b>0</b>	<b>(216)</b>
<b>Surplus or deficit</b>	<b>5,025</b>	<b>371</b>	<b>0</b>	<b>5,396</b>	<b>7,807</b>	<b>26,711</b>	<b>334</b>	<b>34,852</b>

### 7. Expenditure and Income Analysed by Nature

31 March 2023 £000s		31 March 2024 £000s
160,498	Employee benefits expenses - Council	148,499
7,422	Employee benefits expenses – Voluntary Aided schools	8,165
161,407	Other services expenses	165,689
17,249	Depreciation, amortisation, impairment and revaluation movement	21,127
30,534	Interest payments	34,434
17,117	Precepts & levies	18,510
1,548	Loss on disposal of non-current assets	2,009
<b>395,776</b>	<b>Total Expenditure</b>	<b>398,433</b>
(40,381)	Fees charges & other service income	(44,897)
(16,892)	Interest and investment income	(29,826)
(95,206)	Income from council tax and NDR	(93,360)
(215,517)	Government grants and contributions	(229,664)
(676)	Gains on disposal of non-current assets	(176)
<b>(368,672)</b>	<b>Total Income</b>	<b>(397,923)</b>
<b>27,104</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>510</b>

The Council's various income streams have been assessed and classified in line with the 2023/24 Code of Practice, and revenue has been recognised accordingly, with specific consideration given to:

- (i) implied or stated contractual terms for exchange transactions.
- (ii) The single entity financial statements are also defined as including the income, expenditure, assets, liabilities, reserves and cash flows of the local authority-maintained schools in England and Wales within the control of the local authority.
- (iii) obligating events and/or conditions attached to non-exchange transactions, where a party receives something of value without directly giving value in exchange.
- (iv) the significance of the income stream to the Council.

## STATEMENT OF ACCOUNTS 2023/24

### 8. Adjustment Between Accounting Basis and Funding Basis Under Regulations

This note below details the adjustments that are made to the Comprehensive Income and Expenditure Statement in accordance with proper accounting practice to the resources that are specified by statutory provisions.

2023/24	Usable Reserves			Movements in Unusable Reserves (Note 25) £000s
	Council Fund Balance £000s	Capital Receipts Reserve (Note 24b) £000s	Capital Grants Unapplied £000s	
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	20,207	0	0	(20,207)
Revaluation gains on Property Plant and Equipment	1,075	0	0	(1,075)
Movements in the market value of Investment Properties	(155)	0	0	155
Capital grants and contributions applied	(12,329)	0	0	12,329
Revenue expenditure funded from capital under statute	166	0	0	(166)
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	2,009	0	0	(2,009)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(4,542)	0	0	4,542
Capital expenditure charged against the Council Fund	(311)	0	0	311
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(11,740)	0	11,740	0
Application of grants to capital financing transferred to the Capital Adjustment Account	12,329	0	(12,329)	0
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(170)	170	0	0
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Premiums incurred during the year on prematurely redeemed loans	3,500	0	0	(3,500)
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	(1,355)	0	0	1,355
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	20,103	0	0	(20,103)
Employer's pensions contributions and direct payments to pensioners payable in the year	(22,793)	0	0	22,793
Adjustment 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	(1,832)	0	0	1,832
Total Adjustments	4,162*	170	(589)	(3,743)**

\* This figure cross references to note 6 Expenditure and Funding Analysis and the MiRS on page 23.

# STATEMENT OF ACCOUNTS 2023/24

2022/23	Usable Reserves			Movements in Unusable Reserves (Note 25) £000s
	Council Fund Balance £000s	Capital Receipts Reserve (Note 24b) £000s	Capital Grants Unapplied £000s	
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	19,062	0	0	(19,062)
Revaluation losses on Property Plant and Equipment	(1,800)	0	0	1,800
Movements in the market value of Investment Properties	(13)	0	0	13
Capital grants and contributions applied	(9,485)	0	0	9,485
Revenue expenditure funded from capital under statute	652			(652)
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	1,548	0	0	(1,548)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(4,667)	0	0	4,667
Capital expenditure charged against the Council Fund	(574)	0	0	574
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(11,347)	0	11,347	0
Application of grants to capital financing transferred to the Capital Adjustment Account	9,485	0	(9,485)	0
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(676)	676	0	0
Adjustment primarily involving the Financial Instruments Adjustment Account:				
Premiums Incurred during the year on prematurely redeemed loans	6,442	0	0	(6,442)
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	(820)	0	0	820
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	47,051	0	0	(47,051)
Employer's pensions contributions and direct payments to pensioners payable in the year	(20,406)	0	0	20,406
Adjustment 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	400	0	0	(400)
Total Adjustments	34,852*	676	1,862	(37,390)

\* This figure cross references to note 6 Expenditure and Funding Analysis and the MiRS on page 24.

## 9. Events after the Reporting Period

Events after the Balance Sheet date are those events that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. The Statement of Accounts was authorised for issue by Mr N. Aurelius, CPFA, Deputy Chief Executive (Resources), on 29 May 2024. Events taking place after this date are not reflected in the financial statements or notes. The Council has the following events after the Balance Sheet date to report:

- (i) The accounting statements are required to reflect the conditions applying at the end of the financial year however, the pensions fund investment assets will move in line with the value of securities quoted on world stock exchanges which could increase or decrease. As the Pension Fund time horizon is long term and the true value of investments is only realised when investments are sold, no adjustments are made for any changes in the fair value of investments between 31 March 2024 and the date that the accounting statements are authorised for issue. This is known as a non-adjusting event.

## 10. Joint Operations (JOPs)

Torfaen County Borough Council is involved in the following joint arrangements. As per accounting policy v) the main financial statements of the Council have been compiled to include the relevant entries, and an analysis is provided in the tables below.

**Gwent Archives Joint Committee (Archives)** – This Joint Committee collects, preserves, and makes accessible to the public, documents relating to the area it serves.

**Gwent Wide Integrated Community Equipment Service (GWICES)** – This Greater Gwent service facilitates modern and closer integration for health and social care community equipment services.

**Gwent Cremation Committee** – This Joint Committee provides a cremation service to the former Gwent Councils. The figures for 2023/24 are estimates.

**Cardiff Capital Region (CCR)** - Is a partnership between the 10 councils in South East Wales and its aim is to oversee the Region's economic growth and to deliver the commitments set out in the CCR, specifically in relation to the Wider Investment Fund, which amounts to £495 million, with £120 million being contributed by the 10 councils on a pro rata population basis – this Council's share is 6.1%. The arrangement has been consolidated using estimated figures as the accounts for CCR had not been completed. Therefore, the Council's share of assets, liabilities, reserves, income and expenditure and cashflows relating to the CCR Group have been included as a joint arrangement to the single entity in the accounting statements and disclosures. In terms of direct costs, there was a £NIL contribution towards capital spending during 2023/24 (£NIL in 2022/23), and a revenue contribution of £74,309 (£74,309 in 2022/23).

The following tables outline the relevant financial information for each organisation.

## STATEMENT OF ACCOUNTS 2023/24

<b>Comprehensive Income and Expenditure Account for the year ended 31 March 2024</b>						
	<b>Torfaen £000s</b>	<b>GWICES £000s</b>	<b>Archives £000s</b>	<b>Cremation £000s</b>	<b>CCR £000s</b>	<b>Total £000s</b>
Other Services	(1,300)	0	0	0	1,418	118
Economy & Environment	30,491	0	0	143	0	30,634
Total non-affected lines	195,160	0	0	0	0	195,160
<b>(Surplus)/Deficit on Continuing Operations</b>	<b>224,351</b>	<b>0</b>	<b>0</b>	<b>143</b>	<b>1,418</b>	<b>225,912</b>
Interest and investment income and expenditure	(1,594)	0	(2)	0	(1,475)	(3,071)
Income/exp related to investment properties	(963)	0	0	0	52	(911)
Recognised Grants & Contributions	(11,740)	0	0	0	(1,731)	(13,471)
Total non-affected lines	(207,949)	0	0	0	0	(207,949)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>2,105</b>	<b>0</b>	<b>(2)</b>	<b>143</b>	<b>(1,736)</b>	<b>510</b>
Re-measurements re pension net liability (asset)	36,156	0	0	(50)	0	36,106
Total non-affected lines	(22,682)	0	0	0	0	(22,682)
<b>Other Comprehensive Income &amp; Expenditure</b>	<b>13,474</b>	<b>0</b>	<b>0</b>	<b>(50)</b>	<b>0</b>	<b>13,424</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>15,579</b>	<b>0</b>	<b>(2)</b>	<b>93</b>	<b>(1,736)</b>	<b>13,934</b>

<b>Movement in Reserves Statement for the year ended 31 March 2024</b>					
	<b>GWICES £000s</b>	<b>Archives £000s</b>	<b>Cremation £000s</b>	<b>CCR £000s</b>	<b>Total £000s</b>
<b>Balance at 31 March 2023</b>	<b>0</b>	<b>48</b>	<b>759</b>	<b>3,075</b>	<b>3,882</b>
<b>Total comprehensive income and expenditure**</b>	<b>0</b>	<b>2</b>	<b>(93)</b>	<b>1,736</b>	<b>1,645</b>
<b>Net Increase/Decrease before transfers to Reserves</b>	<b>0</b>	<b>2</b>	<b>(93)</b>	<b>1,736</b>	<b>1,645</b>
Transfers to/from Earmarked Reserves	0	0	0	0	0
<b>Increase/Decrease in Year</b>	<b>0</b>	<b>2</b>	<b>(93)</b>	<b>1,736</b>	<b>**1,645</b>
<b>Balance at 31 March 2024 carried forward</b>	<b>0</b>	<b>50</b>	<b>666</b>	<b>4,811</b>	<b>5,527</b>

<b>Balance Sheet as at 31 March 2024</b>					
Property Plant and Equipment	0	0	276	4,696	<b>4,972</b>
Long term debtors	0	0	0	1,086	<b>1,086</b>
Short term debtors	0	4	0	1,052	<b>1,056</b>
Cash and cash equivalents	377	100	370	3,138	<b>3,985</b>
Short term creditors	(377)	0	(97)	(2,320)	<b>(2,794)</b>
Long term creditors*	0	(54)	(57)	(2,841)	<b>*(2,952)</b>
Provisions	0	0	0	0	<b>0</b>
Other long-term liabilities	0	0	174	0	<b>174</b>
<b>Net Assets</b>	<b>0</b>	<b>50</b>	<b>666</b>	<b>4,811</b>	<b>5,527</b>
<b>Usable Reserves</b>					
Earmarked reserves	0	(50)	(492)	(1,396)	<b>(1,938)</b>
<b>Unusable Reserves</b>					
Revaluation reserve	0	0	0	0	<b>0</b>
Pension reserve	0	0	(174)	0	<b>(174)</b>
Capital adjustment account	0	0	0	(3,415)	<b>(3,415)</b>
<b>Total Reserves</b>	<b>0</b>	<b>(50)</b>	<b>(666)</b>	<b>(4,811)</b>	<b>(5,527)</b>

Torfaen's accounts include the Council's share of the Gwent Crematorium asset. The total asset value as at the 31 March 2024 is estimated at £2.3 million (£2.3 million as at 31 March 2023) with Torfaen's share equating to 19.6%. They also include a 6.1% interest in the £78.9 million net assets relating to CCR City Deal as the 2022/23 Draft Accounts.

\*Long term creditors on the Balance Sheet are £3.747 million (£2.422 million 2022/23) comprising the £2.952 million here and £0.795 million relating to other Torfaen long term creditors.

\*\* Total comprehensive income and expenditure of (£1.645) million comprises (£1.595) million Surplus on Provision of Services and (£50,000) Other comprehensive income and expenditure.



## STATEMENT OF ACCOUNTS 2023/24

Comprehensive Income and Expenditure Account for the year ended 31 March 2023						
	Torfaen £000s	GWICES £000s	Archives £000s	Cremation £000s	CCRCD £000s	Total £000s
Other Services	479	0	0	0	369	848
Economy & Environment	31,016	0	0	(50)	0	30,966
Total non-affected lines	198,133	0	0	0	0	198,133
<b>(Surplus)/Deficit on Continuing Operations</b>	<b>229,628</b>	<b>0</b>	<b>0</b>	<b>(50)</b>	<b>369</b>	<b>229,947</b>
Interest and investment income and expenditure	(998)	0	(5)	0	(522)	(1,525)
Income/exp related to investment properties	(1,202)	0	0	0	(3)	(1,205)
Recognised Grants & Contributions	(11,347)	0	0	0	(237)	(11,584)
Total non-affected lines	(188,529)	0	0	0	0	(188,529)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>27,552</b>	<b>0</b>	<b>(5)</b>	<b>(50)</b>	<b>(393)</b>	<b>27,104</b>
Re-measurements re pension net liability (asset)	(307,924)	0	0	(154)	0	(308,078)
Premium incurred on the redemption of loans	6,442	0	0	0	0	6,442
Total non-affected lines	(36,894)	0	0	0	0	(36,894)
<b>Other Comprehensive Income &amp; Expenditure</b>	<b>(338,376)</b>	<b>0</b>	<b>0</b>	<b>(154)</b>	<b>0</b>	<b>(338,530)</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(310,824)</b>	<b>0</b>	<b>(5)</b>	<b>(204)</b>	<b>(393)</b>	<b>(311,426)</b>

Movement in Reserves Statement for the year ended 31 March 2023					
	GWICES £000s	Archives £000s	Cremation £000s	CCRCD £000s	Total £000s
<b>Balance at 31 March 2022</b>	<b>0</b>	<b>61</b>	<b>555</b>	<b>2,647</b>	<b>3,263</b>
<b>Adjustment to Opening Balance 31 March 2022</b>	<b>0</b>	<b>(18)</b>	<b>0</b>	<b>35</b>	<b>17</b>
<b>Total comprehensive income and expenditure**</b>	<b>0</b>	<b>5</b>	<b>204</b>	<b>393</b>	<b>602</b>
<b>Net Increase/Decrease before transfers to Reserves</b>	<b>0</b>	<b>5</b>	<b>204</b>	<b>393</b>	<b>602</b>
Transfers to/from Earmarked Reserves	0	0	0	0	0
<b>Increase/Decrease in Year</b>	<b>0</b>	<b>5</b>	<b>204</b>	<b>393</b>	<b>**602</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>0</b>	<b>48</b>	<b>759</b>	<b>3,075</b>	<b>3,882</b>

Balance Sheet as at 31 March 2023					
Property Plant and Equipment	0	0	468	2,118	<b>2,586</b>
Long term debtors	0	0	0	993	<b>993</b>
Short term debtors	0	6	25	507	<b>538</b>
	0	0	0	183	<b>183</b>
Cash and cash equivalents	59	94	191	4,010	<b>4,354</b>
Short term creditors	(59)	(4)	(3)	(3,043)	<b>(3,109)</b>
Long term creditors*	0	(48)	(65)	(1,542)	<b>*(1,655)</b>
Provisions	0	0	0	(151)	<b>(151)</b>
Other long-term liabilities	0	0	143	0	<b>143</b>
<b>Net Assets</b>	<b>0</b>	<b>48</b>	<b>759</b>	<b>3,075</b>	<b>3,882</b>
<b>Usable Reserves</b>					
Earmarked reserves	0	(48)	(212)	(820)	<b>(1,080)</b>
<b>Unusable Reserves</b>					
Revaluation reserve	0	0	(231)	0	<b>(231)</b>
Pension reserve	0	0	(143)	0	<b>(143)</b>
Capital adjustment account	0	0	(173)	(2255)	<b>(2,428)</b>
<b>Total Reserves</b>	<b>0</b>	<b>(48)</b>	<b>(759)</b>	<b>(3,075)</b>	<b>(3,882)</b>

Torfaen's accounts include the Council's share of the Gwent Crematorium asset. The total asset value as at the 31 March 2023 is estimated at £2.3 million (£2.1 million as at 31 March 2022) with Torfaen's share equating to 21.3%. They also include a 6.1% interest in the £42.1 million fixed assets relating CCR City Deal.

\*Long term creditors on the Balance Sheet are £2.422 million (£3.580 million 2021/22) comprising the £1.655 million here and £0.767 million relating to other Torfaen long term creditors.

\*\* Total comprehensive income and expenditure of (£602,000) comprises (£448,000) Surplus on Provision of Services and (£154,000) Other comprehensive income and expenditure.

Debtors analysis as at 31 March 2024	GWICES £000s	Archives £000s	Cremation £000s	CCRCD £000s	Total £000s
<b>Total - Other entities and individuals</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>1,874</b>	<b>1,878</b>

Debtors analysis as at 31 March 2023	GWICES £000s	Archives £000s	Cremation £000s	CCRCD £000s	Total £000s
<b>Total - Other entities and individuals</b>	<b>0</b>	<b>6</b>	<b>25</b>	<b>507</b>	<b>538</b>

## STATEMENT OF ACCOUNTS 2023/24

Creditors analysis as at 31 March 2024	GWICES £000s	Archives £000s	Cremation £000s	CCRCD £000s	Total £000s
Other entities and individuals	0	0	(154)	(5,161)	(5,315)
Other local Councils	(377)	(54)	0	0	(431)
<b>Total</b>	<b>(377)</b>	<b>(54)</b>	<b>(154)</b>	<b>(5,161)</b>	<b>(5,746)</b>

Creditors analysis as at 31 March 2022	GWICES £000s	Archives £000s	Cremation £000s	CCRCD £000s	Total £000s
Other entities and individuals	0	0	(3)	(3,043)	(3,046)
Other local Councils	(59)	(4)	0	0	(63)
<b>Total</b>	<b>(59)</b>	<b>(4)</b>	<b>(3)</b>	<b>(3,043)</b>	<b>(3,109)</b>

### 11. Taxation and Non-Specific Grant Income

The amount of Council Tax that people pay is based on the value of their home. We place each home in one of nine valuation bands. To work out the Council Tax base we treat every private property as if it was in Band D. We then adjust for the number of properties entitled to a discount (such as for single occupancy). The number of properties (Band D equivalent) in our 2023/24 Council Tax base was 34,247 (34,147 in 2022/23). We divide the total amount we, the Police and Crime Commissioner for Gwent and Community Councils of Torfaen need to raise through Council Tax by 34,247. This equals the total Council Tax charge for a Band D property of £1,851.56 (£1,802.70 in 2022/23) with the Torfaen Council element being £1,477.44 in 2023/24 (£1,449.18 in 2022/23). The total amount is then multiplied by the fraction in the following table for each band to give the amount due for each band.

2022/23 Number Of properties	Band	House valuation (£)	Fraction of band D bill	2023/24 Number Of Properties
6,240	A	Up to 44,000	6/9	6,282
13,121	B	44,001 to 65,000	7/9	13,126
12,020	C	65,001 to 91,000	8/9	12,033
4,272	D	91,001 to 123,000	9/9	4,311
4,258	E	123,001 to 162,000	11/9	4,311
2,364	F	162,001 to 223,000	13/9	2,401
672	G	223,001 to 324,000	15/9	686
68	H	324,001 to 424,000	18/9	68
27	I	424,001 and above	21/9	26

The money we raised from Council Tax (after deductions) was as follows:

2022/23 £000s		2023/24 £000s
62,056	Council Tax collectable	63,928
(499)	Less the amount set aside for Council Tax not paid	(518)
<b>61,557</b>	<b>Money, we raised from Council Tax after deductions</b>	<b>63,410</b>

For Non-Domestic Rates (NDR), the Welsh Government sets an amount for the rate in the pound (the multiplier) and the Valuation Office calculates the rateable value for each chargeable hereditament. The total rateable value of the Council equalled £66,126,667 on 31 March 2024 (£65,108,755 on 31 March 2023). We work out the rates payable by multiplying the rateable value by the multiplier. In 2023/24 the multiplier was 53.5p (53.5p in 2022/23). We collect NDR on behalf of the Welsh Government and pay the money we collect from local business into the Welsh Government National Pool. This is then re-distributed back to Councils based on a fixed amount for every adult living in their area. The total amount redistributed from the National Pool to the Council in 2023/24 was £29.9 million (£33.6 million in 2022/23).

## STATEMENT OF ACCOUNTS 2023/24

### 12. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2023/24.

2022/23* £000s		2023/24 £000s
	<b>Capital Grants</b>	
113	Safe Routes in the Community	0
2,861	Local Transport Plan	1,362
310	Highways Grant	0
1,476	Sustainable Communities for Learning	7,066
575	Adventure Triangle	0
320	Childcare Grant Offer	380
2,012	The British	590
0	Levelling Up Fund	2,022
0	Transforming Towns	1,515
1,430	Schools Maintenance Grant	222
1,001	Universal Free School Meals	907
4,939	Pontypool & New Inn Station	1,763
3,726	Other	2,914
<b>18,763</b>	<b>Total Capital Grants Including REFCUS</b>	<b>18,741</b>
	<b>Revenue Grants &gt; £5m</b>	
23,797	Dept. Works and Pensions - Housing Benefit Subsidy	23,231
	<b>Revenue Grants &gt; £1m</b>	
10,603	Local Authority Education Grant **	10,817
5,490	Children and Communities	5,669
75	Shared Prosperity Fund	4,922
4,693	Housing Support Grant	4,688
3,169	Education Improvement Grant	3,024
2,252	Concessionary Fares	2,078
1,421	Social Care Workforce	1,677
2,761	Community Renewal Fund	0
1,892	Regional Integration Fund ***	0
1,645	Covid-19 Hardship / Additional Costs	0
	<b>Revenue Grants &gt; £0.5m</b>	
485	Communities 4 Work	1,213
513	Food and Fun	820
906	Inspire to Work/Inspire to Achieve	694
639	Post 16 Education Provision	624
49	Multiply	616
181	Road Safety - 20mph Implementation	604
572	Community Focussed Schools Grant	0
	<b>Service Area Revenue Grants &lt; £0.5m</b>	
3,772	Adults and Communities (combined grants)	3,225
1,741	Children and Families (combined grants)	1,991
2,772	Economy and Environment (combined grants)	1,804
855	Corporate Resources (combined grants)	770
<b>70,283</b>	<b>Total Revenue Grants</b>	<b>68,467</b>
	<b>Non-Specific Grant Income</b>	
126,471	Revenue Support Grant (RSG)	142,456
33,649	Non-Domestic Rates (NDR)	29,950
<b>160,120</b>	<b>Total Non-Specific Grant Income</b>	<b>172,406</b>

\*Revenue Grants for 2022/23 have in some cases been adjusted in line with the 2023/24 description.

\*\*Pupil Development Grant, Universal Primary Free School Meals Grant and Additional Learning Needs grants have been included into LAEG for 2022/23

\*\*\* Regional Integration Fund was disclosed as a grant in 2022/23 but treated as other funding for 2023/24 - (£2,627).

The Council also has revenue Grants Receipts in Advance totalling £1.2 million (£1.31 million in 2022/23) and in addition to the grants detailed in the table above the Council also distributed £1.65 million on behalf of (and funded by) Welsh Government / UK Government

## STATEMENT OF ACCOUNTS 2023/24

for business rates relief and support to Ukrainians. The business rate relief supported 296 businesses in the Retail, Leisure and Hospitality sector to the value of £1.49 million and supported 84 Ukrainians (value £160,000). In relation to these latter items, as the Council was acting on behalf of the Welsh / UK Government(s) as its agent, these transactions are not reflected in the CIES.

### 13. Property, Plant and Equipment (PPE)

To recognise recent inflationary increases, general building indices were used to revalue certain specified assets outside of the normal five-year rolling programme. Note 4 provides further detail.

#### a. Movements on Balances

The following tables present the accounting entries that impact on the value of PPE.

Analysis of Gross Book Values in 2023/24	Council Dwellings	Other Land & Buildings	Vehicles Plant Furniture & Equipment	Community Assets	Assets Under Construction	Sub Total Property, Plant & Equipment	JOPs Property, Plant & Equipment	Total Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>As at 1 April 2023</b>	<b>460</b>	<b>336,688</b>	<b>3,378</b>	<b>10,448</b>	<b>3,719</b>	<b>354,693</b>	<b>2,944</b>	<b>357,637</b>
Additions	0	5,314	596	651	7,494	14,055	2,386	16,441
Disposals	0	0	0	0	0	0	0	0
Write-off - zero net book value assets	0	0	(697)	0	0	(697)	0	(697)
Revaluation increases recognised in the Revaluation Reserve	640	9,385	0	0	0	10,025	0	10,025
Revaluation increases recognised in the Surplus or Deficit in the Provision of Services	0	(2,609)	0	0	0	(2,609)	0	(2,609)
Derecognition – other	0	(1,494)	0	0	0	(1,494)	0	(1,494)
Asset reclassifications	0	0	109	0	(109)	0	0	0
Other movements in cost or valuation	0	0	0	0	0	0	0	0
Impairment	0	0	0	0	0	0	0	0
<b>As at 31 March 2024</b>	<b>1,100</b>	<b>347,283</b>	<b>3,385</b>	<b>11,100</b>	<b>11,103</b>	<b>373,971</b>	<b>5,330</b>	<b>379,301</b>

Analysis of Depreciation in 2023/24	Council Dwellings	Other Land & Buildings	Vehicles Plant Furniture & Equipment	Community Assets	Assets Under Construction	Sub Total Property, Plant & Equipment	JOPs Property, Plant & Equipment	Total Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>As at 1 April 2023</b>	<b>(130)</b>	<b>(15,065)</b>	<b>(2,014)</b>	<b>(18)</b>	<b>0</b>	<b>(17,228)</b>	<b>(358)</b>	<b>(17,586)</b>
Other movements in cost or valuation	0	0	0	0	0	0	0	0
Depreciation charge	0	(15,040)	(705)	0	0	(15,745)	0	(15,745)
Depreciation written out on disposal	0	0	0	0	0	0	0	0
Write back depreciation-zero NBV assets	0	0	697	0	0	697	0	697
Depreciation written out to the Revaluation Reserve	130	14,166	0	0	0	14,296	0	14,296
Depreciation recognised in surplus/deficit of provision of services	0	726	0	0	0	726	0	726
Depreciation written out on Impairment	0	0	0	0	0	0	0	0
<b>As at 31 March 2024</b>	<b>0</b>	<b>(15,213)</b>	<b>(2,022)</b>	<b>(18)</b>	<b>0</b>	<b>(17,253)</b>	<b>(358)</b>	<b>(17,611)</b>
<b>Net Book Value</b>								
As at 31 March 2024	1,100	332,069	1,363	11,082	11,103	356,717	4,972	361,690
As at 31 March 2023	330	321,623	1,363	10,430	3,719	337,465	2,586	340,051

## STATEMENT OF ACCOUNTS 2023/24

Analysis of Gross Book Values in 2022/23	Council Dwellings	Other Land & Buildings	Vehicles Plant Furniture & Equipment	Community Assets	Assets Under Construction	Sub Total Property, Plant & Equipment	JOPs Property, Plant & Equipment	Total Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>As at 1 April 2022</b>	<b>460</b>	<b>298,337</b>	<b>4,508</b>	<b>8,646</b>	<b>10,770</b>	<b>322,721</b>	<b>2,931</b>	<b>325,652</b>
Adjustment to opening balance 21/22	0	0	0	0	0	0	13	13
Additions	0	3,580	571	1,802	1,622	7,575	0	7,575
Disposals	0	0	0	0	0	0	0	0
Write-off - zero net book value assets	0	0	(1,701)	0	0	(1,701)	0	(1,701)
Revaluations recognised in the Revaluation Reserve	0	26,116	0	0	0	26,116	0	26,116
Revaluations recognised in the Surplus or Deficit in the Provision of Services	0	1,058	0	0	0	1,058	0	1,058
Derecognition – other	0	(940)	0	0	0	(940)	0	(940)
Asset reclassifications	0	8,673	0	0	(8,673)	0	0	0
Appropriation to Asset Held For Sale	0	(136)	0	0	0	(136)	0	(136)
<b>As at 31 March 2023</b>	<b>460</b>	<b>336,688</b>	<b>3,378</b>	<b>10,448</b>	<b>3,719</b>	<b>354,693</b>	<b>2,944</b>	<b>357,637</b>

Analysis of Depreciation in 2022/23	Council Dwellings	Other Land & Buildings	Vehicles Plant Furniture & Equipment	Community Assets	Assets Under Construction	Sub Total Property, Plant & Equipment	JOPs Property, Plant & Equipment	Total Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>As at 1 April 2022</b>	<b>(104)</b>	<b>(12,525)</b>	<b>(3,133)</b>	<b>(18)</b>	<b>0</b>	<b>(15,780)</b>	<b>(332)</b>	<b>(16,112)</b>
Other movements in cost or valuation	0	0	0	0	0	0	0	0
Depreciation charge	(26)	(14,064)	(583)	0	0	(14,673)	(26)	(14,699)
Depreciation written out on disposal	0	0	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	0	10,781	0	0	0	10,781	0	10,781
Depreciation recognised in surplus/deficit of provision of services	0	744	0	0	0	744	0	744
Depreciation written out on Impairment	0	0	1,701	0	0	1,701	0	1,701
<b>As at 31 March 2023</b>	<b>(130)</b>	<b>(15,065)</b>	<b>(2,014)</b>	<b>(18)</b>	<b>0</b>	<b>(17,228)</b>	<b>(358)</b>	<b>(17,586)</b>
<b>Net Book Value</b>								
As at 31 March 2023	330	321,623	1,363	10,430	3,719	337,465	2,586	340,051
As at 31 March 2022	356	285,812	1,375	8,628	10,770	356,635	2,599	309,540

See accounting policy o) for how we depreciate our non-current assets.

In accordance with the Temporary Relief offered by the update to the Code on infrastructure assets, this note (for the table 13.1 above and the comparatives below) does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean this would not faithfully represent the asset position to the users of these financial statements.

The authority has determined, in accordance with Regulation 24L Wales of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 (as amended), that the carrying amounts to be derecognised for infrastructure assets when there is nil replacement expenditure.

## STATEMENT OF ACCOUNTS 2023/24

A summary of infrastructure assets is shown below:

	2022-23	2023-24
Infrastructure Assets	£000s	£000s
Net Book Value at 1 April	49,694	49,914
Additions	4,610	2,173
Derecognition	(454)	0
Depreciation	(3,936)	(4,462)
<b>Net Book Value at 31 March</b>	<b>49,914</b>	<b>47,625</b>

Asset Summary	£000s	£000s
Infrastructure Assets	49,914	47,625
Other Property, Plant & Equipment Assets	340,051	361,690
<b>Total PPE assets</b>	<b>389,965</b>	<b>409,233</b>

### b. Revaluations

Valuations of land and buildings were conducted in accordance with the professional standards of the Royal Institution of Chartered Surveyors, by the following:

Individual	Organisation
Daniel Morris MRICS	Torfaen County Borough Council
External Valuers	Bruton Knowles

Revaluations were conducted as at 31 March 2024. During 2023/24 comprehensive schools, special school, heritage centre, and Llanyravon Manor were revalued.

### c. Fair Value Measurement

The table below provides an analysis of the fair values of non-financial assets grouped into levels one to three, based on the level to which the inputs to the measurement of fair value are observable. Accounting policy k) & l) provides further detail. There are no movements between valuations levels 1 and 2.

2023/24	Level 1 Quoted Market Price £000s	Level 2 Observable Inputs £000s	Level 3 Unobservable Inputs £000s	Total 31 March 2024 £000s	Total Gains/ (Losses) £000s
<b>Recurring fair value measurements</b>					
Investment property – see note 15	0	0	15,056	<b>15,056</b>	155
<b>Non-recurring fair value measurements</b>					
Assets Held for Sale	0	19	0	<b>19</b>	(515)
Surplus Assets	0	0	120	<b>120</b>	0

2022/23	Level 1 Quoted Market Price £000s	Level 2 Observable Inputs £000s	Level 3 Unobservable Inputs £000s	Total 31 March 2023 £000s	Total Gains/ (Losses) £000s
<b>Recurring fair value measurements</b>					
Investment property – see note 15	0	0	14,901	<b>14,901</b>	91
<b>Non-recurring fair value measurements</b>					
Assets Held for Sale	0	534	0	<b>534</b>	(408)
Surplus Assets	0	0	120	<b>120</b>	0

The table below shows an analysis of movements in level 3 fair value measurements using significant unobservable inputs.

## STATEMENT OF ACCOUNTS 2023/24

Investment Property 2022/23	Surplus Assets 2022/23	Total 2022/23		Investment Property 2023/24	Surplus Assets 2023/24	Total 2023/24
£000s	£000s	£000s		£000s	£000s	£000s
14,810	107	14,917	Balance 1 April	14,901	120	15,021
0	0	0	Transfers into level 3	0	0	0
			<b>Gains or losses for the period:</b>			
13	5	18	Included in the Other CIES	110	0	110
78	0	78	Purchases/expenditure	45	0	45
0	0	0	Transfers to/from Other Land & Buildings	0	0	0
0	8	8	Revaluation to Revaluation Reserve	0	0	0
0	0	0	Sales	0	0	0
14,901	120	15,021	Balance 31 March	15,056	120	15,176
91	13	104	Change in unrealised gains and losses for assets held	155	0	155

The table below shows quantitative information for fair value measurements of investment properties using significant unobservable inputs - level 3 valuations.

	Fair Value 31 March 2024	Valuation Technique	Unobservable Inputs	Range	Weighted Average
	£000s			%	%
Investment property		Income approach			
Includes:					
Industrial units			Vacancy rate	0-0	0
			Yield	9-15	n/a
Offices			Vacancy rate	0-0	0.1
			Yield	9-13	n/a
Shops			Vacancy rate	0-0.6	0
			Yield	10.5-14	n/a

	Fair Value 31 March 2023	Valuation Technique	Unobservable Inputs	Range	Weighted Average
	£000s			%	%
Investment property		Income approach			
Includes:					
Industrial units			Vacancy rate	0-0	0
			Yield	10-15	n/a
Offices			Vacancy rate	0-0	0
			Yield	12-13	n/a
Shops			Vacancy rate	0-0.6	0.2
			Yield	10.5-13.5	n/a

### Sensitivity to Changes in Significant Unobservable Inputs

Significant changes in rental yield and vacancy levels or discount rate will result in a significantly lower or higher fair value.

#### d. Effect of Changes in Estimate

In 2023/24 the Council made no material changes to its accounting estimates for property, plant and equipment. Any other changes are specified in note 4.

#### e. Capital Commitments

At 31 March 2024, the Council has entered capital contracts which, in 2024/25 and 2025/26, are budgeted to cost £4.86 million. Contractual commitments are either, where the Council has a signed contract with a contractor or where the Council has committed to the project, but formal contracts are not yet in place. The major commitments are as follows and are not included in the financial statements within this document.



## STATEMENT OF ACCOUNTS 2023/24

	2024/25 £000s			2025/26 £000s		
	Contractual Commitment	Other	Total	Contractual Commitment	Other	Total
Sustainable Communities for Learning	4,860	15,820	20,680	0	7,024	7,024
The Redevelopment of The British	0	3,938	3,938	0	0	0
Greenmeadow Community Farm	0	3,143	3,143	0	0	0
Levelling Up	0	5,286	5,286	0	895	895
Bulking and Baling	0	3,841	3,841	0	0	0
<b>Total</b>	<b>4,860</b>	<b>32,028</b>	<b>36,888</b>	<b>0</b>	<b>7,919</b>	<b>7,919</b>

### f. Capital Expenditure and Capital Financing

The amount of capital expenditure incurred is shown below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. The Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed is analysed in the second part of this note.

2022/23 £000s		2023/24 £000s
<b>140,098</b>	<b>Capital Financing Requirement at 1 April</b>	<b>138,314</b>
	<b>Capital investment</b>	
12,212	Property, plant and equipment	16,228
78	Investment properties	45
652	Revenue expenditure funded from capital under statute	166
0	Capital receipts	0
(9,485)	Government grants and other	(12,329)
	<b>Sums set aside from revenue</b>	
(574)	Direct revenue contributions	(311)
(4,667)	Minimum Revenue Provision (MRP)	(4,542)
<b>138,314</b>	<b>Capital Financing Requirement at 31 March</b>	<b>137,571</b>
<b>(1,784)</b>	<b>Movement in year</b>	<b>(743)</b>
	<b>Explanation of movement in year</b>	
2,663	Increase in underlying need to borrow (supported by government financial assistance)	2,669
42	Increase in underlying need to borrow (unsupported by government financial assistance)	0
178	Increase in underlying need to borrow (Salix loan)	1,130
<b>2,883</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>3,799</b>
(4,667)	Less Minimum Revenue Provision (MRP)	(4,542)
<b>(1,784)</b>	<b>Movement in year</b>	<b>(743)</b>

### 14. Heritage Assets

This table provides an analysis of the carrying values of the Council's heritage assets.

2022/23 £000s		2023/24 £000s
365	Building – Llanyravon Manor – Tudor Grade II listed stone Manor House	355
137	Sculpture – Group of pit ponies at Blaenavon Iron Works Museum	137
65	Civic Regalia – Mayoral chains	65
809	Environmental/Landscape – within Pontypool Park (Shell Grotto, Ice House, memorial gates), within Blaenavon World Heritage Site (Aaron Brutes Bridge) and various ancient buildings and monuments in various states of repair on land at The British, Talywain	809
<b>1,376</b>	<b>Total</b>	<b>1,366</b>

### 15. Investment Properties

The following table summarises the movement in the fair value of investment properties over the year:

2022/23 £000s		2023/24 £000s
<b>14,810</b>	<b>Balance at 1 April</b>	<b>14,901</b>
78	Subsequent expenditure	45
13	Net gains/losses from fair value adjustments	110
<b>14,901</b>	<b>Balance at 31 March</b>	<b>15,056</b>

## STATEMENT OF ACCOUNTS 2023/24

### 16. Leases

#### Council as Lessee

Finance Leases - The assets acquired under finance leases are carried as Property, Plant and Equipment in the Balance Sheet at the net amount of £68,454.49 (£75,607 in 2022/23). The minimum lease payments are made up of the following amounts:

2022/23 £000s		2023/24 £000s
13	Finance lease liabilities (net present value of minimum lease payments) – current	13
40	Finance lease liabilities (net present value of minimum lease payments) - non-current	40
4	Finance costs payable in future years	2
<b>57</b>	<b>Total</b>	<b>55</b>

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

2022/23 Minimum Lease Payments £000s	2022/23 Finance Lease Liabilities £000s		2023/24 Minimum Lease Payments £000s	2023/24 Finance Lease Liabilities £000s
13	13	Not later than one year	13	13
41	38	Later than one year and no later than five years	40	38
3	2	Later than five years	2	2
<b>57</b>	<b>53</b>	<b>Total</b>	<b>55</b>	<b>53</b>

Operating Leases - The Council has acquired much of its fleet of vehicles and plant by using operating leases, with typical lives of between three and seven years depending on the leased asset. The Council also rents properties under operating type leases. The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was as follows:

2022/23 £000s		2023/24 £000s
1,108	Minimum lease payments	1,235
(118)	Sub-lease payments receivable	(78)
<b>990</b>	<b>Total</b>	<b>1,157</b>

The minimum lease payments to be charged to future Comprehensive Income and Expenditure Statements under non-cancellable leases are as follows:

2022/23 £000s		2023/24 £000s
715	Not later than one year	1,112
1,671	Later than one year and not later than five years	3,741
706	Later than five years	706
<b>3,092</b>	<b>Total</b>	<b>5,559</b>

#### Council as Lessor

Operating Leases - The Council leases out property under operating leases primarily in relation to shops and industrial estates. The future minimum lease payments receivable under non-cancellable leases in future years are as follows:

2022/23 £000s		2023/24 £000s
768	Not later than one year	1,574
1,466	Later than one year and not later than five years	1,510
1,635	Later than five years	1,682

## STATEMENT OF ACCOUNTS 2023/24

### 17. Financial Instruments

Ongoing military conflicts have continued to impact the global economy and consequently affected financial markets. Torfaen has no exposure to equities or other difficult to value instruments, and no complex liabilities.

Financial instruments balances - The table below reconciles the principal values for financial liabilities (borrowing) to the amortised cost valuation, as shown on the Balance Sheet. This is further split into short- and long-term borrowing amounts.

Total 31 March 2023 £000s	Borrowing: Reconciliation of Principal Amount to Amortised Cost	PWLB £000s	Market Loans £000s	Temporary Loans £000s	Other £000s	Total 31 March 2024 £000s
(133,382)	Principal amount	(66,008)	(24,500)	(20,000)	(1,938)	(112,446)
(377)	Accruals	(600)	(280)	(79)	0	(959)
1,344	Other accounting adjustments*	2,626	0	0	156	2,782
(132,415)	<b>Financial Liabilities at Amortised Cost (As Balance Sheet)</b>	<b>(63,982)</b>	<b>(24,780)</b>	<b>(20,079)</b>	<b>(1,782)</b>	<b>(110,623)</b>
	<b>Made up of:</b>					
(32,803)	Short term borrowing	(3,500)	(618)	(20,079)	(293)	(24,490)
(99,612)	Long term borrowing	(60,482)	(24,162)	0	(1,489)	(86,133)
(132,415)	<b>Financial Liabilities at Amortised Cost</b>	<b>(63,982)</b>	<b>(24,780)</b>	<b>(20,079)</b>	<b>(1,782)</b>	<b>(110,623)</b>

- (i) The PWLB loans adjustment of £2,626,091 equates to the accounting requirement of disclosing loans at their amortised cost valuation using an effective interest rate calculation. It also allows for premiums associated with the loans to be written off over the remaining life of the loan.
- (ii) Other accounting adjustments of £156,537.93 equates to the effective interest on Salix loans (totalling £1,938,836) which are accounted for as soft loans.

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments.

31 March 2023		Financial Instrument Balances	31 March 2024	
Long Term £000s	Short Term £000s		Long Term £000s	Short Term £000s
		<b>Financial Liabilities at Amortised Cost:</b>		
(99,612)	(32,803)	Borrowing (see table above for breakdown)	(86,133)	(24,490)
(2,422)	(29,574)	Creditors	(3,747)	(23,804)
0	(752)	Bank current account overdraft	0	(5,488)
		<b>Financial Assets:</b>		
		<b>Amortised Cost</b>		
0	25,325	Fixed term investments	0	5,693
0	13	Petty cash	0	12
1,150	30,315	Debtors	1,207	27,900
		<b>Fair Value Through Profit &amp; Loss:</b>		
0	15,050	Cash equivalents-Money Market Funds & Local Authority Investments	0	14,054

- (i) Short-term creditors of £23.8 million excludes £1.3 million of non-contractual short-term creditors that do not meet the definition of financial liabilities at amortised cost.
- (ii) Short-term debtors of £27.9 million exclude £15.7 million of non-contractual debtors that do not meet the criteria of loans and receivables.

Any accrued interest is categorised as 'short term'.

Money market fund balances have been classified as 'fair value through profit and loss' as although contractual payments are determinable, they have elements which are performance related that are not specifically principal or interest.

Bank Call accounts have been classified to 'amortised cost' as the business model is to collect contractual cash flows only.

## STATEMENT OF ACCOUNTS 2023/24

31 March 2023				31 March 2024		
Principal	Carrying Amount	Fair value		Principal	Carrying Amount	Fair Value
£000s	£000s	£000s		£000s	£000s	£000s
(62,220)	(60,103)	(57,944)	PWLB debt	(66,008)	(63,982)	(58,979)
(71,162)	(72,312)	(85,463)	Non-PWLB debt	(46,438)	(46,641)	(49,356)
<b>(133,382)</b>	<b>(132,415)</b>	<b>(143,407)</b>	<b>Total debt</b>	<b>(112,446)</b>	<b>(110,623)</b>	<b>(108,335)</b>
(31,996)	(31,996)	(31,996)	Financial Instrument Creditors	(27,551)	(27,551)	(27,551)
(752)	(752)	(752)	Bank Current Account Overdraft	(5,488)	(5,488)	(5,488)
<b>(166,130)</b>	<b>(165,163)</b>	<b>(176,155)</b>	<b>Total Financial Liabilities at Amortised Cost</b>	<b>(145,485)</b>	<b>(143,662)</b>	<b>(141,374)</b>

### Fair Values of Assets and Liabilities

As at 31 March 2024 the Council has £19 million financial assets (investments) and £112.4 million financial liabilities (borrowing). The financial assets are classed as either at 'Amortised Cost' or 'Fair Value through Profit & Loss.' The financial liabilities are held with PWLB and Market lenders. All these investments and borrowings were not quoted on an active market and so a level 2 valuation has been applied (refer to page 34 accounting policy I) for more details on valuation techniques). The fair values have been calculated using the net present value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. The fair values for financial liabilities are as follows:

The fair value figures are based on the following assumptions:

- (i) For all loans (PWLB & Non PWLB) new borrowing rates have been applied to provide the fair value under debt redemption procedures.
- (ii) No early repayment or impairment is recognised. However, if the authority were to seek to repay loans, a penalty charge would be incurred for early redemption.
- (iii) The fair value of financial instrument creditors is taken to be the invoiced or billed amount.
- (iv) The fair value is greater than the carrying amount because the Council's portfolio of loans includes several fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date.

The table below shows Council investment balances (financial assets) as at year end.

31 March 2023				31 March 2024		
Principal	Carrying Amount	Fair Value	Investments	Principal	Carrying Amount	Fair Value
£000s	£000s	£000s		£000s	£000s	£000s
15,000	15,050	15,050	Cash & Cash Equivalents	14,000	14,056	14,056
25,000	25,325	25,325	Short-term Investments	5,683	5,691	5,691
<b>40,000</b>	<b>40,375</b>	<b>40,375</b>	<b>Total Investments &lt;1 year</b>	<b>19,683</b>	<b>19,747</b>	<b>19,747</b>
31,465	31,465	31,465	Financial Instrument debtors	28,083	28,083	28,083
<b>71,465</b>	<b>71,840</b>	<b>71,840</b>	<b>Total Financial Assets</b>	<b>47,766</b>	<b>47,830</b>	<b>47,830</b>

### a. Financial Instrument – Gains and Losses

		Financial Liabilities	Financial Assets		
2022/23	Description	Amortised Cost	Amortised Cost	Fair Value through P&L	2023/24
£000s		£000s	£000s	£000s	£000s
177	Debt Management Expenses	368	0	0	368
2,545	Mortgage Loan Interest	1,352	0	0	1,352
2,533	PWLB Loan Interest	2,402	0	0	2,402
65	Temporary Borrowing	261	0	0	261
19	Other Interest	(105)	0	0	(105)
3	Finance Leases	2	0	0	2
0	Impairment Losses	0	0	0	0
<b>5,342</b>	<b>Interest Payable &amp; Similar Charges</b>	<b>4,280</b>	<b>0</b>	<b>0</b>	<b>4,280</b>

## STATEMENT OF ACCOUNTS 2023/24

(1,389)	Investment Income	0	(2,080)	(772)	(2,852)
(136)	Bank Interest	0	(219)	0	(219)
<b>(1,525)</b>	<b>Interest &amp; Investment Income</b>	<b>0</b>	<b>(2,299)</b>	<b>(772)</b>	<b>(3,071)</b>
<b>3,817</b>	<b>Net Impact on surplus/deficit on provision of service</b>	<b>4,280</b>	<b>(2,299)</b>	<b>(772)</b>	<b>1,209</b>

### 18. Nature and Extent of Risks arising from Financial Instruments

Ongoing military conflicts continue to affect market prices.

Torfaen CBC manages the resulting risks effectively and has used market data from the reporting date to prudently reflect them in the valuation of its assets and liabilities, in line with proper accounting practice. The Council has no exposure directly or indirectly regarding any of its investments.

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2021.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Welsh Government, Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost. The Council's treasury management activities expose it to a variety of financial risks. The key risks are:

- (i) Credit risk – the possibility that other parties might fail to pay amounts due to the Council; also referred to as Counterparty risk or default risk.
- (ii) Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments.
- (iii) Market risk – the possibility that financial loss might arise for the Council because of changes in such measures as interest rate movements.

#### Credit Risk

Credit risk is also referred to as counterparty or default risk. This risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. It is the risk of failure by a third party to meet its contractual obligations to the organisation under an investment, borrowing or capital project financing. The risk is minimised through the Annual Investment Strategy.

The Annual Investment Strategy identifies counterparties for investment purposes based on specified criteria. As well as credit ratings the Council has regard to other measures such as market intelligence. Also, fixed investments are only for a three-month period or six months with approval from the Assistant Chief Executive Officer (Resources). The full Investment Strategy for 2023/24 was approved by full Council on 28 February 2023 and is available on the Council's website.

## STATEMENT OF ACCOUNTS 2023/24

The Council's maximum exposure to credit risk in relation to its investments cannot be assessed, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Regarding deposits with banks and financial institutions, the Council has no actual experience of defaults over the last 5 financial years. No breaches of the Council's counterparty criteria occurred during the reporting period, and the Council does not expect any losses from non-performance by any of its' counterparties in relation to deposits and the credit impairment losses have been assessed as immaterial. The Council continues to use only UK domiciled financial institutions for investment purposes.

The assessment of credit losses is based on information about past events, current conditions but also future forecasts. The economic outlook for the Councils' financial assets (investments and debtors) must be considered when making this assessment. The Council needs to consider the risk of default of its financial assets, the exposure to that default risk and the estimated loss because of the default. Although facing similar events, each Council's expected credit losses will be individual to their debt portfolios, the nature of their financial assets held at amortised cost and the impact of the pandemic in its local area (as well as national economic events). In particular, the Council has reflected higher underlying credit risk conditions when calculating its Expected Credit Losses (ECL) to reflect the strained market conditions, in line with the requirements of IFRS 9. As explained in note 17 this Council has no exposure to equities or other difficult to value instruments, and no complex liabilities, and all risks are minimised as described in this note.

The main exposure for financial assets for Torfaen is its direct investments with banks and even then, the 12-month expected credit loss is immaterial.

Customers for goods and services are assessed, considering their financial position, experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

31 Mar 2023		31 Mar 2024	31 Mar 2024	31 Mar 2024	31 Mar 2024
Estimated maximum exposure to default and uncollectibles £000s		Amount	Historical experience of default	Historical experience adjustment for market conditions	Estimated maximum exposure to default and uncollectibles £000s
		£000s	%	%	£000s
		(a)	(b)	(c)	(a * c)
99	Trade Debtors/Customers/ lease receivables	8,324	0.86	0.86	72

The Council does not allow credit for its trade debtors and lease receivables such that £7.8 million of the £8.3 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

31 March 2023		31 March 2024
£000s		£000s
5,631	Less than three months	2,386
495	Three to six months	589
1,712	Six months to one year	2,213
2,120	More than one year	2,597
<b>9,958</b>	<b>Total</b>	<b>7,786</b>

The quality of debtors is reflected in the level of the impairment allowance shown in Note 19 Debtors.



## STATEMENT OF ACCOUNTS 2023/24

Collateral – during the reporting period the Council held no collateral as security.

### Liquidity Risk

The Council has ready access to borrowings from the Money Markets to cover any day-to-day cash flow need, and the PWLB provides access to longer term funds. There is, therefore, no significant risk that it will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 50% of the Council's borrowing matures in any one financial year. The maturity analysis of financial liabilities (debt) is as follows:

31 March 2023 £000s		2023/24 Approved Max. Limits £000s		2023/24 Approved Min. Limits £000s		31 March 2024 £000s
(31,876)	Maturing in under 1 year (Short term)	(56,223)	50%	0	0%	(23,716)
(3,636)	Maturing in 1 to 2 years	(28,112)	25%	0	0%	(5,140)
(6,666)	Maturing in 2 to 5 years	(28,112)	25%	0	0%	(22,637)
(22,806)	Maturing in 5 to 10 years	(28,112)	25%	0	0%	(8,054)
(68,398)	Maturing over 10 years	(112,446)	100%	(28,112)	25%	(52,899)
<b>(133,382)</b>						<b>(112,446)</b>

The table illustrates that borrowing levels have not breached the operational boundary or authorised limit specified within the 2023/24 Prudential Report. The Council's debt can be split further into category of lender:

31 March 2023 £000s		31 March 2024 £000s
(62,220)	Public works loan board	(66,008)
(40,000)	Banks	(24,500)
(30,000)	Local Authorities	(20,000)
(1,162)	Other sources	(1,938)
<b>(133,382)</b>	<b>Total</b>	<b>(112,446)</b>

The maturity analysis of financial assets (Council investments only) is as follows:

31 March 2023 £000s		31 March 2024 £000s
40,000	Less than one year	19,500
<b>40,000</b>	<b>Total</b>	<b>19,500</b>

The figures outlined above are shown as the outstanding principal value and not the amortised cost valuation. Figures in the Balance Sheet reflect amortised cost.

### Market Risk

#### Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. The Council limits interest rate risk by placing investments very short term. The Council's debt is fixed in nature and therefore there is little risk of volatility caused by changes in interest rates.

The Council has several strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. If all interest rates had been 1% higher at 31 March 2024 (with all variables held constant) the financial effect would have been:



## STATEMENT OF ACCOUNTS 2023/24

	£000s
Increase in interest payable on variable rate borrowings	145
Increase in interest receivable on variable rate investments	(145)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>0</b>
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	13,163
Increase in fair value of fixed rate investments	(195)
Impact on Other Comprehensive Income and Expenditure	12,968

For the assumptions on which these figures are based refer to notes 17 and 18.

### Price Risk

This is the risk that a monetary loss will occur due to the market value of a security or portfolio of securities declining in the future. The Council, excluding the Pension Fund, does not invest in instruments with this type of risk.

## 19. Debtors

2022/23 £000s		2023/24 £000s
3,117	Central government bodies -	2,985
18,145	- Non-Domestic Rates	18,051
	- Other	
2,659	Other Councils	2,099
3,459	NHS bodies	3,583
8,192	Council Taxpayers	9,241
(2,488)	Impairment - Council Taxpayers	(2,855)
1,473	Benefit overpayments	1,424
(1,050)	Impairment - Benefit overpayments	(1,185)
12,499	Other entities and individuals (incl. trade debtors)	10,876
(1,185)	Impairment - Other entities and individuals (incl. trade debtors)	(1,093)
<b>44,821</b>	<b>Total</b>	<b>43,126</b>

### a. Debtors for Local Taxation

The past due date but not impaired amount for Council Tax can be analysed by age:

31 March 2023 £000s		31 March 2024 £000s
2,639	Less than 1 year	2,667
1,292	1 year to 2 years	1,400
640	2 years to 3 years	898
460	3 years to 4 years	461
270	4 years to 5 years	381
403	More than 5 years	579
<b>5,704</b>	<b>Total</b>	<b>6,386</b>

The analysis above only shows those balances, where assessment has indicated that by exception no impairment is required.

## 20. Cash and Cash Equivalents

2022/23 £000s		2023/24 £000s
13	Cash held by the Council	12
(752)	Bank current accounts (Overdraft)	(5,488)
15,050	Cash Equivalents-Money Market Funds	14,054
<b>14,311</b>	<b>Total Cash and Cash Equivalents</b>	<b>8,578</b>

## STATEMENT OF ACCOUNTS 2023/24

### 21. Creditors

2022/23 £000s		2023/24 £000s
(3,376)	Central government bodies	(5,237)
(997)	Other Councils	(1,734)
(176)	NHS bodies	(192)
(5)	Public corporations and trading funds	(1)
(21,200)	Other entities and individuals (incl. trade creditors)	(16,634)
<b>(25,755)</b>	<b>Total</b>	<b>(23,798)</b>

### 22. Other Long-Term Liabilities

Other long-term liabilities are amounts which we must pay back at some time after the next financial year or are amounts to be paid off over a period in yearly instalments. The Balance Sheet reflects the amortised values.

31 March 2023			31 March 2024	
Amortised Value £000s	Principal Value £000s		Amortised Value £000s	Principal Value £000s
(76)	(76)	Finance Leases	(68)	(68)
(5,491)	(5,491)	Receipts In Advance (S106 Balances)	(5,749)	(5,749)
(74,385)	(74,385)	Liability related to defined benefit pension scheme	(107,883)	(107,883)
<b>(79,952)</b>	<b>(79,952)</b>	<b>Total</b>	<b>(113,701)</b>	<b>(113,701)</b>

### 23. Usable Reserves and Balances

Movements in the Council's usable reserves are summarised in the Movement in Reserves Statement on page 23. Service Area Balances assist in funding proposals specific to each Service Area, and each Service grouping is shown in the following table:

	31 March 2023 Restated £000s	Use 2023/24 £000s	Addition 2023/24 £000s	31 March 2024 £000s
<b>Service Area Balances</b>				
Children & Family Services	(2,578)	781	(400)	(2,197)
Adults & Communities	(1,418)	16	(16)	(1,418)
Economy & Environment	(988)	400	(12)	(600)
Economy & Environment – Local Development Plan	(473)	47	0	(426)
Resources	(285)	0	0	(285)
<b>Total Service Area Balances</b>	<b>(5,742)</b>	<b>1,244</b>	<b>(428)</b>	<b>(4,926)</b>

The movement on each Corporate Reserve is shown below:

	31 March 2023* £000s	Use 2023/24 £000s	Addition 2023/24 £000s	31 March 2024 £000s
<b>Corporate Reserves</b>				
Corporate redundancy & change	(1,997)	65	(1,785)	(3,717)
Climate Change / Energy Efficiency	(4,200)	2,142	(157)	(2,215)
Asset Investment	0	0	(2,000)	(2,000)
Member Policy Development	(1,500)	0	0	(1,500)
Redundancy reserve - SPF programme staff	0	0	(1,315)	(1,315)
EdTech Sustainability	(1,500)	320	0	(1,180)
ICT & Digital	(1,041)	28	(77)	(1,090)
Pay contingency	0	0	(900)	(900)
Pupil Development Grant	0	0	(482)	(482)
Shared Prosperity Fund (SPF)	0	0	(342)	(342)
Post Covid-19 Recovery	(505)	455	0	(50)

## STATEMENT OF ACCOUNTS 2023/24

Strategic Change	(1,660)	1,660	0	0
People & Place	(1,500)	1,500	0	0
EV vehicles	(157)	157	0	0
	<b>(14,060)</b>	<b>6,327</b>	<b>(7,058)</b>	<b>(14,791)</b>
Insurance	(2,125)	0	(696)	(2,821)
Revenue Grants Unapplied	(461)	179	0	(282)
<b>Total</b>	<b>(16,646)</b>	<b>6,506</b>	<b>(7,754)</b>	<b>(17,894)</b>

### 24. Other Usable Reserves

#### a. School Balances

2022/23 £000s		LEA Controlled Schools £000s	Voluntary Controlled Schools £000s	Voluntary Aided Schools £000s	2023/24 £000s
(4,342)	Primary schools	(2,569)	(210)	(344)	(3,123)
(3,843)	Secondary schools	(2,198)	0	(162)	(2,360)
(783)	Special schools	(453)	0	0	(453)
<b>(8,968)</b>	<b>Total</b>	<b>(5,220)</b>	<b>(210)</b>	<b>(506)</b>	<b>(5,936)</b>

#### b. Capital Receipts Reserve

2022/23 £000s		2023/24 £000s
<b>(5,693)</b>	<b>Balance at 1 April</b>	<b>(6,368)</b>
(676)	Receipts from sales of asset	(170)
0	Receipts used during the year	0
<b>(6,368)</b>	<b>Balance at 31 March</b>	<b>(6,538)</b>

### 25. Unusable Reserves

#### a. Revaluation Reserve

The Revaluation Reserve contains the gains and losses made by the Council arising from changes in the value of its Property, Plant and Equipment.

2022/23 £000s		2023/24 £000s
<b>(115,443)</b>	<b>Balance at 1 April</b>	<b>(139,411)</b>
3,090	<b>Adjustment to Opening Balance to reflect movement with the Capital Adj. Account Note 25b</b>	(330)
(42,899)	Upward revaluation of assets	(34,448)
6,005	Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	10,305
<b>(149,247)</b>	<b>Sub-total - (Surplus)/Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on Provision of Services</b>	<b>(163,884)</b>
9,313	Difference between current value depreciation and historical cost depreciation	10,269
523	Accumulated gains on assets sold or scrapped	516
<b>(139,411)</b>	<b>Balance at 31 March</b>	<b>(153,099)</b>

#### b. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

## STATEMENT OF ACCOUNTS 2023/24

2022/23 £000s		2023/24 £000s
(120,822)	Balance at 1 April	(129,087)
(3,090)	Adjustment to Opening Balance to reflect movement with the Revaluation Reserve Note 25a	330
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
19,062	Charges for depreciation and impairment of non-current assets	20,207
(1,800)	Revaluation (losses)/gains on Property, Plant and Equipment	1,900
652	Revenue expenditure funded from capital under statute	166
1,548	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	2,009
<b>19,462</b>	<b>Subtotal of reversal items</b>	<b>24,282</b>
(9,835)	Adjusting amounts written out of the Revaluation Reserve	(10,785)
<b>9,627</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>13,497</b>
(9,485)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(12,329)
(4,667)	Statutory provision- financing of capital investment charged to the Council Fund	(4,542)
(574)	Capital expenditure charged against the Council Fund	(311)
<b>(5,099)</b>	<b>Subtotal capital financing</b>	<b>(3,685)</b>
(13)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(155)
(63)	Adjustment for consolidation of JOPs	(759)
<b>(129,087)</b>	<b>Balance at 31 March</b>	<b>(133,410)</b>

### c. Financial Instruments Adjustment Account

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

2022/23 £000s		2023/24 £000s
<b>3,748</b>	<b>Balance at 1 April</b>	<b>9,370</b>
6,442	Premiums incurred during the year on prematurely redeemed loans	3,500
(309)	Proportion of premiums incurred in previous financial years to be charged against the Council Fund Balance in accordance with statutory requirements	(391)
(511)	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	(964)
<b>9,370</b>	<b>Balance at 31 March</b>	<b>11,515</b>

### d. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

## STATEMENT OF ACCOUNTS 2023/24

2022/23 £000s		2023/24 £000s
<b>355,867</b>	<b>Balance at 1 April</b>	<b>74,448</b>
(307,924)	Re-measurements re pension net liability (asset)	36,156
46,988	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:	20,166
63	• IAS19 reversal	(63)
	• Reversal of accrued strain costs	
(20,406)	Employer's pensions contributions and direct payments to pensioners payable in the year	(22,793)
(154)	Adjustment for consolidation of JOPs	(50)
24	• Re-measurements re pension net liability (asset)	13
(10)	• IAS19 reversal	(7)
	• Employer's pensions contributions and direct payments to pensioners payable in the year	
0	• Effect of business combinations	13
<b>74,448</b>	<b>Balance at 31 March</b>	<b>107,883</b>

The IAS19 pension liabilities have improved this year because of the high UK Bond yields which has resulted in higher discount rates (4.85% compared to 4.75%), this has placed a lower value on the pensions obligations compared to last year and the data has been based on updated Actuarial Valuation information.

### 26. Cash Flow Statement – Adjustments to net surplus or deficit on the provision of services for non-cash movements

2022/23 £000s Restated		2023/24 £000s
19,062	Depreciation	20,207
(1,800)	Impairment and revaluations	2,569
(148)	(Increase)/decrease in inventories	(79)
(3,819)	(Increase)/decrease in debtors	2,741
(10,524)	Increase/(decrease) in creditors	1,142
443	Increase/(decrease) in impairment for bad debts	410
26,645	Movement in pension liability	(2,690)
1,548	Carrying amount of non-current assets and non-current asset held for sale, sold or derecognised	515
308	Other non-cash items charged to the net surplus or deficit on the provision of services	(3,750)
<b>31,715</b>	<b>Total</b>	<b>21,065</b>

### 27. Cash Flow Statement – Adjustment to net surplus or deficit on the provision of services that are investing and financing activities

2022/23 £000s		2023/24 £000s
(11,584)	Capital grant credited to the Comprehensive Income and Expenditure Statement	(13,471)
4,580	Interest paid and interest and dividends received	1,874
<b>(7,004)</b>	<b>Total</b>	<b>(11,597)</b>

## STATEMENT OF ACCOUNTS 2023/24

### 28. Cash Flow Statement – Investment Activities

2022/23 £000s		2023/24 £000s
(20,040)	Purchase of property, plant & equipment, investment property and intangible assets	(23,007)
676	Proceeds from the sale of property, plant & equipment, investment property & intangible assets	170
(95,092)	Purchase of short-term and long-term investments	(37,868)
94,000	Proceeds from short-term and long-term investments	57,500
16,014	Other receipts from investing activities	18,190
<b>(4,442)</b>	<b>Net cash flows from investing activities</b>	<b>14,985</b>

### 29. Cash Flow Statement – Financing Activities

2022/23 £000s Restated		2023/24 £000s
30,178	Cash receipts of short-term and long-term borrowing	5,961
(3,114)	Other receipts from financing activities	(1,994)
5,458	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(1,089)
(19,216)	Repayments of short-term and long-term borrowing	(26,897)
(3,621)	Other payments for financing activities	(3,782)
<b>9,685</b>	<b>Net cash flows from financing activities</b>	<b>(27,801)</b>

### 30. Cash Flow Statement - Reconciliation of liabilities arising from financing activities

	1 April 2023 Restated	Financing cash flows	Non-cash changes	31 March 2024
	£000s	£000s	£000s	£000s
Long-term borrowings	(101,506)	12,696	0	(88,810)
Short-term borrowings	(31,876)	8,240	0	(23,636)
Long liabilities (section 106)	(5,491)	1,081	0	(4,410)
Lease liabilities	(76)	8	0	(68)
<b>Total liabilities from financing activities</b>	<b>(138,949)</b>	<b>22,025</b>	<b>0</b>	<b>(116,924)</b>

### 31. Pooled Budgets for Health and Social Care

Under Section 33 of the National Health Service (Wales) Act 2006, three Partnership Agreements exist between Aneurin Bevan University Health Board (ABUHB) and the five Councils within its area. The Councils' transactions are included in the Social Care and Housing line of the Comprehensive Income and Expenditure Statement and the income and expenditure for each of the pooled budget arrangements is shown below.

#### (i) Gwent Wide Integrated Community Equipment Service (GWICES)

This Greater Gwent service facilitates modern and closer integration for health and social care community equipment services. This service is delivered on a locality basis reflecting the boundaries of each Council. Torfaen is the lead Council.

## STATEMENT OF ACCOUNTS 2023/24

2022/23 £000s		2023/24 £000s
(784)	<b>Reserve Brought Forward</b>	<b>(523)</b>
261	<b>Spending From Reserve</b>	<b>120</b>
0	<b>Transfer To Reserve</b>	<b>(2)</b>
(523)	<b>Reserve Carried Forward 2023/24</b>	<b>(405)</b>
	<b>Funding Provided to the Pooled Budget</b>	
(165)	Blaenau Gwent County Borough Council	(298)
(503)	Caerphilly County Borough Council	(520)
(322)	Monmouthshire County Council	(406)
(334)	Newport City Council	(377)
(368)	Torfaen County Borough Council	(373)
(79)	Torfaen County Borough Council - Telecare	(88)
(747)	Torfaen County Borough Council – RIF Telecare	(339)
0	Torfaen County Borough Council – RIF	(675)
(865)	Aneurin Bevan Health Board	(938)
(153)	Contribution to Lead Commissioner – Local Councils	(165)
(31)	Contribution to Lead Commissioner – Local Health Board	(33)
(112)	Community Resource Team	(124)
(261)	<b>Funded From Reserve</b>	<b>(120)</b>
(3,940)	<b>Total Funding</b>	<b>(4,457)</b>
	<b>Expenditure met from the Pooled Budget</b>	
182	Staff	197
3,758	Non-Staff	4,260
3,940	<b>Total Expenditure</b>	<b>4,457</b>
(0)	<b>Net (Surplus)/Deficit Arising on the Pooled Budget</b>	<b>0</b>

### (ii) The Gwent Frailty Programme

This programme provides integrated community-based care services primarily aiming to avoid hospital admissions and assist independent living and is delivered on a locality basis. Caerphilly County Borough Council has been appointed as 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.

2022/23 £000s		2023/24 £000s
	<b>Funding - Pooled Fund Contribution</b>	
(599)	Blaenau Gwent County Borough Council	(649)
(2,264)	Caerphilly County Borough Council	(2,249)
(1,469)	Monmouthshire County Council	(1,626)
(1,891)	Newport City Council	(1,993)
(805)	Torfaen County Borough Council	(822)
(9,493)	Aneurin Bevan Health Board	(9,892)
(16,521)	<b>Total Funding</b>	<b>(17,231)</b>
	<b>Pooled Fund - Reimbursements</b>	
556	Blaenau Gwent County Borough Council	488
1,970	Caerphilly County Borough Council	1,802
1,477	Monmouthshire County Council	1,353
1,826	Newport City Council	1,938
821	Torfaen County Borough Council	909
9,058	Aneurin Bevan Health Board	9,921
739	Central Costs	753
16,447	<b>Total Expenditure</b>	<b>17,164</b>
(74)	<b>Net in year (under)/overspend</b>	<b>(67)</b>
(381)	Balance brought forward 1 April	(455)
(455)	<b>Balance carried forward 31 March</b>	<b>(522)</b>

### (iii) 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/Social care



## STATEMENT OF ACCOUNTS 2023/24

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 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.

2022/23 £000s		2023/24 £000s
	<b>Funding - Pooled Fund Contribution</b>	
(8,185)	Blaenau Gwent County Borough Council	(9,769)
(26,919)	Caerphilly County Borough Council	(31,521)
(10,828)	Monmouthshire County Council	(12,681)
(23,144)	Newport City Council	(28,529)
(13,070)	Torfaen County Borough Council	(14,153)
(36,563)	Aneurin Bevan Health Board	(41,298)
<b>(118,709)</b>	<b>Total Funding</b>	<b>(137,951)</b>
	<b>Pooled Fund – Reimbursements</b>	
16,828	Gwent Local Authority Residential Homes	18,828
13,076	Other Elderly Frail Residential Care	14,477
23,929	Other Elderly Mentally Infirm Residential Care	26,580
24,513	Elderly Frail Funded Nursing Care	30,222
14,216	Elderly Mentally Infirm Funded Nursing Care	18,457
6,949	Elderly Frail Continuing Health Care	8,373
18,896	Elderly Mentally Infirm Continuing Health Care	20,685
240	Step Up/Step Down	267
62	Lead Commissioner Costs	62
<b>118,709</b>	<b>Total Expenditure</b>	<b>137,951</b>
<b>0</b>	<b>Net in year (under)/overspend</b>	<b>0</b>
0	Balance brought forward 1 April	0
<b>0</b>	<b>Balance carried forward 31 March</b>	<b>0</b>

### 32. Members Allowances

The Council paid the following amounts to Members of the Council.

2022/23 £000s		2023/24 £000s
1,139	Total allowances and expenses	1,208

### 33. Officers Remuneration

The Council must publish the organisation's pay multiple, that is the ratio between the highest paid employee and the median earnings across the organisation. The ratio of Chief Executive Pay to the median pay in Torfaen was as follows:

	2022/23	2023/24
Chief Executive's Pay	4.75	4.59
Median Pay 2024 = £28,770 (2023 = £26,845)	1	1

The following table shows the number of our employees who earned more than £60,000 in 2023/24 excluding Senior Officers, pensioners, and any teachers employed directly by schools, rather than the Council. Employers' pension contributions are not included in the calculation of the remuneration that determines these bands. For this note, an officer employed for fewer than the usual full-time hours are included if the grossed-up remuneration exceeds £60,000. The table also includes the relevant employees of the Shared Resource Services; we share their costs with the other constituent bodies of the service.

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Number of employees 2022/23		Pay bands £	Number of employees 2023/24	
Total	Number who left during the year		Total	Number who left during the year
18	1	60,000 to 64,999	44	4
22	0	65,000 to 69,999	10	3
14	1	70,000 to 74,999	24	0
9	0	75,000 to 79,999	12	0
7	0	80,000 to 84,999	11	0
3	1	85,000 to 89,999	14	2
2	0	90,000 to 94,999	3	1
1	0	95,000 to 99,999	2	1
1	0	100,000 to 104,999	2	0
0	0	105,000 to 109,999	1	0
0	0	130,000 to 134,999	2	0
<b>77</b>	<b>3</b>	<b>Total</b>	<b>125</b>	<b>11</b>

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies for all employees are set out in the tables below. Other redundancies have been made as part of the Councils' rationalisation procedure and have occurred for such reasons as resignations, mutual agreement, and dismissal. The costs include redundancy costs and payments in lieu of notice at time of departure. Where applicable employers' national insurance contributions are included, as well as any strain costs which are the costs of the early payment of benefit payable by the Council to the Pension Fund when a member of staff over 55 is made redundant.

<b>2023/24</b> Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £000s
£0 - £20,000	14	56	70	367
£20,001 - £40,000	7	6	13	428
£40,001 - £60,000	3	1	4	191
£60,001 - £80,000	2	1	3	210
£80,001 - £100,000	1	0	1	89
£100,001 - £150,000	1	0	1	103
£150,001 - £200,000	0	1	1	169

<b>2022/23</b> Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £000s
£0 - £20,000	2	37	39	216
£20,001 - £40,000	3	3	6	178
£40,001 - £60,000	1	3	4	177

## STATEMENT OF ACCOUNTS 2023/24

### a. Senior Officers emoluments where salary is between £60,000 and £150,000 per year – 2023/24

<b>2023/24</b>	<b>Notes</b>	<b>Salary (including fees &amp; allowances)</b>	<b>Taxable expense allowance</b>	<b>Compensation for loss of office</b>	<b>Total remuneration excluding pension contributions</b>	<b>TCBC's contribution to the Pension Fund</b>	<b>Total remuneration including pension contributions</b>
<b>Post Title</b>		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive		132,023	-	-	132,023	32,610	<b>164,633</b>
Deputy Chief Executive		101,852	-	-	101,852	25,158	<b>127,010</b>
Strategic Director - Adults & Communities	(ii)	93,440	-	-	93,440	23,080	<b>116,520</b>
Strategic Director – Economy & Environment		99,516	-	-	99,516	24,581	<b>124,097</b>
Strategic Director – Childrens & Family Services	(ii)	93,440	-	-	93,440	23,080	<b>116,520</b>
Chief Operating Officer – Shared Resource Services	(i)	100,991	-	-	100,991	19,390	<b>120,381</b>
Monitoring Officer & Assistant Chief Legal Officer		73,601	-	-	73,601	18,177	<b>91,777</b>

#### Notes

- (i) The costs of the post of Chief Operating Officer – Shared Resource Services are shared equally between Torfaen County Borough Council, Monmouthshire County Council, Blaenau Gwent County Borough Council, Newport City Council and Gwent Police. The amounts shown in the table are the full costs of the post before any sharing.
- (ii) There has been a slight change to the description of the Strategic Directors during 2023/24.

### b. Senior Officers emoluments where salary is between £60,000 and £150,000 per year – 2022/23

<b>2022/23</b>	<b>Notes</b>	<b>Salary (including fees &amp; allowances)</b>	<b>Taxable expense allowance</b>	<b>Compensation for loss of office</b>	<b>Total remuneration excluding pension contributions</b>	<b>TCBC's contribution to the Pension Fund</b>	<b>Total remuneration including pension contributions</b>
<b>Post Title</b>		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive		127,558	-	-	127,558	31,890	<b>159,448</b>
Deputy Chief Executive		98,407	-	-	98,407	24,602	<b>123,009</b>
Strategic Director - Social Care & Housing		88,395	-	-	88,395	22,099	<b>110,494</b>
Strategic Director – Economy & Environment		96,150	-	-	96,150	24,038	<b>120,188</b>
Strategic Director – Communities & Digital		88,395	-	-	88,395	22,099	<b>110,494</b>
Chief Operating Officer – Shared Resource Services	(i)	97,388	-	-	97,388	18,504	<b>115,892</b>
Monitoring Officer & Assistant Chief Legal Officer		69,594	-	-	69,594	17,399	<b>86,993</b>
Head of Education Services	(ii)	75,932	-	47,000	122,932	18,610	<b>141,542</b>

#### Notes

- (i) The costs of the post of Chief Operating Officer – Shared Resource Services are shared equally between Torfaen County Borough Council, Monmouthshire County Council, Blaenau Gwent County Borough Council, Newport City Council and Gwent Police. The amounts shown in the table are the full costs of the post before any sharing.
- (ii) This post became vacant on 9 January 2023. The full annualised salary was £96,150.

**34. External Audit Costs**

<b>2022/23 £000s</b>		<b>2023/24 £000s</b>
205	Fees payable regarding external audit services carried out by the appointed auditor for the year	218
103	Fees payable in respect of statutory inspections	103
47	Fees for the certification of grant claims and returns	57
<b>355</b>	<b>Total</b>	<b>378</b>

**35. Related Parties**

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

**Welsh Government**

Welsh Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides most of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Grants received from government departments are set out in the Comprehensive Income and Expenditure Statement, and in the subjective analysis in note 7 Expenditure and Income Analysed by Nature as well as note 12 regarding Grants.

**Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2023/24 is shown in note 32. Under the Code of Conduct, incorporated in the Council's constitution, Members are required to record in the Register of Members' Interests any financial and other personal interests, together with any gift, hospitality, material benefit or advantage. The Register is open to inspection by the public and is available on an individual Member basis on the Council's website. Members who declare an interest do not take part in any discussion or decision relating to grants made or works or services commissioned. Details of all interests declared are recorded in the minutes of relevant meetings.

Members of the Council are nominated to serve on numerous outside bodies some of which either receive funding from the Council or issue levies and precepts to be paid by the Council. When sitting on these bodies Members are expected to act independently and not to represent the views of the County Borough Council.

Where works or services have been commissioned or where grants were made during the financial year in which Members had an interest, Members have a duty to declare such an interest. The Council must ensure that contracts entered were in full compliance with standing orders and that grants were made with proper consideration of declarations of such interests.

The following transactions related to elected members took place during the year 2023/24, with associated balances due to or from the Council at the year ended 31 March 2024.

## STATEMENT OF ACCOUNTS 2023/24

Related Party, relationship and transaction details	Amounts Paid out by Authority £	Amounts Received by Authority £	Balance Outstanding - Debtors £	Balance Outstanding - Creditors £
Village & Valleys (RCT) Community Transport Ltd: one member is a director of the company. Payments relate to the supply of transport services	42,825	0	0	2,732
Cwmbran Centre for Young People: one member of the Council is a director. Payments relate to the provision of counselling, training and support sessions and grants.	292,620	2,130	0	1,080
Torfaen Voluntary Alliance: one member is a director, one member co-opted. Payments are grants to support community and third sector schemes.	120,121	21,968	0	0
Garnsychan Partnership: one member is a director. Payments are Third Sector Major grants to assist in running the charity, which is a community-based enterprise.	60,056	0	0	8,550
Torfaen Opportunities Group: two members of the councils are trustees. Payments to support vulnerable children and play grant.	32,919	949	0	0
Age Concern Torfaen: one member is a trustee. Payments are grants and other social care support.	60,777	0	0	0
Co Star Community Partnership: one member is a trustee and one member is a trustee and a director. Payments are Third Sector grants to assist in the running of the organisation	61,184	2,609	0	0
One member is the Chief Executive Officer of TRAC 2, payments are for a Kickstart employee and Third Sector Major grant to assist in running costs	10,503	0	0	0
One member is on the Board of Directors of Able Radio: Payments are grants for Food 4 Growth and support for Social Care Learning Disabilities Team	49,268	829	0	11,717

### Senior Officers

Under the Employees' Code of Conduct, officers are required to declare potential conflicts of interest arising from employment arrangements together with gifts or hospitality and offers thereof and, under Section 117 of the 1972 Local Government Act, contractual arrangements where there is a conflict of interest whether it be by direct or indirect involvement. Most professional bodies also have codes of professional conduct to which members of those bodies are expected to adhere.

### Pension Funds

During 2023/24 the Council enacted with both the Greater Gwent (Torfaen) Pension Fund and the Teachers' Pension Agency due to its role as an employer. Full details of the relationship with both organisations are disclosed in note 36. In relation to balances outstanding at the year-end for pension employee and employers' contributions the amount owed was £1,944,366. In addition to its role as an employer the Council also enacted with the Pension Fund in its role as Administrator of the Fund. Material transactions regarding Management and Administrative expenses incurred by the Pension Fund and owed to the Council amounted to £1,918,422 with a year-end credit of £127,766.

**Other Public Bodies subject to common control by central government**

The Council has a pooled budget arrangement with Aneurin Bevan University Health Board for the provision of care services. Further details of the arrangement, the transactions and balances outstanding are detailed in note 31.

**Cardiff Capital Region City Deal (CCRCD)**

A Joint Working Agreement formally established the Cardiff Capital Region Joint Committee (the Regional Cabinet) as a Joint Committee, with delegated functions, from 1 March 2017. It is a partnership between the ten councils in South East Wales, including Torfaen County Borough Council. This arrangement has been consolidated for the first time in these accounts. Note 10 Joint Operations provides further information.

**Entities Controlled or Significantly Influenced by the Council**

Councils must consider whether they need to produce group accounts for interests held in other bodies/organisations, where they meet the definition of subsidiaries, associates and joint ventures. Torfaen has conducted a detailed review of all relationships in this regard, and although the Council has interests in several companies, they do not meet the requirements for the preparation of Group Accounts. The Council has interests in the following company:

**(i) Education Achievement Service - (EAS)**

The EAS aims to raise education standards in South-East Wales. It is a joint company, limited by guarantee, owned and completely controlled by the five Local Councils of Torfaen, Blaenau Gwent, Caerphilly, Monmouthshire, and Newport, but operating at arm's length. It is not a profit-making company, and it is a separate legal entity. There is no lead Council with each represented equally with a 20% interest and having equal voting rights. This would trigger the minimum requirements to classify the EAS as an associate company and to include the company within group accounts, however there are several factors that counter indicate the Council having significant influence over the EAS. The company has a Board consisting of the Lead Director and elected member representatives from the partner Councils. Decisions are made on a majority vote basis. The Collaboration Agreement commits the Council to participating in the EAS Company for a minimum period of four years. Any transactions or balances outstanding between the Council and the EAS are immaterial.

**36. Post-Employment Benefits**

The Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The Council participates in two separate pension schemes the Local Government Pension Scheme (LGPS) and the Teachers' Pensions Scheme (TPS), both of which provide defined benefits to members (retirement lump sums and pensions) earned as employees worked for the Council.

**Teachers' Pension Scheme (TPS) – Unfunded Defined Benefit Scheme Accounted for as a Defined Contribution Scheme**

Whilst this is an unfunded multi-employer defined benefit scheme it is required to be accounted for as if it were a defined contribution scheme because the arrangements are such that the liabilities cannot ordinarily be identified specifically to the Council. A notional fund is used as the basis for calculating the employer's contribution rate paid by local authorities and valuations of the notional fund are undertaken every four years. The



Teachers' Pensions Agency (TPA) administer this scheme. No liability for future payments of these benefits is recognised in the Council's Balance Sheet.

In 2023/24, the Council paid £8,474,673 to the TPA in respect of teachers' retirement benefits, (£7,853,157 in 2022/23) representing 23.6% of pensionable pay (23.6% in 2022/23). In 2024/25 the expected contributions for the plan are £8.8 million.

There was only a small contribution of £7,820.61 recognised as a short-term creditor in the Balance Sheet at 31 March 2024 as the payment of £994,783 had already been paid (£937,867 2022/23).

### **Teachers' Discretionary Unfunded Post-Employment Benefits**

Under this scheme there are separate arrangements for the award of discretionary post-employment benefits upon early retirement – these are unfunded defined benefit arrangements, under which liabilities are recognised when awards are made. The total amount payable for these payments in 2023/24 was £1,591,614 and is recognised in the Council's Balance Sheet. The authority anticipates paying £1,691,886 in 2024/25 for these discretionary payments. The Council is not responsible for any other employers' obligations under this pension plan.

### **The Local Government Pension Scheme – Funded Defined Benefit Scheme**

This is a funded defined benefits scheme, meaning that the Council and employees pay contributions into the Greater Gwent (Torfaen) Pension Fund (The Fund), calculated at a level intended to balance the pension liabilities with investment assets. The amount included in the Balance Sheet arising from the Council's obligation in respect of this defined benefit plan is in the table that follows. Torfaen County Borough Council is the administering authority for this Pension Fund. It is governed by the Superannuation Act 1972 and various secondary legislation relating to the Local Government Pension Scheme (LGPS). It is an occupational pension scheme for persons (other than teachers) employed by local authorities in Greater Gwent. The main employers are local authorities but there are also other organisations providing public services who are allowed to join either as scheduled or admitted bodies.

The Fund produces an annual report that contains further information regarding governance. The Council has delegated its functions as administering authority of the Fund to the Pensions Committee, which meets on a quarterly basis. The Committee decides on the investment policy most suitable to meet the liabilities within the Fund and has responsibility for the Fund's investment strategy and administrative arrangements.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e., large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the Council Fund the amounts required by statute as described in our accounting policies. Risk is inherent in many of the Fund's activities, particularly as they relate to investments, but the Pensions Committee recognises the need to reduce risk to a minimum where it is possible to do so without compromising investment returns and to limit risk to acceptable levels. The Fund's primary long-term risk is that assets will fall short of its liabilities. Investment risk is therefore aimed to minimise the risk of an overall reduction in the value of the Fund whilst maximising the opportunity for gains across the whole portfolio. Further detail concerning the risks the Fund, and Torfaen County Borough Council (as an



## STATEMENT OF ACCOUNTS 2023/24

employer) are exposed to is contained within the Pension Fund Annual Report that is produced.

### The Local Government Pension Scheme – Discretionary Unfunded Post-Employment Benefits

In addition, there are separate arrangements for the award of discretionary post-employment benefits upon early retirement. These are unfunded defined benefit arrangements, under which liabilities are recognised when awards are made, and are shown in the table below.

### Employers' Contributions

Regarding impact on the authority's cash flows the objectives of the scheme are to keep employers' contributions at a constant rate. The Council, as administering authority, has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are also monitored on an annual basis.

The Actuarial Valuation as at 31 March 2022 covers the contribution rates from 1 April 2023 until 31 March 2026, the rates for 2023/24 is 24.7%. The rates are set to increase by 0.5% for the next two years.

The authority anticipates paying £21,257,982 as basic expected contributions to the scheme in 2024/25. As an indication of the level of the Council's participation in the Greater Gwent (Torfaen) Pension Fund compared with other participating entities, the Council contributed 14% of the total contribution receivable by the Fund in 2023/24 (14% in 2022/23).

### 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 actual cost of post-employment/retirement benefits is reversed out of the Council Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure and the Council Fund Balance via the Movement in Reserves during the year.

31 March 2023			Changes in the Fair Value of Plan Assets, Defined Benefits and Net Liability	31 March 2024		
Assets	Liabilities	Net liability/(assets)		Assets	Liabilities	Net liability/(assets)
£000s	£000s	£000s		£000s	£000s	£000s
(566,493)	0	(566,493)	Fair Value of Employer Assets	(561,757)	0	(561,757)
0	891,633	891,633	Present Value of Funded Liabilities	0	612,294	612,294
0	30,601	30,601	Present Value of Unfunded Liabilities	0	23,991	23,991
<b>(566,493)</b>	<b>922,234</b>	<b>355,741</b>	<b>Opening Position at 31 March</b>	<b>(561,757)</b>	<b>636,285</b>	<b>74,528</b>
			<b>Service Cost</b>			
0	37,229	37,229	Current Service Cost*	0	16,501	16,501
0	63	63	Past Service Costs (including curtailments)	0	266	266
<b>0</b>	<b>37,292</b>	<b>37,292</b>	<b>Total Service Cost</b>	<b>0</b>	<b>16,767</b>	<b>16,767</b>
			<b>Net Interest</b>			
(15,351)	0	(15,351)	Interest Income on Plan assets	(26,755)	0	(26,755)
0	25,176	25,176	Interest cost on Defined Benefit Obligation	0	30,154	30,154
<b>(15,351)</b>	<b>25,176</b>	<b>9,825</b>	<b>Total Net Interest</b>	<b>(26,755)</b>	<b>30,154</b>	<b>3,399</b>
<b>(15,351)</b>	<b>62,468</b>	<b>47,117</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(26,755)</b>	<b>46,921</b>	<b>20,166</b>
			<b>Cashflows</b>			
(5,042)	5,042	0	Plan Participants' Contributions	(5,363)	5,363	0
(18,559)	0	(18,559)	Employers' Contribution	(20,729)	0	(20,729)
(1,847)	0	(1,847)	Contribution for Unfunded Benefits	(2,064)	0	(2,064)
18,640	(18,640)	0	Benefits Paid	23,032	(23,032)	0
1,847	(1,847)	0	Unfunded Benefits Paid	2,064	(2,064)	0
<b>(586,805)</b>	<b>969,257</b>	<b>382,452</b>	<b>Expected Closing Position</b>	<b>(591,572)</b>	<b>663,473</b>	<b>71,901</b>
			<b>Re-measurements re Pension Net Liability (Asset)</b>			
0	(39,918)	(39,918)	Changes in Demographic Assumptions	0	(4,023)	(4,023)
0	(350,129)	(350,129)	Changes in Financial Assumptions	0	(38,483)	(38,483)
7,523	57,075	64,598	Other Experience	0	21,330	21,330

## STATEMENT OF ACCOUNTS 2023/24

17,525	0	17,525	Return on Assets Excluding Amounts Included in Net Interest	(42,573)	0	(42,573)
<b>25,048</b>	<b>(332,972)</b>	<b>(307,924)</b>	<b>Total Re-measurements Recognised in Other Comprehensive Income and Expenditure Statement</b>	<b>(42,573)</b>	<b>(21,176)</b>	<b>(63,749)</b>
(561,757)	0	(561,757)	Fair Value of Employer Assets	(634,145)	0	(634,145)
0	612,294	612,294	Present Value of Funded Liabilities	0	617,612	617,612
0	23,991	23,991	Present Value of Unfunded Liabilities**	0	24,685	24,685
<b>(561,757)</b>	<b>636,285</b>	<b>74,528</b>	<b>Closing Position at 31 March</b>	<b>(634,145)</b>	<b>642,297</b>	<b>8,152</b>

\*The current service costs include an allowance for administration expenses of 0.5% of payroll.

\*\*This liability comprises of approximately £4,450,000 in respect of LGPS unfunded pensions and £20,235,000 in respect of Teachers' unfunded pensions. For unfunded liabilities as at 31 March 2023, it is assumed that all unfunded pensions are payable for the remainder of the members life. It is further assumed that 90% of pensioners are married (or cohabitating) at death and that their spouse (cohabitee) will receive a pension of 50% of the member's pension as at the date of the members 'death.

	<b>31 March 2024</b>
<b>Changes in the Fair Value of Plan Assets, Defined Benefits and Net Liability as CIES</b>	<b>Net liability/(assets)</b>
Re-measurements (from above statement)	<b>(63,749)</b>
Effect of IAS 19 / IFRIC 14 for the Asset Ceiling Calculation	99,905
<b>Total re-measurement re pension net liability (asset) in Other Comprehensive Income &amp; Expenditure Statement</b>	<b>36,156</b>

	<b>31 March 2024</b>
<b>Changes in the Fair Value of Plan Assets, Defined Benefits and Net Liability as Note 22 and 25d</b>	<b>Net liability/(assets)</b>
<b>Opening Balance 1 April 2023</b>	<b>74,528</b>
Total re-measurement re pension net liability (asset) in Other Comprehensive Income & Expenditure Statement (as above)	36,156
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	20,166
Employers' Contribution (as above)	(20,729)
Contribution for Unfunded Benefits (as above)	(2,064)
Reversal of accrued strain costs	(63)
Joint Operations Adjustment	(111)
<b>Closing Balance 31 March 2024</b>	<b>107,883</b>

### Impact of applying IFRIC14 – IAS 19- The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

In accordance with the above reporting standards the Council's Actuary, Hymans Robertson LLP, determined that the fair value of the council's pension plan assets outweighed the present value of the plan obligations at 31 March 2024 resulting in a pension plan asset.

Agreed past service contributions have been committed to be paid to the Fund and are added to the net asset position. This position is then compared to the economic benefit available as a reduction in future contributions to determine if there is an additional liability to recognise as a result an adjustment is required to the Net Asset/Liability for the effect of the asset ceiling.

Re-measurements shown in the Comprehensive Income and Expenditure Statement include (£50,000) relating to Joint Operations (JOPs) as shown in note 10. The liabilities show the underlying commitments that the Council must pay post-employment (retirement) benefits. The total net liability of £107,883,000 has an impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- (i) the deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees (i.e., before payments fall due), as assessed by the scheme Actuary.
- (ii) finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The LGPS assets attributable to Torfaen County Borough Council comprised the following, they are shown at Bid Value as required under IAS19:

## STATEMENT OF ACCOUNTS 2023/24

31 March 2023 £000s	31 March 2023 %	Asset Type	31 March 2024 £000s	31 March 2024 %
		<b>Unquoted instruments</b>		
		Investment Funds		
414,706	74	Equities	466,763	74
74,835	13	Bonds	77,738	12
7,543	1	Infrastructure	27,434	4
50,381	9	Others	29,294	5
11,377	2	Property	10,828	2
2,915	1	Cash and cash equivalents	22,088	3
<b>561,757</b>	<b>100</b>	<b>Total Unquoted</b>	<b>634,145</b>	<b>100</b>
<b>561,757</b>	<b>100</b>	<b>Total Assets</b>	<b>634,145</b>	<b>100</b>

The fund no longer holds quoted equities they are now all held in pooled funds.

### Basis for Estimating Assets and Liabilities

The principal IAS19 assumptions used by the Actuary for these accounts are shown in the following table. Using the projected unit method, the Actuary determines the figures at the Balance Sheet date using the latest scheme valuation as a base is 31 March 2022.

2022/23		Principal Actuarial Assumptions	2023/24	
Local Government Pension Scheme (Including Discretionary Arrangements)	Discretionary Benefits Arrangements (Teachers)		Local Government Pension Scheme (Including Discretionary Arrangements)	Discretionary Benefits Arrangements (Teachers)
		<b>Mortality assumptions:</b>		
		Longevity at 65 for current pensioners		
20.5 years	20.5 years	Men	20.3 years	20.3 years
23.5 years	23.5 years	Women	23.3 years	23.3 years
		Longevity at 65 for future pensioners		
21.5 years	N/A	Men	21.3 years	N/A
25.2 years	N/A	Women	24.9 years	N/A
		<b>Other assumptions:</b>		
2.95%	2.95%	Rate of inflation (CPI)	2.75%	2.75%
3.45%	N/A	Rate of increase in salaries	3.25%	N/A
2.95%	2.95%	Rate of increase in pensions	2.75%	2.75%
4.75%	4.75%	Rate for discounting scheme liabilities	4.85%	4.85%
N/A	N/A	Take-up of option to convert annual pension into retirement lump sum	N/A	N/A

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above.

The discount rate has risen, this means that the assessed value of obligations has decreased as a lower value has been placed on benefits paid in the future.

The longevity assumptions have been reviewed by experts and will be consistent with those adopted by the Pension Fund in the 2022 funding valuation. They have resulted in a modest decrease in life expectancies, which has also decreased the liabilities.

The rate of salary increase is derived from RPI/CPI assumptions at the reporting date and uses the same methodology as the 2022 funding valuation, which means that they are assumed to be 0.5% above CPI. The pensions increase assumptions are also based on the CPI assumptions.

The sensitivity analysis below has been determined based on possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the 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 as whole year increases in life expectancy, 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 method.

### **Sensitivity of Financial Assumptions Adopted**

The tables below are sensitivity analyses for each significant actuarial assumption as they apply to the LGPS:

<b>Sensitivity analysis as at 31 March 2024 – Torfaen County Borough Council's participation in Greater Gwent (Torfaen) Pension Fund (LGPS)</b>		
<b>Changes in assumptions at 31 March 2024</b>	<b>Approximate % increase to Employer Liability</b>	<b>Approximate monetary amount £000s</b>
0.1% decrease in Real Discount Rate	2%	11,991
1 year increase in member life expectancy	4%	25,692
0.1% increase in Salary Increase Rate	0%	1,518
0.1% increase in the Pension Increase Rate	2%	10,684

### **Legal cases which need consideration**

In June 2023, the High Court found in the Virgin Media case that changes to member benefits in contracted out defined benefit pension schemes between 1996 and 2016 required an actuarial certificate in line with section 37 of the Pension Schemes Act 1993 and that changes without this certification are to be considered void. This requirement applies to past and future service rights and to changes to the detriment or benefit of scheme members. The judgement was appealed in June 2024 and the appeal was dismissed.

For both the Local Government and Firefighters Pension Scheme, GAD do not believe that there are any absent actuarial confirmations. Therefore, they do not expect any liability changes to arise following this judgement. GAD will confirm that actuarial confirmations are available in due course.

### **IAS19 remeasurements and plan amendments, curtailments and settlement**

On 7 Feb 2018, the IASB issued an amendment to IAS19 when accounting for the above, the Actuary has measured the significance of 5% of active members being affected (for curtailments) or more than 2% of the liability (for settlements and plan amendments) as a trigger event for remeasurement. Trigger events could be many early retirements or a bulk transfer of staff. A review was conducted as part of the 2023/24 IAS19 exercise, and no significant events were reported during the period.