

THE MERTHYR AND RHONDDA CYNON TAFF GROUNDWORK TRUST
(A company limited by guarantee)

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2007

Registered Number 2087537
Charity Registration Number 518632



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COMPANY MEMBERS

Merthyr Tydfil County Borough Council
Rhondda Cynon Taff County Borough Council
Groundwork UK
Countryside Council for Wales

PRESIDENT

Sir Richard Lloyd Jones KCB

CHAIRMAN

P Saunders MBE

EXECUTIVE DIRECTOR

Margaret Hannigan Popp

COMPANY SECRETARY

Sandra Greig

REGISTERED OFFICE

Fedw Hir
Llwydcoed
Aberdare
CF44 0DX

REGISTERED NUMBER

2087537, Wales

AUDITORS

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

BANKERS

National Westminster Bank & RBS Plc
High Street
Merthyr Tydfil
CF47 8BN

REPORT OF THE DIRECTORS

The directors submit their annual report and the audited financial statements for the year ended 31 March 2007. The directors who served during the year were -

DIRECTORS

Sir Richard Lloyd Jones	-	President
Mr P Saunders MBE	-	Chairman
Mr P Walters	-	Graeme John & Partners
Mr Jeffrey Richards	-	Sekisui (UK) Ltd
Mrs Lynfa Phillips	-	Importer / wholesaler
Cllr Allan Davies	-	Merthyr Tydfil County Borough Council
Cllr David Jarrett	-	Merthyr Tydfil County Borough Council
Cllr Gareth Watkins	-	Merthyr Tydfil County Borough Council
Cllr Tina Leyshon	-	Rhondda Cynon Taff County Borough Council
Mrs Marianne Jones	-	Voluntary Sector
Cllr Craig Middle	-	Rhondda Cynon Taff County Borough Council
Cllr Bernard Channon	-	Rhondda Cynon Taff County Borough Council
Ms Fawzia Haq	-	Voluntary Sector
		<i>(Appointed 23 November 2006)</i>
Mrs Valerie Jones	-	Voluntary Sector
		<i>(Appointed 23 November 2006)</i>
Ms Donsherie Sonia-Sullivan	-	Public Sector
		<i>(Appointed 18 August 2006)</i>

PRINCIPAL ACTIVITIES

Groundwork Merthyr and Rhondda Cynon Taff ("the Trust") is incorporated as Merthyr and Rhondda Cynon Taff Groundwork Trust. It is a registered charity and a company limited by guarantee governed by its Memorandum and Articles of Association.

The Groundwork vision is for a society made up of sustainable communities which are vibrant, healthy and safe, which respect the local and global environment and where individuals and enterprise prosper. The Trust seeks to develop holistic programmes, which together promote Groundwork's purpose by embracing people, places and prosperity.

The Trust is part of a national federation of independent trusts, which has grown to over 50, co-ordinated by Groundwork UK and the Trust continues to play an active role in the expansion and development of Groundwork and links with trusts in other countries, particularly an exchange programme with Groundwork Fukuoka and Groundwork Japan.

The 'Groundwork in Wales' strategic objectives for the Welsh network of trusts and Groundwork Wales include and incorporate a change process to take forward the outcomes of the Evaluation Study of Groundwork in Wales undertaken by Baker Associates. The study was commissioned by Groundwork to provide an external review and recommendations process and document to aid our aims for continuous professional development as a Welsh Groundwork Network. All aspects of Groundwork Trusts' business planning and delivery, including working with people internally and externally, will benefit and be strengthened by this change process.

The Trust plays a lead role in partnership with the local authorities, local communities and other agencies in major Community Regeneration Strategies. The Trust perceives its programmes as listed below as interdependent and mutually supportive components of a concerted drive for regeneration.

- | | | |
|---|---------------------------------|---|
| 1 | Community Regeneration | Working with people to build sustainable communities |
| 2 | Community Environments | Empowering local environmental action |
| 3 | Access Countryside & Tourism | To integrate recreation with tourism in order to promote health and well being and economic regeneration in local communities |
| 4 | Environment & Business Services | Providing a professional consultancy service for sustainable development of the natural and built environment |

Report of the directors for the year ended 31st March 2007

with the support, resourcing and specialist skills from -

- | | | |
|----|-------------------------------------|--|
| 5a | Central Support Services and | To resource and overall manage the Trust as a sustainable quality organisation |
| 5b | Business Management and Development | To provide support services across the Trust and to our strategic partners and to promote a culture of empowerment, team working and continuous development of all staff, for the furtherance of the Trust's aims and objectives |
| 5c | Research & Communications | To promote the work of the Trust to partners, funders and other external audiences |

The Trust is a fully accredited Investors in People organisation

RESERVES POLICY

The Trust's policy on reserves reflects the need for a prudent level of working capital appropriate to fund the budgeted work programmes and associated running costs until the agreed, measurable stages of work can be achieved and valued in compliance with grant conditions or contractual arrangements and subsequently invoiced and paid. The Trust seeks to maintain a level of reserves, which amounts to approximately two years of management and administration costs. The targeted reserves to sustain the Trusts level of work for 2006 - 2007 budgeted at £838,242 which would have been an increase of £54,327 over the amount available as of 31 March 2006. This was not achieved, however, due to changes in the Directors structure and roles, the need to commission in part some of the work from external Providers and to reschedule a level of implementation to 2007 - 2008 resulting in a reduced Contribution of £12,819 for the 2006 - 2007 year and cumulative fund balances of £796,535 as at 31 March 2007. The targeted reserves for the 2007 - 2008 Trust work programme is £810,788 which is £14,053 over the amount available as at 31 March 2007.

All expenditure is deemed to go through restricted funds since each element is funded by a restricted use grant. Each element of income is similarly derived from restricted grant monies. A report on the required levels of working capital and cashflow is set out in the annual business plan including the management of any risk.

GOVERNANCE

The Trust operates an induction pack and training programme for all Board Members. Board Members are fully involved in the Trust's Investors In People Process.

The governance planning process is set out in the organisational section of the Trust's 3 year business plan which is approved by the board.

The management and evaluation process is undertaken through the board structure and meetings planning process which for 2007 - 2008 is as follows -

Main Board - Focus Strategic Policy, Publicity, Direction

Report of the directors for the year ended 31st March 2007

Main Board Meetings Planner -

January	-	Thursday 25 January 2007 (Work Programme and Draft Business Plan)
March	-	Thursday 29 March 2007 (Business Plan Approval)
July	-	Thursday 12 July 2007 (Federation Plan Consultation and Approval of End of Year Accounts)
October	-	Thursday 11 October 2007 (Pre Annual General Meeting Board Meeting)
October	-	Thursday 11 October 2007 (Annual General Meeting)
November	-	Thursday 29 November 2007 (Half Year Review and Trust Forward Strategy)

Finance and Personnel Sub Committee includes Fedw Hir as a building and the use of the site – Details of Trust Policies, Human Resources and Management, Processes and detailed Financial Management and Accountability Meetings are as required

RISK MANAGEMENT

The directors have undertaken a review of the major risks to which the Trust is exposed and its risk management and internal control procedures have been updated to ensure that controls are in place to mitigate those risks. A risk assessment and management plan is set out in the appendices of the Trust's Board approved business plan covering any issues on -

Board	Financial Matters
Trust Reputation	Insurances
Resources	Reserves
Project Work	

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

The directors are responsible for preparing the financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,

Report of the directors for the year ended 31st March 2007

- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985, the Statement of Recommended Practice 'Accounting and Reporting by Charities 2005' and the governing document. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Company Law, as the Company's Directors, we certify that -

So far as we are aware, there is no relevant audit information of which the Auditors are unaware and,

as the Directors of the Company we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the Charity's Auditors are aware of that information.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

Results for the year

Incoming resources of £2,799,552 recognised for the 2006 - 2007 financial year was an increase of 2% or £52,291 compared to the previous year. The comparison of incoming resources achieved in 2006 - 2007 to the budget for that year was a decrease of 8% or £231,782 due to some stages of Project Contracts being rescheduled over to 2007 – 2008 for reasons set out in the Reserves Policy Section of this Report.

The Trust's overall Business Plan sets out the Context, Operations Plan and Resource requirements to meet the Strategic Objectives of Local Areas, the overall Groundwork Merthyr & Rhondda Cynon Taff Trust, the Welsh Groundwork Network, the Spatial Plan of the Wales Assembly Government and the Groundwork UK federation of Trusts.

The year's project performance is set out in Pages 10 – 17, the review of business 2006 - 2007. An overview of the successful projects and development work in each programme is detailed.

Staffing costs were a 6% or £67,112 decrease on the budgeted levels due to the planned decision not to replace Staff for Programmes coming to an end and to sustain existing Staff. Central running costs were a 5% or £12,522 decrease on the budgeted levels due to managed reduction in levels of overheads. The lower levels of irrecoverable VAT incurred on the wholly charitable project programmes was due to rescheduling some of this work to 2007 – 2008. These reduced costs were offset by increased levels of depreciation arising from capital works at the Trust's operational base and headquarters to further develop Fedw Hir as an Eco Centre for Skills Training and the Green Economy.

Core funding from the Wales Assembly Government and Merthyr Tydfil County Borough Council and Rhondda Cynon Taff County Borough Council for 2006 - 2007 was £310,840 and formed 11% of the total income generating a leverage of 1.9.01.

The net incoming resources for the year achieved was £12,819 [2006 £4,579]. This was a surplus earned from restricted funds and has, therefore, been transferred to unrestricted funds as the restrictions of the funders had been met. This was a 76% or £41,511 decrease on the levels budgeted for 2006 – 2007. The decrease in surplus was due to the impact on incoming resources and changes in Director roles described in the opening comments of this business review. These factors and absorbing the unfunded levels of core sponsored work, which had been unsuccessfully applied for in the year contributed to the restrictions on the Trust's ability to achieve the budgeted position.

Review of business 2006/07

2006 - 2007 was a reasonably successful year despite the need for internal restructure of the Director roles due to the resignation of the Environments Director and the need to manage this partly through Commissions. The change processes to meet new procurement arrangements and to contribute to the Wales Assembly Government policies is an ongoing key focus for the Trust's Board and Business, Management and Development Team.

Overview of 2006/07

The Trust's Review of 2006 – 2007 and key operational aspects for discussion with the Management Team and the Board and for planning of actions for improvement in the 2007 – 2008 Forward Business Planning process was analysed into Operational Trends and Issues, the key Organisational Developments of 2006 – 2007, and Work Programme key achievements.

Trends/Issues

- 6 Trainees moving on from the Greencare Programme to take up permanent jobs in other Groundwork Trusts and with local Companies
- Marketing Strategy required for our Professional Services
- Significant increase in land management due to a very successful Programme with the Forestry Commission Wales
- Routeways – significant increase due to Cydcoed and Loops and Links
- Businesses Supported – 34 local Companies achieved Green Dragon Environmental Management System through referrals from the Business Environmental Co-ordinators from the Businesses involved in the Sustainable Business Parc Pilot on Merthyr Tydfil Industrial Park
- Increased emphasis on Joint Working and Partnerships in preparation for all Wales and Sub Regional Strategic Planning for the Wales Assembly Government Spatial Plans and EU Convergence

Key Organisational Developments of 2006 - 2007

- Implementation of Business Excellence Through Action Plan
- Monitored Partnership Service Level Agreements with Local Authorities
- Development of Community Green Plans approach for Community Owned/Leased Facilities and their Environments
- Commitment and role in the Change Process
- Successful recruitment of three new Board Members to enhance Governance expertise, achieve diversity aims and strengthen core partner relationship
- Completion of the joint Trust and Countryside Council for Wales Commissioned Intermediate Labour Market/Green Social Enterprise skills and training needs Consultation, Study and Report which formed the basis and informed the direction for our skills and training and Green Social Economy Developments
- New delivery Partnership role in Rhondda Cynon Taff County Borough Council Bro Dysg Learning for Growth Programme
- Early development stages of negotiation of a partnership role with Merthyr Tydfil County Borough Council skills, training and employment Programmes

Key Work Programme – Key Achievements -

PEOPLE

- Fernhill and Glenboi - Work with young people totalling 5,600 person days, including the Parents and Toddlers Group and the Youth Project Facility Gardening Schemes including FLINT, the Fernhill Allotment Group, and the Fernhill Food Initiative Group, 'Get Cooking' Programme to promote healthy eating and improve nutrition
- Gurnos – 32 Community Life Grant Projects for groups (4 of which were new to 2006 - 2007) to develop their activities including Skill Learning and Arts and Crafts Lessons Youth work including the 'Famous Faces' Art Project Continued support to the Recreation Centre
- Ynysowen - Dedicated Greencare Team worked with the Communities First Partnership and Volunteers to develop over 40 Projects including the Ynysowen Carnival, the Spitfire Mural (the Canadian High Commissioner participated in the Dedication Ceremony), and Arriva Trains Adopt – A – Station
- Abercwmboi - Greencare Project support including help for the Pupils of Cap Coch School to obtain CCTV for their Community Safety Project (an issue identified by the pupils themselves to improve child safety) working with Communities First Partnership

PLACES

- Taff Bargoed - Successful Volunteer Warden Programme Seasonal Events Programme including the 'Tree Planting Day' (with schools) which formed part of the National Tree Planting Week (86 in total) Habitat Creation Programme contributing to the Local Biodiversity Action Plan
- Loop and Links - Over 12,000 metres surveyed in Merthyr Tydfil, including Bedlinog and the Trevethick Trail A Walk Route through Fernhill/Abercwmboi has been incorporated in the Loops and Links Rhondda Cynon Taff Programme Handbook containing Maps and information produced and for sale with around 300 copies sold to date Walking for Short Breaks is a complimentary Programme within Rhondda Cynon Taff bringing Tourism opportunities into the local area
- Maerdy - Greencare Project activities including work at the Community Centre, Maerdy Infants School, and the Maerdy Crèche Facility Working with Maerdy Communities First Partnership
- Cydcoed - Improving (33,250 m²) and maintaining (122,200 m²) Woodlands and providing outdoor education areas for local Communities at Maerdy, Pontygwaith, Webbers Pond, CwmLai, Bwlfa Farm, Fedw Hir, Daerwynno and Cyfarthfa

PROSPERITY

- Social Economy Role - Support to Cefnpennar Community Shop Support to Green Horizons Merthyr Tydfil, a Furniture and White Goods Recycling Enterprise
- Bro Dysg, Rhondda Cynon Taff County Borough Council Learning For Growth, and the Trust's role in providing Eco-skills, Training, and Employment Programmes offer support and training opportunities to Volunteers and long term unemployed people, helping to develop their skills and confidence leading towards employment – with around 30 Volunteers signing up at the outset
- Green Dragon – Support to 34 local Businesses to implement their Environmental Management System and achieve Green Dragon Accreditation
- Sustainable Business Parks – Pilot Project at Merthyr Tydfil Industrial Park Work focus for the year was public space improvements to around 12 hectares through improved security, lighting, signage and links to Community Facilities This encouraged the Businesses to invest in significant job creation and safeguarding both direct and indirect jobs totalling around 40 in the year

PARTNERSHIPS

- Executive Director membership of Heads of the Valleys Environmental Group
- Corporate continuous professional development via Business Excellence Through Action and Investors in People, with regional membership of Groundwork in Wales working groups, including the Quality Group
- Working with Communities First Partnership Boards throughout all eligible areas within Merthyr Tydfil and Rhondda Cynon Taff
- Representation at Mentro Allen meetings, to develop the potential to lead a Working Partnership helping vulnerable people, both young and adult, to enjoy outdoor activities, promoting social inclusion and improving health and fitness

Employee Involvement

The Trust registered as an Investors in People Organisation in 1994/95 and continues to work on the ongoing process of review and improvement to the practical process and changes of working practices on a staff led and fully participative basis. The objectives are to address issues raised in each year, by the staff through the appraisal process, by the Board, through the annual review process, and to develop programmes of training, which meets the needs of the Trust as a developing and effective organisation fulfilling the objectives and aims of the business plan.

The Investors in People process involves the full commitment of all staff, the Board and those involved with the Trust's work to work through, achieve consensus and effect the key structural and management culture changes. All staff are aware that this is an ongoing commitment to change to ensure that the efforts translate into cost effective, quality and sustainable outputs, which benefit the local communities we serve and to achieve the goals and targets of our business plan. The Trust achieved full IIP accreditation in Spring 1997 and was reviewed and recognised as retaining recognition in August 2006.

The Trust has in place detailed, Board approved policies in relation to specific areas of personnel matters, which have been developed by an All Wales Human Resources Group with support from Groundwork Wales and professional guidance of the Groundwork UK federation.

The full Human Resources Policies incorporating the practical processes of recruitment, appointment, induction, training and support management are accessible to all Members of Staff through the Trust's ICT System.

In addition to the Trust internal induction process there is a two day Groundwork in Wales induction for all new staff.

Volunteer Involvement

The Trust works with a wide range of Volunteers and Community Groups in the Merthyr Tydfil and the Rhondda Cynon Taff County Borough Council areas and values their contribution and commitment through the framework of the Board approved Volunteer Policy. The Trust's Volunteer Strategy and Active Citizenship Programme is set out in the Operations Plan, Section 4 of the Business Plan.

Budget 2007/08

The budget for 2007 - 2008 has been approved by the Board as a part of the rolling three year Business Plan and includes a target of £3,280,723 for incoming resources for 2007 - 2008. This is an increase of 17% over the achievement of the previous year mainly due to the 2006 - 2007 rescheduling of major works which will now take place in 2007 - 2008, this year being the first full year of the Skills Training Programme in the Rhondda Cynon Taff County Borough Council Learning for Growth and the major refurbishment works for the Fernhill Centre. The resourcing strategy for the 2007 - 2008 budget to deliver the work programmes will be through a mix of the Trust's own staff, bought in specialists, other partner organisations including Groundwork Wales and a commitment to use local companies and resources wherever possible. Staff costs of £1,172,865 were approved for the budget year and the 7% increase on the previous year reflects resourcing of new Staff for new Projects. The office running costs of £261,180 approved for the budget year is a 14% increase on the previous year and reflects the costs of the Trust's 21 year Corporate Event, increased Publicity and Promotion and further investment in minor refurbishment of the Trust's Fedw Hir Base.

The new incoming resources surplus budgeted for 2007 - 2008 of £14,053 is a minor increase of £1,237 on the levels of the previous year. This reflects the Trust's prudence on full cost recovery being accepted by European and other major Funders.

The Wales Assembly Government and the Merthyr Tydfil County Borough Council and the Rhondda Cynon Taff County Borough Council core funding contributions are budgeted at £325,300 for the budget year 2007 - 2008 and will form 10% of the total income generating a leverage of 1:10.08.

The key objectives of the Trust's Policy and Strategy for 2007 - 2008 are:-

Organisation:-

Target - Reposition the Trust as a Knowledge Based Organisation through its:-

People

- Community Development for local Communities - A Green Plan approach mapping and environmental auditing of Community Buildings and Facilities in a given area with the support of Greencare Capacity Building with the Community Groups
- Greencare 2 - Implementation of Community Led Environmental Projects to complete the current Programme in Merthyr Tydfil and Rhondda Cynon Taff which involves delivering 89 Projects with 24 Communities First Partnerships and many other Groups. To develop a Greencare Schools Programme which will incorporate an Apprentice Scheme
- Regeneration developments in local Housing Estates and Valley Communities to work with Communities and the Local Authorities on their priorities and requirements of the Trust's support skills and services

- Gurnos, Galon Uchaf and Penydarren Communities First – Natural and Built Environment to support the 3G's Development Trust to realise its ambition for the Gurnos Town Centre
- Fernhill and Glenboi Communities First Regeneration Strategy – Fernhill is Flying to progress the Capacity Building Programme of the Community Groups to lead and undertake the key Theme Activities and role of the Wales Assembly Government Initiative To develop the Forward Strategy of the Community involvement in the European Regeneration Project

Places

- Community Led Green Tourism with Loops and Links – securing funding to implement the Southern Rhondda Cynon Taff as Stage 2 of the work in Rhondda Cynon Taff and to explore the feasibility of Heritage Connections Loops and Links in and around Merthyr Town
- Local Access Biodiversity and Volunteering – work with Countryside Council for Wales to focus this work towards the Trust's role in Rhondda Cynon Taff County Borough Council Bro Dysg Learning for Growth Partnership
- Cydcoed – Woodlands for All and Enhancement of Informal Countryside Amenity Areas promoting the Outdoor Classroom 'Educational' Facility, value of this work to the Communities involved
- Taf Bargoed Community Parc – Pobl a Llefyd to establish a tripartite agreement with Merthyr Tydfil County Borough Council and the Community led Parc Management Group to enable coherent development and management plan to be implemented including becoming an Outreach Base for Green Skills and Training
- Sustainable Business Parks – complete and evaluate the current Pilot and use this to participate in the International Ecological Footprint Conference to be held in Cardiff in May 2007 Development stage of the current Pilot and outline other target Priority Estates
- Professional Services for Sustainable Communities to complete the Community Centre major refurbishment Phase 1 works for the Fernhill Community Partnership To Project Manage Studies and Building refurbishment plans for the Communities First Partnerships of Merthyr Vale and Abercwmboi
- Green Dragon Programme Pilot for a centralised approach to achieving remaining targets and the application of Green Dragon principles to the Community Green Plan methodology
- Social Enterprise and the Social Economy through the Fedw Hir Skills and Training Eco Centre Programmes and Rural Assets Networks focused on the Green Economy and Green Tourism

- **Heads of the Valleys – Spatial Plan Programme** The Trust's Executive Director to lead on the Heads of the Valleys Environments Group and developments with Blaenau Gwent and the potential for a Loops and Links Study and Project To work with the Training, Skills and Employment Groups on this Trust's specific and targeted role and contribution
- **Cardiff – Developments in Areas of Deprivation and Diversity** Groundwork in Wales has identified the three key metropolitan areas of Wales as Cardiff, Newport and Swansea for development of a Groundwork presence and this Trust is the nominated lead for developments in Cardiff These developments for 2007 -2008 will include working with a number of Communities to improve a Sports and Recreational Amenity in the Riverside Area and the establishment of a Joint Programme with BEN, the Black Environmental Network

Partnerships

- **Core Funded Partnership roles** The Trust is supported by Welsh Assembly Government and Merthyr Tydfil County Borough Council and Rhondda Cynon Taff County Borough Council to develop and ensure accountability and monitoring is undertaken on a quarterly basis through Monitoring Reports on achievements The corporate and management standards and compliances required to under pin the Capacity and Capability to deliver its Programmes of work This includes active roles in the key Local and Sub Regional Partnerships agreed with them through the Trust's 3 Year Development Plans and annual Service Level Agreement with the Local Authorities Cross cutting Theme built into all Strategic Programmes and the individual Projects within these Programmes Each Director lead is responsible to ensure this and accountable to the Trust's Executive Director
- **Research, Development and Communication** Work with the Trust's Executive Director and Business Director on the Trust's 21 Years Celebration Report and to co-ordinate the 21 year Celebration Event Programme To support the Executive Director to develop the corporate Agenda and inspirational focus The Executive Director will lead on the discussions with Groundwork Wales on their lead role and services to Trusts on communication and marketing

The key objectives for Partnerships in 2006 – 2007 are:-

Partnerships:-

Target – Achieve Targets for the Community Strategies in Merthyr Tydfil County Borough Council, Rhondda Cynon Taff County Borough Council and Heads of the Valleys Area

- Membership of Better Life Consortium Living Space Partnership, Social Economy and Community Development Group and Merthyr Community Strategy Partnership
- Review Corporate relationship with Arena Network and establish Sustainable Effective Programme for delivering Business and Environment (BEAP) Targets with Local Authorities, Welsh Assembly Government and Environment Agency
- Develop Diversity Agenda with Rhondda Cynon Taff Group including Black Voluntary Support Network Wales, Valleys Race Equality Council, Rhondda Cynon Taff Housing, Interlink and Communities First Support Network
- Communication and Evaluation Strategy to promote true delivery and impact
- A Marketing Strategy leading to preferred role for Tender/Commissions

Directors and members

The members and directors are as set out on Page 3

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the Annual General Meeting

BY ORDER OF THE BOARD



Fedw Hir
Llwydcoed
Aberdare

SANDRA GREIG
COMPANY SECRETARY

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE MERTHYR AND RHONDDA CYNON TAFF GROUNDWORK TRUST

We have audited the financial statements of the Merthyr and Rhondda Cynon Taff Groundwork Trust for the year ended 31 March 2007 which comprise the statement of financial activities, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies therein.

Respective responsibilities of directors and auditors

The trustees are also directors of the Merthyr and Rhondda Cynon Taff Groundwork Trust for the purpose of Company Law. As described in the Statement of Directors' Responsibilities, the directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume any responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether the Directors' report is consistent with the financial statements. We also report to you, if in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

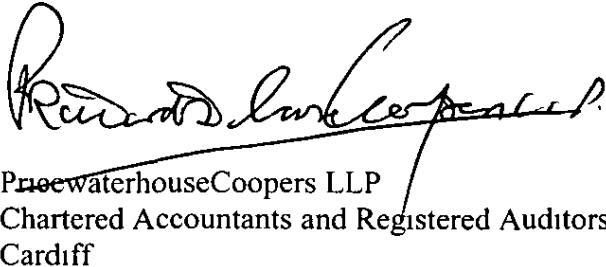
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report for the year ended 31st March 2007

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs at 31st March 2007 and of its net incoming resources, including its income and expenditure, and cash flows for the year then ended, and,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and,
- the information given in the Directors' report is consistent with the financial statements



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cardiff

Date

16 July 2007

Statement of financial activities (including Income and Expenditure Account) for the year ended 31st March 2007

	Notes	Unrestricted Funds £	Restricted Funds £	Totals 2007 £	Totals 2006 £
INCOMING RESOURCES					
Incoming resources from generated funds					
Investment income - Bank Interest		-	20,811	20,811	27,433
Total income from generated funds		-	20,811	20,811	27,433
Incoming resources from charitable activity					
Core funding		-	310,840	310,840	303,200
Project funding		-	2,484,155	2,484,155	2,354,138
Deferred income	9	-	(18,004)	(18,004)	60,740
Total income from charitable activity	2	-	2,776,991	2,776,991	2,718,078
Other incoming resources		-	1,750	1,750	1,750
Total income		-	2,799,552	2,799,552	2,747,261
RESOURCES EXPENDED					
Cost of charitable activities					
People		-	1,306,290	1,306,290	1,182,229
Places		-	575,303	575,303	512,106
Prosperity		-	451,497	451,497	542,829
Partnership		-	436,746	436,746	493,022
Total cost of charitable activities	4	-	2,769,836	2,769,836	2,730,186
Governance Costs	4	-	16,897	16,897	12,496
Total resources expended		-	2,786,733	2,786,733	2,742,682
Net incoming resources before transfers	3	-	12,819	12,819	4,579
Transfers between funds		12,819	(12,819)	-	-
Net income for the year		12,819	-	12,819	4,579
Fund balances brought forward at 1 April 2006		783,915	-	783,915	779,336
Fund balances carried forward at 31 March 2007		796,734	-	796,734	783,915
REPRESENTED by.					
Fixed assets		458,807	-	458,807	481,497
Cash		160,341	194,236		404,944
				354,577	
Debtors		177,586	327,339	504,925	455,938
Creditors		-	(521,575)	(521,575)	(558,275)
		796,734	-	796,734	783,915

All of the above results are derived from continuing activities. The surplus for the year for Companies Act purposes comprises the net income for the year.

Note of historical cost surpluses and deficits for the year ended 31st March 2007

Note of historical cost surpluses and deficits

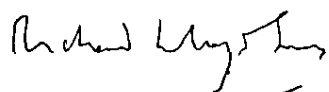
	2007	2006
	£	£
Reported net retained incoming resources	12,819	4,579
Difference between historical cost depreciation and the actual depreciation charge for the year calculated on the revalued amount	9,332	9,144
Historical cost net incoming resources	22,151	13,723

The Trust has no recognised gains and losses other than the surplus above and, therefore, no separate statement of total recognised gains and losses has been presented

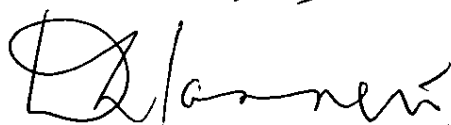
Balance sheet at 31st March 2007

	Notes	2007 £	2006 £
FIXED ASSETS			
Tangible assets	5	458,807	481,497
CURRENT ASSETS			
Debtors	6	504,925	455,938
Cash at bank and in hand		354,577	404,755
		859,502	860,693
CREDITORS amounts falling due within one year	7	(427,685)	(450,568)
Net current assets		431,817	410,125
Total assets less current liabilities		890,624	891,622
CREDITORS amounts falling due after more than one year	8	(93,890)	(107,707)
Net assets		796,734	783,915
FUNDS			
Unrestricted funds			
General funds	11	560,300	538,149
Funds arising from Revaluation	11	236,434	245,766
Restricted funds	11	-	-
Total funds		796,734	783,915

The financial statements on pages 18 to 34 were approved by the directors on 12 July 2007 and signed on their behalf by



Director



Director

The notes on pages 22 to 34 form part of these financial statements

Groundwork Merthyr & Rhondda Cynon Taff

Cash flow statement year to 31 March 2007

	Notes	2007	2006
		£	£
Net cash inflow/(outflow) from operating activities	10a	(41,533)	362,267
Returns on investment and the servicing of finance			
Interest paid		(7,276)	(7,980)
Interest received		20,811	27,433
Capital Expenditure		(10,114)	(51,324)
Net cash inflow/(outflow) before management of liquid resources		(38,112)	330,396
Management of liquid resources			
Repayment of loans		(12,066)	(12,066)
Increase/(Decrease) in cash in the year	10	(50,178)	318,330

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and, except for the format of the statement of financial activities and balance sheet, in accordance with the Companies Act 1985 and the Charities Act 1993. A summary of the more important accounting policies, which have been applied consistently, is set out below

Company status

Groundwork Merthyr & Rhondda Cynon Taff is incorporated as Merthyr and Rhondda Cynon Taff Groundwork Trust and is a Company Limited by Guarantee. The guarantors are Groundwork UK and the County Borough Councils of Merthyr Tydfil and Rhondda Cynon Taff. The liability in respect of the guarantee, as set out in the memorandum, is limited to £1 per member of the Company. The Trust has availed itself of Paragraph 3 (3) of Schedule 4 of the Companies Act and adapted the Companies Act formats to reflect the special nature of the Company's activities.

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified by the revaluation of certain fixed assets. The recommendations of the 2005 SORP "Accounting and Reporting by Charities" have been followed in the preparation of these financial statements. The Trust is a registered charity and so achievements cannot be measured by normal commercial criteria. Accordingly, the directors consider that it would be inappropriate to present the financial statements in either of the formats set out by the Companies Act 1985. Therefore, as permitted by the Companies Act, in order to reflect the special nature of the Trust's activities, the directors are of the opinion that it would be more appropriate to present a statement of financial activities (rather than a profit and loss account and a statement of recognised gains and losses) and a modified balance sheet.

Fund accounting

General funds are available for use at the discretion of the directors in furtherance of the general objectives of the Trust.

Restricted funds are funds subject to specific restrictive conditions imposed by funders or by the purpose of the grant. The purpose and use of the restricted funds is set out in note 11 to the Financial Statements.

Transfers between funds are made in accordance with these specific restrictive conditions. Transfers in respect of depreciation are made in accordance with generally applied accounting policies.

All income and expenditure is shown in the statement of financial activities.

Resources arising

Income

Income or grants received in advance are held in deferred income, as part of restricted funds, and carried forward to future accounting periods to be released when the measurable stages of work have been completed, approved or certified and all the conditions have been met. Any grants restricted to future accounting periods are deferred and recognised in those accounting periods.

Income is stated gross of any related expenses.

Gifts in Kind

Gifts in kind are not valued in the accounts as they are not material in value.

Resources expended

The cost of charitable activities comprise expenditure, including staff costs, directly attributable to the activity. Where costs cannot be directly attributed they have been allocated to activities on a basis consistent with use of the resources.

Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

Tangible fixed assets and depreciation

Tangible fixed assets are capitalised and included at cost together with any incidental costs of acquisition.

Freehold land and buildings are valued every five years by professionally qualified valuers who are external to the Trust. Other tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation.

An impairment review of fixed assets is carried out by the directors whenever changes of circumstances indicate that the carrying amount of the fixed assets may not be recoverable. If the asset has suffered a permanent diminution in value, it will be written down to its estimated recoverable amount, which is the higher of the net realisable value and the value in use.

Capitalisation

Capital Assets acquired at cost (net of recoverable VAT) of less than £1,000 have been treated as expense items. All other Capital Assets acquired have been treated as Fixed Assets and are depreciated in accordance with the standard Groundwork rates.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost on a straight line basis over their expected economic lives as follows

Freehold land	-	nil
Freehold buildings	-	over 25 years
Motor vehicles	-	over 4 years
Office equipment fixture and fittings	-	over 5 years
Computer equipment	-	over 3 years

Capital grants

Grants that relate to specific capital expenditure are treated as deferred income, which is released to the credit of the income and expenditure account over the related asset's useful life

Recognition of liabilities

A liability is recognised when an obligation arises to transfer economic benefits. Where a liability arises of uncertain timing or amount a provision is recognised. Where there is uncertainty as to the existence of the liability or the liability is dependant upon the outcome of future uncertain events, then no provision is recognised but a contingent liability will be disclosed in a note to the accounts.

Pension costs

The Trust contributes to employees' own personal pension schemes. This pension cost charge represents contributions payable by the Trust to the individual schemes.

Irrecoverable VAT

Where the Trust suffers irrecoverable VAT in relation to a Trust project it is included within the costs of that project. Where the Trust suffers irrecoverable VAT in respect of other costs this is included within the resources expended.

Taxation

No provisions are required for taxation as the Trust is a registered charity.

Notes to the financial statements for the year ended 31st March 2007

Finance and operating leases

Assets purchased under finance lease are capitalised as fixed assets. Obligations under such agreements are included in creditors. The difference between the capitalised cost and the total obligation under the lease represents the finance charges.

Finance charges are written off to the income and expenditure account over the period of the lease so as to produce a constant periodic rate of charge on fixed interest contracts.

2a	INCOMING RESOURCES FROM CHARITABLE ACTIVITIES	2007 £	2006 £
	People	1,328,225	1,166,037
	Places	560,943	549,247
	Prosperity	448,148	527,574
	Partnership	439,675	475,220
		2,776,991	2,718,078
2b	INCOMING RESOURCES FROM CHARITABLE ACTIVITIES WAS PROVIDED BY	2007 £	2006 £
	Central government	248,400	241,200
	Public agencies	208,135	197,684
	Local government	1,174,714	955,626
	European Union	746,371	1,050,800
	Private Sector	399,371	272,768
		2,776,991	2,718,078
3	NET INCOMING RESOURCES BEFORE TRANSFERS is stated after charging:	2007 £	2006 £
	Staff costs (see Note 4)	1,094,341	993,296
	Depreciation on tangible owned fixed assets	32,804	30,489
	Bank interest payable	7,276	7,980
	Operating lease rentals on hire of plant and machinery	13,012	14,863
	Auditors' remuneration		
	- External audit	10,500	9,500
	- Accountancy, taxation and other services	1,500	1,500
	And after crediting:		
	Amortisation of Deferred Capital Grant	1,750	1,750

Notes to the financial statements for the year ended 31st March 2007

4	COST OF CHARITABLE ACTIVITIES	Staff costs	Other direct costs	Other allocated costs	Total 2007	Total 2006
		£	£	£	£	£
	People	444,016	782,973	80,289	1,307,278	1,182,229
	Places	150,446	368,392	56,465	575,303	512,106
	Prosperity	138,536	263,251	49,710	451,497	542,829
	Partnership	361,343	49,798	41,514	452,655	493,022
		1,094,341	1,464,414	227,978	2,786,733	2,730,186

Staff costs	2007	2006
	£	£
Wages and salaries	963,628	872,286
Social security costs	90,042	85,357
Pension costs	40,671	35,653
	1,094,341	993,296

No employee earned more than £60,000

The directors neither received nor waived any emoluments and were not reimbursed for any of their expenses during the year (2006 £ Nil)

During the year, the Trust incurred £1,330 (2006 £ 1,402) in respect of trustee liability insurance

The average number of employees, analysed by function was -	2007	2006
Direct charitable expenditure	41	39
Management and administration of the charity	4	4

Other allocated costs are analysed as follows:-	2007	2006
	£	£
Premises	46,448	55,885
Centralised Services	98,228	96,102
Travel	12,857	15,311
Other operating costs	70,445	82,107
	227,978	249,405

Other allocated costs are allocated to activities on a basis consistent with use of the resources

Governance costs are analysed as follows.-	2007	2006
	£	£
Audit and legal costs	16,897	12,496
	16,897	12,496

Notes to the financial statements for the year ended 31st March 2007

5	TANGIBLE FIXED ASSETS	Freehold land and buildings £	Project equipment £	Motor vehicles £	Office and computer equipment £	Total £
	Cost or valuation					
	1 April 2006	571,426	1,544	9,830	77,963	660,763
	Additions	7,254	945	-	1,915	10,114
	Disposals	-	-	-	-	-
	31 March 2007	578,680	2,489	9,830	79,878	670,877
	Depreciation					
	1 April 2006	114,304	1,544	9,830	53,588	179,266
	Charge for year	23,262	111	-	9,431	32,804
	Disposals	-	-	-	-	-
	31 March 2007	137,566	1,655	9,830	63,019	212,070
	Net book value					
	31 March 2007	441,114	834	-	16,859	458,807
	31 March 2006	457,122	-	-	24,375	481,497

Cost or valuation at 31 March 2007 is represented by

Valuation in March 2004	530,000	-	-	-	530,000
Cost	48,680	2,489	9,830	79,878	140,877
	578,680	2,489	9,830	79,878	670,877

The freehold land and buildings were valued in March 2004 on an existing use basis by Cooke and Arkwright, a firm of independent chartered surveyors

The net book value of office and computer equipment assets of £16,859 includes an amount of £3,178 in respect of assets held under finance leases

If freehold land and buildings had not been revalued they would have been included at the following amounts -

	2007 £	2006 £
Cost	348,244	340,990
Aggregate depreciation based on cost	(166,642)	(152,712)
Net book value based on cost	181,602	188,278

The net book value at 31 March 2007 of freehold land and buildings represents fixed assets, which are held as unrestricted for the furtherance of the Trust's general charitable objectives and costed to project activity through depreciation charges

Notes to the financial statements for the year ended 31st March 2007

	2007 £	2006 £
6 DEBTORS:- amounts falling due within one year		
Trade debtors	268,799	183,205
Prepayments	8,627	12,944
Accrued income	227,499	259,789
	504,925	455,938
7 CREDITORS:- amounts falling due within one year	2007 £	2006 £
Bank mortgage loan	12,066	12,066
Trade creditors	28,079	27,086
Other creditors	8,253	12,139
Accruals and Deferred income (Note 9)	373,805	391,809
Obligations under finance leases	3,732	5,718
Deferred capital grant	1,750	1,750
	427,685	450,568
Maturity of obligations under finance leases		
Future minimum payments under finance leases are as follows	2007 £	2006 £
Within one year	151	3,117
In more than one year but no more than five years	3,581	2,601
	3,732	5,718
8 CREDITORS amounts falling due after more than one year	2007 £	2006 £
Bank mortgage loan	81,450	93,517
Deferred capital grant	12,440	14,190
	93,890	107,707
An analysis of the loans by due date of repayment is set out below	2007 £	2006 £
Bank mortgage loan		
Repayable between two and five years	48,266	48,266
Repayable after five years by instalments	33,184	45,251
	81,450	93,517
The total value of loans repayable by instalments, any part of which falls due after more than five years	93,517	105,583
The bank mortgage loan amounting to £93,517 (2006 £105,583) is secured by a first legal charge on the company's freehold buildings. The loan is repayable over 25 years. Repayments total £12,067 per annum. Interest is charged at 2.5% above the bank rate.		
9 DEFERRED INCOME:	2007 £	2006 £
At 1 April 2005	391,809	452,549
Amounts released from previous year	(391,809)	(452,549)
Incoming resources deferred in the year	373,805	391,809
At 31 March 2006	373,805	391,809

Notes to the financial statements for the year ended 31st March 2007

10

CASH FLOW INFORMATION		2007 £	2006 £
a	Reconciliation of net incoming resources before transfers to net cash inflow from operating activities		
	Net incoming resources before transfers	12,819	4,579
	Depreciation charges	32,804	30,489
	Interest payable	7,276	7,980
	Interest receivable	(20,811)	(27,433)
	Decrease/(increase) in trade debtors	(85,594)	98,157
	(Increase)/decrease in prepayments	4,317	20,228
	Decrease/(increase) in accrued income	32,290	357,948
	(Decrease)/increase in trade creditors	992	(75,994)
	(Decrease)/increase in other creditors	(3,886)	3,085
	(Decrease)/increase in obligations under finance leases	(1,986)	5,718
	Increase/(decrease) in deferred income	(18,004)	(60,740)
	(Decrease) in deferred capital grant	(1,750)	(1,750)
	Net cash (outflow)/inflow from operating activities	(41,533)	362,267
b	Reconciliation of net cash flow to movement in net cash resources	2007 £	2006 £
	Increase /(Decrease) in cash in the year	(50,178)	318,330
	Repayment of loans	12,066	12,066
		(38,112)	330,396
	Net cash resources at 1 April 2006	299,172	(31,244)
	Net cash resources at 31 March 2007	261,060	299,172
c	Analysis of movements in cash resources		
		At 1 April 2006 £	Cash Flows £
	Cash at bank and in hand	404,755	(50,178)
	Bank loans due within one year	(12,066)	-
	Bank loans due after one year	(93,517)	12,066
		299,172	(38,112)
	Analysed in the balance sheet	£	
	Cash at bank and in hand	404,755	-
	Bank loans due within one year	(12,066)	-
	Bank loans due after one year	(93,517)	-
		299,172	-

Notes to the financial statements for the year ended 31st March 2007

11 FUNDS

	Balance at 31 March 2006 £	Movement in year £	Transfer re depreciation £	Balance at 31 March 2007 £
Unrestricted funds				
General funds	538,149	12,819	9,332	560,300
Funds arising from revaluation	245,766	-	(9,332)	236,434
Restricted funds	-	-	-	-
	783,915	12,819	-	796,734

All funds are raised and given for specific purposes and projects and are output related. These outputs incorporate both internal and external fees, consultancies, project spend and implementation work. The conditions governing the income or grants restrict these funds and when these conditions have been met the earned income becomes unrestricted and used as a contribution to the Trust's unrestricted funds. The Trust's unrestricted funds are used to provide the necessary cash flow for projects funded on a retrospective basis and to cover running costs until earned income is certified from measurable stages of work and can be used, with the approval of the Trust's Board, to fund any expenditure relating to projects or general running costs which fall within the Trust's general aims and objectives.

12 PENSION COSTS

The Trust contributes to employees' own personal pension schemes. The pension cost charge represents contributions paid by the Trust to the individual schemes and amounted to £40,671 (2006 £35,653).

13 FINANCIAL COMMITMENTS

The Trust has entered into non-cancellable operating leases in respect of plant and machinery. The total amount payable under these leases in the next year is as follows -

OFFICE EQUIPMENT	2007 £	2006 £
Expiring within 1 – 2 years	13,012	14,863
Expiring within 2 – 5 years inclusive	-	-

14 GRANT INCOME

The following have provided grant income for support costs and direct charitable expenditure in excess of £2,000 to the Trust, which has been recognised in the year 2006/2007

Name of Funder	Amount awarded £	Purpose of grant
The Welsh Assembly Government -		
Merthyr Tydfil	69,200	Core Funding
Rhondda Cynon Taff	179,200	Core Funding
Merthyr Tydfil County Borough Council	22,440	Core Funding
Rhondda Cynon Taff County Borough Council	40,000	Core Funding
Merthyr Tydfil County Borough Council	328,728	Direct Project Expenditure
Rhondda Cynon Taff County Borough Council	535,186	Direct Project Expenditure
Biffaward	70,415	Direct Project Expenditure
ERDF	746,371	Direct Project Expenditure
Countryside Council for Wales	74,750	Direct Project Expenditure
Forest Commission	61,297	Direct Project Expenditure
Groundwork Wales	339,220	Direct Project Expenditure
Daerwynno Centre	10,000	Direct Project Expenditure
Gellideg Foundation Group	6,430	Direct Project Expenditure
Groundwork UK	19,283	Direct Project Expenditure
NOF	65,097	Direct Project Expenditure
Troedyrhiw Primary School	3,250	Direct Project Expenditure
RCBI	14,155	Direct Project Expenditure
Friends of Cyfarthfa	15,054	Direct Project Expenditure
Friends of Llanharan	9,334	Direct Project Expenditure
Porth Community School	5,497	Direct Project Expenditure
Parc Taf Bargoed Management Committee	25,000	Direct Project Expenditure
Groundwork Caerphilly	2,587	Direct Project Expenditure
Penrhys Partnership	6,000	Direct Project Expenditure
Rhondda Housing	4,907	Direct Project Expenditure
Cynon Taff Housing	2,000	Direct Project Expenditure
Church of St Peter and Paul	4,112	Direct Project Expenditure
Taff Bargoed Anglers	3,437	Direct Project Expenditure
Maerdy Regeneration	4,305	Direct Project Expenditure
Box Sash	2,308	Direct Project Expenditure

15 TAXATION

The company is a registered charity and no provision is considered necessary for taxation

16 RELATED PARTY

The Trust has transactions with both Merthyr Tydfil County Borough Council and Rhondda Cynon Taff County Borough Council, of which three Councillors of each sit on the Trust's Board as Directors. The transactions are disclosed in Note 14