



CYNGOR BWRDEISTREF SIROL
RHONDDA CYNON TAF
COUNTY BOROUGH COUNCIL

GWŶS I GYFARFOD O'R CYNGOR

C. B. Jones
Cyfarwyddwr y Gwasanaethau Cyfreithiol a Llywodraethol
Cyngor Bwrdeistref Sirol Rhondda Cynon Taf
Y Pafiliynau
Parc Hen Lofa'r Cambrian
Cwm Clydach CF40 2XX

Dolen gyswllt: Julia Nicholls -Uwch Swyddog Gwasanaethau Democraidd (01443 424098)

DYMA WŶS I CHI i gyfarfod o **Pwyllgor ARCHWILIO** yn cael ei gynnal yn **Siambr Swyddfeydd Cyngor y Fwrdeistref Sirol, Y Pafiliynau, Parc Hen Lofa'r Cambrian, Cwm Clydach CF40 2XX** ar **Dydd IAU, 12FED GORFFENNAF, 2018** am **5.00 PM**.

AGENDA

Tudalennau

1. DATGAN BUDDIANT

Derbyn datganiadau o fuddiannau personol gan Aelodau, yn unol â gofynion y Côd Ymddygiad.

Noder:

1. Mae gofyn i Aelodau ddatgan rhif a phwnc yr agendwm mae eu buddiant yn ymwneud ag ef a mynegi natur y buddiant personol hwnnw; a
2. Lle bo Aelodau'n ymneilltuo o'r cyfarfod o ganlyniad i ddatgelu buddiant sy'n rhagfarnu, mae rhaid iddyn nhw roi gwybod i'r Cadeirydd pan fyddan nhw'n gadael.

2. CADEIRYDD

Penodi Cadeirydd ar gyfer y Pwyllgor Archwilio ar gyfer Blwyddyn y Cyngor 2018/2019.

3. IS-GADEIRYDD

Penodi Is-gadeirydd ar gyfer y Pwyllgor Archwilio ar gyfer Blwyddyn y

Cyngor 2018/2019.

4. COFNODION

Derbyn cofnodion cyfarfod blaenorol y Pwyllgor Archwilio a gynhaliwyd ar 30 Ebrill 2018

3 - 10

5. DATGANIAD O GYFRIFON (DRAFFT)

11 - 268

6. GWASANAETH RHANBARTHOL ARCHWILIO MEWNOL

269 - 280

7. CYFLAWNIAD ARCHWILIO MEWNOL

281 - 294

8. ASEINIADAU ARCHWILIO TERFYNOL

295 - 380

9. MATERION BRYS

Trafod unrhyw faterion sydd, yn ôl doethineb y Cadeirydd, yn faterion brys yng ngoleuni amgylchiadau arbennig.

Cylchreliad:-

Y Cynghorwyr Bwrdeistref Sirol:

Y Cyngorydd G Caple, Y Cyngorydd A Cox, Y Cyngorydd J Cullwick,
Y Cyngorydd M Fidler-Jones, Y Cyngorydd M Adams, Y Cyngorydd H Boggis,
Y Cyngorydd S Pickering, Y Cyngorydd R Smith, Y Cyngorydd R Yeo,
Y Cyngorydd M Powell, Y Cyngorydd G Davies, Councillor K Jones,
Y Cyngorydd M Norris, Y Cyngorydd G Thomas and Y Cyngorydd E Webster

Aelod Lleyg – Mr R. Hull

Aelod o'r Cabinet ar faterion Gwasanaethau Corfforaethol – Y Cyngorydd
Bwrdeistref Sirol M.A.Norris – er gwybodaeth

Mae'r cofnodion hyn yn amodol ar gymeradwyaeth yng nghyfarfod priodol nesaf y Pwyllgor.

These Minutes are subject to approval at the next appropriate meeting of the Committee.

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

Minutes of the meeting of the Audit Committee held on Monday, 30th April 2018 at
5 p.m. at the Council Offices, The Pavilions, Cambrian Park,
Clydach Vale.

PRESENT

Mr.R.Hull – in the Chair

County Borough Councillors

L. M. Adams	D. Macey
H. Boggis	S. Pickering
G. Caple	M. J. Powell
A. Cox	R. W. Smith
J. Cullwick	R. Yeo
M. Fidler Jones	

OFFICERS

Mr. C. B. Jones – Director, Legal & Democratic Services
Mr. P. Griffiths – Service Director, Performance & Improvement
Mr. M. Crumbie – Head of Internal Audit & Procurement Development Programmes
Mr. P. Cushion – Head of Employee Relations
Mr. I. Traylor – Head of Pensions, Payroll & Payments

WALES AUDIT OFFICE

Mr. M. Jones – Financial Audit Manager
Ms. J. Morgan – Performance Audit Lead

47. INTRODUCTIONS

The Chair welcomed County Borough Councillor M. J. Powell as a new member of the Audit Committee and asked Officers to make their introductions for the benefit of all individuals present.

48. CHANGE TO THE ORDER OF THE AGENDA

The Committee agreed that the agenda would be considered out of sequence and as detailed in the minutes set out hereunder.

49. DECLARATIONS OF INTERESTS

In accordance with the Members' Code of Conduct the following declarations of interest were made:-

1. County Borough Councillor H. Boggis in relation to Agenda Item 8 (Internal Audit Annual Report 2017/18) and Agenda Item 10 (Internal Audit Charter 2018) – “I am a member of the Llwydcoed Crematorium Joint Committee”.
2. County Borough Councillor H. Boggis in relation to Agenda Item 4 Wales Audit Office – RCT Pension Fund Plan 2018 – “Deferred Member of the Pension Fund”.
3. County Borough Councillor G. Caple in relation to Agenda Item 8 - Internal Audit Annual Report 2017/18 – “I am Governor of Porth County Community School”.
4. County Borough Councillor M Fidler Jones in relation to Agenda Item 5 – Wales Audit Office Audit Plan 2018 – “My wife works for the Wellbeing of Future Generations Commissioner”.

50. APPOINTMENT OF VICE CHAIR

Given the proximity of this meeting to the Council's Annual General Meeting (AGM), scheduled for the 23rd May 2018, Members **RESOLVED** to defer consideration of the appointment of the Vice Chair to the first appropriate meeting of the Audit Committee following the AGM.

51. MINUTES

RESOLVED – to approve as an accurate record the minutes of the meeting of the Audit Committee held on the 19th February 2018.

52. MATTERS ARISING

The Head of Internal Audit & Procurement Development Programmes provided the following updates:-

Minute No. 46 (1) - The thematic reviews have been reflected within the Draft Annual Audit Plan for 2018/19;

Minute No. 46 (2) – Where follow-up reviews have been requested by Audit Committee, this will be recorded within the Introduction of the relevant audit report;

Minute No. 46 (3) – Letters to Glenboi Primary School and Ferndale Community School have been sent acknowledging the improvements demonstrated since the previous audit review; and

Minute No. 46 (4) – All future Internal Audit reports that relate to schools will provide confirmation of the date when the report is to be presented to the Full Governing Body.

Minute No. 46 (5) – Fieldwork for the follow-up reviews relating to Hawthorn High School and Ysgol Gyfun Garth Olwg had been undertaken and the draft reports were in the process of being written.

53. WHISTLEBLOWING ANNUAL REPORT 2017/18

The Head of Employee Relations presented the report of the Director of Human Resources in respect of the Council's Annual Whistleblowing Report 2017/18.

Members were informed that the Prescribed Persons (Reports on Disclosures of Information) Regulation 2017 came into effect on the 1st April 2017 and this placed a requirement upon the Council to prepare an annual report on its whistleblowing arrangements.

The Head of Employee Relations provided an overview of the report and invited Members to review and compare the report against the requirements of the 2017 Regulation, and if they deemed appropriate approve the report, subject to any suggested amendments.

Audit Committee provided positive feedback in respect of the whistleblowing arrangements in place, the work that took place during 2017/18 to raise awareness amongst staff and also was pleased to note that a staff survey was planned, where awareness of the arrangements could be determined.

Following the report it was **RESOLVED:-**

1. To approve the Whistleblowing Annual Report 2017/18; and
2. That at a future meeting, the Audit Committee would receive an update on the outcome of the staff survey, specifically in respect of the general awareness of staff of the Council's Whistleblowing arrangements.

54. WALES AUDIT OFFICE – RCT PENSION FUND PLAN 2018 AND WALES AUDIT OFFICE AUDIT PLAN 2018

The Committee received the reports of the Wales Audit Office in relation to:

- the 2018 Audit Plan – Rhondda Cynon Taf Pension Fund; and
- the 2018 Audit Plan for Rhondda Cynon Taf County Borough Council.

Mr Jones of the Wales Audit Office addressed Committee on items relating to the financial audit plan for the Council and the Pension Fund and Ms J. Morgan on items relating to the performance audit programme.

Mr Jones outlined the Financial Audit Risks as set out in Exhibit 2 of the report and highlighted other work which falls under the remit of the external auditor in

terms of undertaking the audit of the year-end accounts for the Llwydcoed Crematorium Joint Committee, the Central South Consortium Joint Education Service Joint Committee and the Welsh Church Act Fund.

In response to a query on the Council's 2016/17 Statement of Accounts, Mr Jones confirmed that the reference to amended severance costs related solely to Rhondda Cynon Taf Council and would be an area the Wales Audit Office will examine as part of the audit of the 2017/18 Statement of Accounts to determine whether the issue has re-occurred. In addition, Mr Jones indicated that he would provide confirmation on whether the amendment to severance costs, as reflected within the Council's approved Statement of Accounts for 2016/17, had any financial impact on the Council for the previous financial year.

Mr Jones went on to refer to the progress of the City Deal project as an area which would be considered in greater detail in the future to assess its existing and proposed financial and governance arrangements.

Ms. Morgan then outlined the workplan in respect of the 2018 performance audit programme and specifically highlighted the planned work relating to RCT: a review of environmental health services building on previous studies undertaken as part of the 'delivering with less' theme; a review of the arrangements within the Council's Leisure Services again building on previous studies undertaken as part of the 'delivering with less' theme; and a review of the effectiveness of the Council's Corporate Safeguarding arrangements. In response to a query, Ms Morgan confirmed that the results of the recent Wales Audit Office light touch review which focussed on how 'Fit for the Future' the scrutiny functions are within the Council is being progressed and will be reported to the Council in due course.

In conclusion, Mr Jones reported on the audit fees, changes to his audit team and the timetable of work for 2018. Members requested that the dates of the GPX / regional seminars are circulated to all Elected Members for information. It was **RESOLVED:-**

1. To note the contents of the 2018 Audit Plans for Rhondda Cynon Taf County Borough Council; and
2. That all Elected Members receive the dates of the GPX / regional seminars.

REPORTS OF THE GROUP DIRECTOR, CORPORATE & FRONTLINE SERVICES

55. FRAUD, BRIBERY & CORRUPTION ANNUAL REPORT 2017/18

The Head of Pensions, Payroll & Payments presented the report of the Group Director, Corporate & Frontline Services in respect of the Anti-Fraud, Bribery & Corruption Annual Report 2017/18 and Plan for 2018/19.

Members were reminded that the Anti-Fraud, Bribery and Corruption Strategy had been presented to Audit Committee in November 2017 when Members

resolved to approve the strategy and receive regular progress reports in respect of the work undertaken. The Head of Pensions, Payroll & Payments asked Members to consider and, if appropriate, approve the Anti-Fraud, Bribery & Corruption Annual Plan for 2018/19.

The Head of Pensions, Payroll & Payments outlined the key headline activities for 2017/18 such as the development of a Communications Strategy to help deliver the awareness raising measures across all Council services and the development of a draft fraud awareness payslip insert for inclusion in the May 2018 payslips (attached at Appendix 2 of the report for Members to view).

Members were referred to the table within the report which set out the total number of fraud referrals for 2017/18 and primarily relating to financial fraud against benefit/income support system. The Head of Pensions, Payroll & Payments indicated that these referrals were passported to the Department for Work and Pensions (Fraud and Error Service) who have responsibility for investigating this area.

The Legal Officer confirmed that a response would be provided to the individual Member following the meeting in respect of Elected Members submitting referrals on behalf of residents.

Following discussion and questions from Committee, it was **RESOLVED** to:-

1. Note the outcomes of the anti-fraud work undertaken during 2017/18;
2. Approve the Anti-Fraud, Bribery & Corruption Plan for 2018/19; and
3. Agree to receive updates at future meetings in accordance with the Terms of Reference of the Audit Committee.

56. INTERNAL AUDIT ANNUAL REPORT 2017/18

The Head of Internal Audit & Procurement Development Programmes presented the report of the Group Director, Corporate & Frontline Services in respect of the draft Internal Audit Annual Report 2017/18. Members of the Audit Committee were asked to review the draft report and subject to any amendments, endorse the Internal Audit Annual Report 2017/18.

A summary of the performance of Internal Audit was also provided and in this regard, the Head of Internal Audit & Procurement Development Programmes confirmed that 76% of the planned audit work had been completed to report stage by the 31st March 2018. Of those audits not completed to report stage during 2017/18, full details were provided in respect of how they would be managed.

In conclusion it was reported that the overall system of internal control within the Council operated effectively during 2017/18 with some areas identified for improvement, particularly within the comprehensive school sector.

Following consideration of the report it was **RESOLVED** to endorse the Internal Audit Annual Report 2017/18.

57. FINALISED INTERNAL AUDIT ASSIGNMENTS

The Head of Internal Audit & Procurement Development Programmes presented a summary of audit assignments completed between 2nd February 2018 and 17th April 2018:-

- Additional Needs Funding;
- Safeguarding Arrangements in Schools (Thematic Review);
- St John Baptist CIW High School; and
- Ynysboeth Primary.

Following consideration of the reports it was **RESOLVED** to acknowledge the information contained within the Finalised Audit Assignments.

58. INTERNAL AUDIT CHARTER 2018

The Head of Internal Audit & Procurement Development Programmes presented the report of the Group Director, Corporate & Frontline Services which provided Members with the draft Internal Audit Charter for 2018/19.

The Head of Internal Audit & Procurement Development Programmes referred the Committee to one change in the document compared to the previous year in relation to the additional responsibilities of the Head of Internal Audit position and he explained how this conflict of interest would be managed.

It was **RESOLVED** to approve the Internal Audit Charter for 2018/19 as required by Attribute Standard 1000 of the Public Sector Internal Audit Standards.

59. DRAFT INTERNAL AUDIT PLAN 2018/19

The Head of Internal Audit & Procurement Development Programmes provided the Committee with the Draft Annual Audit Plan for 2018/19 and sought Members view on the adequacy of the Plan.

Members agreed with the thematic reviews which had previously been requested by the Audit Committee and it was also agreed that Members would receive an overview of the training delivered to schools in respect of financial management; this would be included within the workplan for the Committee in

the 2018/19 Municipal Year. Following consideration of the report, it was **RESOLVED:-**

1. To approve the draft Annual Audit Plan for 2018/19; and
2. That Committee receives an overview of training provided to schools across the County Borough in respect of financial management.

60. ANNUAL GOVERNANCE STATEMENT 2017/18

The Service Director Performance & Improvement outlined the report which provided Members with the Council's Draft Annual Governance Statement for the financial year 2017/18 and following consideration thereof, it was **RESOLVED** to:-

1. Recommend its certification by the Leader of the Council and the Chief Executive in readiness for inclusion within the Council's draft 2017/18 Statement of Accounts; and
2. Authorise the Group Director, Corporate & Frontline Services to include reference within the Annual Governance Statement should any relevant reports from External Inspectors be received by the Council before the Statement of Accounts are certified.

R.HULL

CHAIRMAN

The meeting closed at 6.50 p.m.

Tudalen wag

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2018-2019

**COMMITTEE:
AUDIT**

AGENDA ITEM NO.5
DRAFT STATEMENTS OF ACCOUNT FOR THE FINANCIAL YEAR ENDED 31st MARCH 2018

12th July 2018

REPORT OF THE GROUP DIRECTOR, CORPORATE AND FRONTLINE SERVICES

Author : Barrie Davies (01443) 680559

1.0 PURPOSE OF REPORT

- 1.1 This report provides the Audit Committee with the opportunity to consider the certified draft Statements of Account for 2017/18 financial year in respect of the Council and Central South Consortium Joint Education Service Joint Committee, and the Annual Return for Llwydcoed Crematorium Joint Committee.
- 1.2 To update Members with progress on the proposed plans for earlier production and audit of the Statement of Accounts in accordance with Accounts and Audit (Wales) (Amendment) Regulations 2018.

2.0 RECOMMENDATIONS

It is recommended that Members;

- (a) Consider the Council's certified draft Statement of Accounts for the financial year 2017/18 (Appendix 1);
- (b) Consider the Central South Consortium Joint Education Service Joint Committee certified draft Statement of Accounts for the financial year 2017/18 (Appendix 2);
- (c) Consider the Llwydcoed Crematorium Joint Committee certified Annual Return for the financial year 2017/18 (Appendix 3);

- (d) Consider the impact, if any, upon the Statements of Account and Annual Return of issues and audit reports brought before the Committee during the year; and
- (e) Consider the progress on the proposed plans for earlier production and audit of the Statements of Account in accordance with the requirements of the Accounts and Audit (Wales) (Amendment) Regulations 2018.

3.0 STATUTORY APPROVAL PROCESS

- 3.1 The Accounts and Audit (Wales) Regulations 2014 require that Councils make arrangements to approve their **audited** Statement of Accounts by the 30th September. The Council meeting scheduled for the 5th September 2018 is due to receive these.
- 3.2 The 2014 regulations require the Responsible Financial Officer (Group Director, Corporate and Frontline Services) to certify unaudited accounts by 30th June following financial year-end. This Council complied with the regulations in this respect and the unaudited accounts were certified by the Group Director, Corporate and Frontline Services a month ahead of the statutory deadline, on 31st May 2018.
- 3.3 The Council also has administrative responsibility for the production of accounts for the Central South Consortium Joint Education Service Joint Committee. These draft unaudited accounts were certified by the Group Director, Corporate and Frontline Services on 14th June 2018 and presented to the Joint Committee on the same date. The audited accounts are due to be presented for approval at the joint committee meeting to be scheduled during September 2018.
- 3.4 The Council has administrative responsibility for the production of the Annual Return for the Llwydcoed Crematorium Joint Committee. The Annual Return has replaced the requirement for a full Statement of Accounts for the Crematorium Joint Committee effective from the 2015/16 financial year due to the increase in the threshold of gross income or gross expenditure for smaller relevant bodies, from £1m per year to not more than £2.5m. The draft unaudited Annual Return was certified by the Group Director, Corporate and Frontline Services on 17th May 2018 and presented to the Joint Committee on 19th June 2018. The audited Annual Return is due to be presented for approval to the Joint Committee on 18th September 2018.
- 3.5 The Statutory Guidance from the Local Government Measure 2011 was published in June 2012 and provided clarity on the role of Audit Committees in the approval process of a Council's Statement of Accounts. The relevant excerpt is shown below.

Financial statements

9.21 *Before their approval by the authority, the audit committee should consider and comment on the authority's certified draft financial statements. They will want to see to what extent the statements take cognisance of audit reports during the year, and changes in accounting policy and internal control mechanisms. Audit committees may approve the financial statements themselves where local authorities have delegated that power to them under regulation 9 of the Accounts and Audit Regulations (Wales) 2005 (as amended).**

** The Statutory Guidance referred to above references regulation 9 of the Accounts and Audit Regulations (Wales) 2005 (as amended). However, this has now been replaced by regulation 10 of the Accounts and Audit Regulations (Wales) 2014. Welsh Government have advised that references to the 2005 regulations in subordinate legislation and statutory guidance will be replaced with the 2014 regulation references in due course.*

9.22 *CIPFA's "toolkit" should be used to assist in the proper scrutiny of these statements.*

9.23 *Reports and recommendations by the audit committee should be considered by full council in particular, as well as the executive.*

3.6 As Members will be aware, full Council has responsibility for approval of the Council's Statement of Accounts (as set out in its Constitution); the Llwydcoed Crematorium Joint Committee has the respective responsibility for its Annual Return; and the Central South Consortium Joint Education Service Joint Committee has responsibility for approval of its Statement of Accounts.

3.7 The Guidance (at para 9.22) refers to the use of the CIPFA toolkit for local authority audit committees. Section 5 of the "toolkit" deals with "Financial reporting and regulatory matters", and attached at Appendix 4 is the full narrative from this section of the toolkit.

4.0 ACCOUNTS AND AUDIT (WALES) (AMENDMENT) REGULATIONS 2018

4.1 As stated in paragraph 3.1 above, the Accounts and Audit (Wales) Regulations 2014 require the Responsible Financial Officer to certify unaudited accounts by 30th June following financial year-end and that

Councils approve their **audited** Statement of Accounts by the 30th September.

- 4.2 The 2014 regulations have been amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018 and require Local Authorities to produce and publish Statements of Accounts earlier. The table below details the earlier deadlines:

Financial Year	Draft Statement of Accounts certification	Audited Statement of Accounts publication
2017/18	30 th June	30 th September
2018/19	15 th June	15 th September
2019/20	15 th June	15 th September
2020/21	31 st May	31 st July

As can be seen from the table, the revised regulations require officers to produce the draft Statement of Accounts one month earlier and to publish audited accounts two months earlier than current practice by 2021.

- 4.3 To enable officers to work towards the earlier closure requirements, a draft timetable was prepared as follows:

Financial Year	Draft Statement of Accounts certification		Audited Statement of Accounts publication	
	Regulations	RCT CBC	Regulations	RCT CBC
2016/17	30 th June	15 th June	30 th Sept	20 th Sept
2017/18	30 th June	15 th June	30 th Sept	15 th Sept
2018/19	15 th June	31 st May	15 th Sept	1 st wk Sept
2019/20	15 th June	31 st May	15 th Sept	31 st July
2020/21	31 st May	31 st May	31 st July	31 st July

- 4.4 Members will note that for the 2017/18 Statement of Accounts, draft accounts have been certified by 31st May. This is one year earlier than the timetable and three years ahead of the regulations. Officers have achieved the 2017/18 certification date by 2 weeks earlier than the timetable above.
- 4.5 The above timetable will allow officers to continue to work with the Wales Audit Office to streamline processes, learn from issues with early closure and address them before they impact upon the Council's ability to meet the statutory deadlines.
- 4.6 Positive progress is being made with regards to audit processes with Council officers and Wales Audit Office auditors planning and working together to undertake audit work earlier than in previous years.

- 4.7 The amendment to the regulations also propose to remove the requirement for the Pension Fund accounts to be included within the Statement of Accounts of the administering authority. This will take effect from the 2018/19 Statement of Accounts.

5.0 CONCLUSION

- 5.1 The certification of all draft Statements of Account demonstrates the continued effective financial management arrangements at this Council.
- 5.2 The role of the Audit Committee in the approval process for the Statements of Account of the Council, Central South Consortium Joint Education Service Joint Committee and Annual Return for Llwydcoed Crematorium Joint Committee is defined in the Statutory Guidance from the Local Government Measure 2011 and this report provides the opportunity for this Committee to discharge these responsibilities.
- 5.3 Officers will continue to work closely with the Wales Audit Office to ensure the continuation of joint planning for the earlier closure and audit of the Statement of Accounts in accordance with the Accounts and Audit (Wales) (Amendment) Regulations 2018.



Statement of Accounts 2017/18



Rhondda Cynon Taf County Borough Council

Statement of Accounts 2017/18

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Narrative Report

1. Introduction

Rhondda Cynon Taf County Borough Council was established on 1st April 1996 as a result of the reorganisation of Local Government in Wales under the Local Government (Wales) Act 1994.

Rhondda Cynon Taf is the third largest Council in Wales with a population of 238,306 (Mid Year 2016 Census), serving an area in the South Wales Valleys covering 424 square kilometres, stretching from the Brecon Beacons National Park in the north to the Capital City of Cardiff in the south.

The accounts for 2017/18 have been prepared in accordance with:

- Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 based on International Financial Reporting Standards (IFRS).
- Accounts and Audit (Wales) Regulations 2014 (as amended).

The accounts set out on pages 1 to 155 comply with the above.

2. Impact of Current Economic Climate

The economic climate continues to be a significant challenge for this and all other local authorities. In his letter of 21st December 2016 to local authorities providing details of the 2017/18 local government revenue and capital settlements, the then Cabinet Secretary for Finance and Local Government (Mark Drakeford, AM) announced an increase in the average funding for local authorities in Wales for the year 2017/18, with a modest increase for Rhondda Cynon Taf of 0.4%. Council Officers and Members continue to take their fiduciary duty extremely seriously and this has been demonstrated by the setting of prudent, equitable and fair budgets. The financial results and position demonstrated in this Statement of Accounts reflect sound financial stewardship despite continuing financial pressures.

Given the continuing financial pressures the Council is working under, it remains the view of the Section 151 Officer that the Council should hold a minimum of £10m as General Fund Balances (i.e. its working balance). This level is set given the context of the need for continued strong financial management that is felt to be essential to ensure that the Council maintains financial flexibility and stability going forward. This is reflected in the Balance Sheet which demonstrates Council Fund Balances of £10.720m.

3. Medium Term Financial Plan 2017-18 to 2020-21

As reported to Cabinet on 18th July 2017, the Council has set out assumptions within its [Medium Term Financial Plan 2017/18 to 2020/21](#). The Medium Term Financial Plan is the cornerstone of good governance and is an enabler of service delivery and service improvement within the constraints of available resources. The Public Sector continues to face a prolonged period of ongoing austerity with national forecasts pointing to challenging times for services across local

government. This is coupled with increasing demand and costs associated with many services, in particular Social Care Services.

Locally, this Council has demonstrated its ability and willingness to invest in services, linked to our Corporate Plan priorities, in order to meet the changing needs of our people and communities. Significant additional investment of £16m agreed by Members in 2017/18 is providing real improvements across many areas including leisure, roads and information technology.

Whilst investment through the use of one-off funds has been very positive, the Council recognises that it must still address base budget shortfalls and take appropriate decisions to balance its ongoing revenue budget into the medium term.

The Council continues to focus on an estimated budget gap over the medium term and has successfully implemented a strategy of early identification and delivery of base budget reducing measures in-year. This has enabled the Council to deliver financial savings early and to replenish the Medium Term Financial Planning and Service Transformation Reserve which has been used proactively as part of the budget strategy for a number of years.

4. The Council's Corporate Plan 2016-2020

For 2017/18 [The Council's Corporate Plan 2016-2020](#) was the key strategic plan, focusing on 3 priorities:

- Economy – Building a strong economy.
- People – Promoting independence and positive lives for everyone.
- Place – Creating neighbourhoods where people are proud to live and work.

In order to meet these priorities, 4 key principles have been set:

- Providing essential services well - In the coming years, there will be less money available and the Council will have to make sure the money is spent where the need is greatest.
- Helping people and communities help themselves - Giving people and communities the support they need to manage their community assets and have more control over the services in their community.
- Building a sustainable County Borough, supporting initiatives that stimulate economic growth and create jobs within the Borough.
- Living within our means – Our priorities need to focus on minimising running costs without affecting front line services. Financially, the Council has to make difficult decisions in order to manage the budget and ensure value for money for our residents.



The Council's [Corporate Performance Report 2017/18](#) outlined the progress made on our 2016/17 priorities and sets out the 2017/18 strategic plans for ECONOMY, PEOPLE, and PLACE.

Each quarter, Cabinet received an update of progress made against the agreed Corporate Plan priorities to confirm whether they were satisfied with the progress being made and, following this, the updates were reported to the Council's Finance and Performance Scrutiny Committee for review and challenge.

The Council's Corporate Plan priorities were also formally adopted as the Council's Well-being objectives for 2017/18 at a meeting of Cabinet on 9th March 2017, [Well-being of future Generations Act - the Council's Wellbeing Objectives](#)

In September 2017 Cabinet agreed that the Council will focus on five workstreams to improve the essential services provided:

- Digitalisation - in line with the Council's Digital Plan approved by Cabinet on 22nd June 2017:
 - Working with residents to improve their digital skills and access to technology to empower more people to interact digitally with the Council; and
 - Enabling more of the Council's workforce to be agile to help further boost productivity and reduce the need for office space.
- Commercialisation - creating the conditions within the Council in terms of capacity and capability to widen opportunities to trade with external organisations.
- Early Intervention and Prevention - investing in preventative services to support the delivery of savings in the medium term, in particular:
 - The creation of community hubs to bring similar services together and create economies of scale in terms of staffing and building costs, which will enable the Council to continue to provide a comprehensive range of services within key communities; and

- Introducing new approaches that support resilient families who will not require statutory intervention and also a new approach to reducing the number of victims and perpetrators of domestic abuse.
- Independence - modernising and reshaping services to ensure independence is promoted for vulnerable residents; this includes building extra care facilities and linking into community hub provision.
- Efficient and Effective Organisation - challenging on-going service delivery and driving out further efficiencies through bringing together similar back-office functions, reducing administration costs and also the size of the property portfolio.

In addition to these modernisation changes, the Council has committed to a strategic capital investment programme, a number of which will link in with and complement the Cardiff Capital Region City Deal:

- Highways and Transportation Infrastructure;
- 21st Century Schools Programme;
- New Housing e.g. independent living and bringing empty properties back into use;
- Community Assets e.g. community hubs, parks and playgrounds, leisure centres and library facilities; and
- Town Centre and Economic Regeneration projects e.g. Taf Vale Development

The Council is also a key partner in the Cwm Taf Public Services Board (PSB) and agreed the [Cwm Taf Wellbeing Plan](#) for the areas of Rhondda Cynon Taf and Merthyr Tydfil for the period 2018-2023 at its meeting on 28th February 2018 (Note: the Plan is also subject to approval through the governance arrangements of the individual statutory partners of the Public Services Board). This plan replaced the Single Integrated Plan and introduced four Well-being Objectives which the partnership will work together on to improve the Economic, Social, Environmental and Cultural Well-being of the people and communities of Cwm Taf.

The Cwm Taf Well-being Objectives are:

- Thriving Communities;
- Healthy People;
- Strong Economy; and
- Tackling Loneliness and Isolation.

The objectives set out in the Council's Corporate Plan and the Cwm Taf Well-being Plan will help the Council and Cwm Taf Public Services Board to contribute to the seven national Well-being goals, as set out in the Well-being of Future Generations Act:

- A globally responsible Wales;
- A prosperous Wales;
- A resilient Wales;
- A healthier Wales;

- A more equal Wales;
- A Wales of cohesive communities; and
- A Wales of vibrant culture and thriving Welsh Language.

5. Explanation of Core Financial Statements

The Statement of Accounts that follow this Narrative Report contains the following Core Financial Statements:

- **Movement in Reserves Statement (MiRS)** – analyses the movement in usable and unusable reserves.
- **Comprehensive Income and Expenditure Statement (CI&ES)** – reflects income and expenditure in accordance with IFRS and is analysed into service areas which reflect the way in which services operate and performance is managed.
- **Balance Sheet** – reflects all assets, liabilities and reserves of the Council as at the end of the financial year.
- **Cash Flow Statement** – analyses the movement in cash and cash equivalents for the year.

The Annual Governance Statement is included within the Statement of Accounts. This statement details the Council's governance arrangements and reviews its effectiveness.

In the financial statements for 2017/18, two joint committees are consolidated:

- Central South Consortium Joint Education Service (CSCJES); and
- Cardiff Capital Region City Deal (CCRCD).

6. Revenue Income and Expenditure 2017/18

The Comprehensive Income and Expenditure Statement provides an analysis of the Council's gross revenue expenditure and income in accordance with IFRS.

The broad objectives of [The Council's 2017/2018 Revenue Budget Strategy](#) were to:

- Support the delivery of our key strategic priorities, particularly around the need to build a strong economy, promote people's independence and create a County Borough where people are proud to live and work.
- Retain the support of the Wales Audit Office for the approach the Council has adopted to securing strong financial management.
- Continue with the delivery of our key services and protect as many local jobs as possible even with diminishing financial resources.
- Take a responsible attitude towards agreeing the level of the Council Tax.

The Council monitors performance across the following service areas:

- **Education & Lifelong Learning Services** - Providing School and Community Learning Services, Libraries, Welsh Language Services, Access, Engagement & Inclusion Services, Asset Management and Catering Services.
- **Community & Children's Services** - Providing Community Care Services, Community Housing Services, Health and Social Care, Children's Services, the Communities First Programme, Public Health & Protection, Leisure, Parks & Countryside and Heritage & Museums.
- **Corporate & Frontline Services** - Providing the frontline services of Highways, Transport and Strategic Projects, Streetcare Services (including Waste and Street Cleansing), Customer Care, Housing Benefit and Council Tax administration together with key support services of Finance, ICT, Corporate Estates Management and Procurement.
- **Chief Executive's Division** - Providing the Authority wide functions of Human Resources, Cabinet & Public Relations, Legal & Democratic Services and Regeneration & Planning Services.

The following table details each of the service groups' actual net expenditure and budget during 2017/18. Further details can be found on the Council's website (from July 2018) within the Council Performance Report. This represents the net revenue expenditure of the Council in line with the statutory provisions that need to be taken into account when setting local taxes.

The variance against budget contributes to the movement on the Council Fund Balance:

Service Group	Budget	Spend	Variance
	£'000	£'000	£'000
Education & Lifelong Learning	177,855	178,078	223
Community & Children's Services	137,904	138,233	329
Chief Executive's Division	11,872	11,881	9
Corporate & Frontline Services	61,123	60,807	(316)
Authority Wide Budgets	70,186	69,555	(631)
Total	458,940	458,554	(386)
Net Underspend set aside to fund Investment in Winter Maintenance	0	386	386
Total	458,940	458,940	0

	£'000
Council Fund Reserves as at 31st March 2017	10,720
Revenue Budget Out-turn (Variance as above)	0
Council Fund Reserves as at 31st March 2018	10,720

Expenditure on services amounted to £711m, this can be analysed over the following expenditure categories:

Type of Expenditure	£'m	%
Employees	301	42
Premises	28	4
Transport	19	3
Supplies and Services	76	10
Payments to Third Parties	115	16
Transfer Payments	98	14
Capital Charges	70	10
Other Operating Costs (e.g. Support Services)	4	1
Total Gross Expenditure	711	100

Income during the year totalled £761m and came from the following sources:

Income Analysis	£'m	%
<u>Direct Service Income</u>		
Specific Grants	161	21
Sales, Fees & Charges	43	6
Other Income	45	6
Sub-Total Direct Service Income	249	33
<u>Other Income</u>		
Council Tax	124	16
Non-Domestic Rates	76	10
Non-Ringfenced Government Grants	279	37
Capital Grants and Contributions	33	4
Total Income	761	100

7. **Capital Expenditure and Income 2017/18**

During the year the Council incurred £101.8m of capital expenditure, as summarised below:

Group	£'000
Corporate Initiatives	1,175
Corporate & Frontline Services	24,532
Chief Executive's Division	7,474
Education & Lifelong Learning Services	54,921
Community & Children's Services	13,659
Total	101,761

The type of capital expenditure incurred during the year is summarised below:

Capital Expenditure	£'000
Tangible Long-Term Assets	88,033
Intangible Long-Term Assets	1,267
Revenue Expenditure Funded from Capital under Statute	12,461
Total	101,761

This expenditure was financed as follows:

Capital Financing	£'000
Revenue Funding	28,235
Capital Receipts	1,068
Capital Development Fund	1,562
Borrowing	35,567
Grants	30,572
Third Party Contributions	4,757
Total	101,761

Significant expenditure was incurred on:

- Aberdare School & Sports Centre;
- Cwmaman Community Primary School;
- Porth Community School;
- Tonypandy Community School Modernisation (Ysgol Nantgwyn);
- Tonyrefail Community School Modernisation; and
- Treorchy Comprehensive School Modernisation.

8. Summary of Future Capital and Revenue Plans

The priorities included within the Council's Corporate Plan need to be underpinned by robust financial management. Forward looking financial and service planning arrangements are critical in ensuring the Council's priorities are affordable and lead the work to become more efficient, transform services and deliver investment priorities.

Capital and revenue budgets are approved annually by full Council. The Capital Programme is approved for a rolling 3-year period and updated annually. Revenue budgets are set annually in line with the Welsh Government settlement announcements.

A summary of the latest Capital Programme agreed by Council in February 2018 is as follows:

Group Expenditure	2018/19	2019/20	2020/21	Total
	£'000	£'000	£'000	£'000
Chief Executive's Division	39,368	24,509	6,128	70,005
Corporate & Frontline Services	27,914	8,136	5,560	41,610
Corporate Initiatives	1,044	850	850	2,744
Education & Lifelong Learning Services	43,209	8,391	5,046	56,646
Community & Children's Services	7,043	1,100	1,100	9,243
Total	118,578	42,986	18,684	180,248

Estimated Resources Required to Fund Capital Programme	2018/19	2019/20	2020/21	Total
	£'000	£'000	£'000	£'000
Supported Borrowing	6,972	6,972	6,972	20,916
Unsupported Borrowing	41,928	17,962	0	59,890
Capital Grants	21,074	8,006	4,242	33,322
Third Party Contributions	1,261	0	0	1,261
General Fund Capital Resources	11,595	4,817	4,720	21,132
Revenue Contributions	35,748	5,229	2,750	43,727
Total	118,578	42,986	18,684	180,248

As at 31st March 2018, major capital commitments over the next three years (per the Capital Programme 2018-2021) include the following schemes:

Scheme	£'000
Disabled Facilities Grants/Adaptations (DFGs)	12,000
Taff Vale Development	46,825
Fleet Vehicles	10,156
Highways Improvements	6,408
Structures	8,094
Transportation Infrastructure	10,772
Schools Modernisation Rhondda and Tonyrefail	29,765

A summary of the Council's revenue budget for 2018/19 (agreed in February 2018) is outlined below:

Service Area	£'000
Authority Wide	69,850
Individual Schools Budget	148,950
Community & Children's Services	144,930
Corporate & Frontline Services and Chief Executive's Division	76,013
Education & Lifelong Learning Services	31,857
Total	471,600

9. Borrowing Arrangements and Sources of Funds

Each year, in accordance with the Local Government Act 2003 and the Prudential Code, the Council is required to set limits in relation to:

- Authorised limit for borrowing.
- Limits on exposure to fixed and variable interest rates.
- Various other prudential and treasury indicators.

The limits set at the start of the financial year were as follows:

Authorised borrowing limit £440.0m
(This was increased to £460.0m in the Mid Year Strategy Report)

Interest Rate Exposure – Borrowing **Range**
Limits on total % of borrowing at fixed interest rates 45% - 100%
Limits on total % of borrowing at variable interest rates 0% - 55%

Interest Rate Exposure – Investments

Limits on total % of investments at fixed interest rates
Limits on total % of investments at variable interest rates

Range

0% - 25%
75% - 100%

The Council's borrowing totals £272.8m, of which £193.9m is long-term and £78.9m is short-term. This external borrowing is from the Public Works Loan Board (PWLB) £111.0m, £161.8m from market loans and other sources.

The Council is required to prepare a Treasury Management Strategy for the forthcoming year. The Council's Treasury Management Practices allow the Council to raise funds from a variety of sources, including the PWLB and the money market. The Group Director Corporate & Frontline Services is authorised to take the most appropriate form of borrowing from approved sources within the overall borrowing limits set by Council.

10. Pensions Assets and Liabilities

As a result of International Accounting Standard (IAS) 19 "Employee Benefits", local authorities are required to account for pensions liabilities in respect of the cost of decisions made up to the Balance Sheet date. Please refer to notes 17.4 and 38.0 to the Core Financial Statements for further details. The effect of IAS 19 upon the reserves of the Council is as follows:

	£'000
Net Assets excluding Pensions Reserve	804,490
Net Assets as per Balance Sheet	191,672

11. Cardiff Capital Region City Deal (CCRCD)

On 15th March 2016, the ten Council Leaders in South East Wales, the First Minister, the Welsh Government Minister for Finance and Government Business, the Secretary of State for Wales and the Chief Secretary to the Treasury signed the Cardiff Capital Region City Deal, an agreement between the UK Government, the Welsh Government and the ten leaders. It includes:

- A £1.2 billion investment in the Cardiff Capital Region's infrastructure through a 20-year Investment Fund;
- The creation of a non-statutory Regional Transport Authority to coordinate transport planning and investment, in partnership with the Welsh Government;
- The development of capabilities in Compound Semiconductor Applications;
- The creation of a Cardiff Capital Region Skills and Employment Board;
- The Cardiff Capital Region and the Welsh Government will work with the Department for Work and Pensions to co-design the future employment support from 2017 for people with a health condition or disability and/or long term unemployed;
- A Cardiff Capital Region Business Organisation will be established to ensure that there is a single voice for business to work with local authority leaders; and

- The Welsh Government and the Cardiff Capital Region commit to a new partnership approach to housing development and regeneration. This will ensure the delivery of sustainable communities, through the use and re-use of property and sites.

A Special Purpose Vehicle company, CSC Foundry Ltd, has been established by the 10 partner authorities in order to implement and contract with IQE Silicon Compounds Ltd to deliver the CSC (Compound Semi Conductor) project. For 2017/18 the joint committee accounts of CCRC (which includes the subsidiary company CSC Foundry Ltd) have been consolidated into the Council's accounts based upon the population figures as specified in the Joint Working Agreement approved by Council on 25th January 2017. The Draft Joint Working Agreement Business Plan (Cardiff Capital Region Strategic Business Plan) was approved by Council on 28th March 2018.

12. Wales Pension Partnership (WPP)

On the 15th March 2017 Council approved the establishment of a Joint Governance Committee to oversee the pooling of the investments of the eight Local Government Pension Scheme (LGPS) funds in Wales. The link to the report can be found here: [All Wales Pension Fund Investment pooling-joint Governance Committee and Inter Authority Agreement](#). The Wales Pension Partnership has appointed Link Fund Solutions Ltd (Link) to establish and run a collective investment vehicle for the sole use of the LGPS in Wales. This will enable the pooling of assets across a range of asset classes. The LGPS funds will retain full control over strategic asset allocation decisions. As at 31st March 2018, no assets have yet transferred into the new collective investment vehicle.

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to ensure one of its Officers has the responsibility for the administration of those affairs. In this Council, that Officer is the Group Director Corporate & Frontline Services.
- To manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

I confirm that these accounts were approved by Council on 5th September 2018.

Signature: _____ Date: _____

Cllr. Steve Powderhill

Mayor

Civic Offices, Municipal Buildings
Gelliwastad Road
Pontypridd
CF37 2DP

The Group Director Corporate & Frontline Services' Responsibilities

The Group Director is responsible for the preparation of the Council's Statement of Accounts which, in terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year.

In preparing this Statement of Accounts, the Group Director has:

- Selected suitable accounting policies and applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the code.

The Group Director has also throughout the financial year:

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

Movement in Reserves Statement (MiRS)

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 “unusable reserves”. The Total Comprehensive Income and Expenditure line shows the economic cost of providing the Council’s services on an International Financial Reporting Standards basis, more details of which are shown 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. The Net Increase/(Decrease) before transfers to Earmarked Reserves line shows the statutory Council Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Movement in Reserves Statement for the year ended 31st March 2017

	Council Fund Balance	Earmarked Reserves: Capital, Treasury & Insurance	Earmarked Reserves: Other Revenue Related	Delegated Schools Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	MGCC Insurance Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves of the Council
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Notes:	16.1	16.2	16.2		16.3	16.4			17.0	
Balance at 1st April 2016	10,720	59,868	60,504	3,587	485	6,623	344	142,131	141,565	283,696
Movement in reserves during 2016/17:										
Total Comprehensive Income and Expenditure	(18,366)	0	(3,146)	0	0	0	0	(21,512)	(55,920)	(77,432)
Adjustments between accounting basis and funding under regulations:										
Adjustments primarily involving the Capital Adjustment Account:										
Reversal of items debited/credited to CI&ES:										
Charges for depreciation and impairment of long-term assets	44,575	0	0	0	0	0	0	44,575	(44,575)	0
Revaluation losses on property, plant & equipment	13,982	0	1,773	0	0	0	0	15,755	(15,755)	0
Amortisation of intangible assets	1,385	0	0	0	0	0	0	1,385	(1,385)	0
Movement in the Donated Assets Account	(254)	0	0	0	0	0	0	(254)	254	0
Revenue expenditure funded from capital under statute	8,476	0	0	0	0	0	0	8,476	(8,476)	0

Continued Overleaf...

Amounts of long-term assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	0	0	0	0	0	0	0	0	0	0	0
Insertion of items not debited/ credited to CI&ES:											
Statutory provision for the financing of capital investment	(11,732)	0	0	0	0	0	0	0	(11,732)	11,732	0
Capital expenditure charged against the Council Fund Balances	(28,777)	0	0	0	0	0	0	0	(28,777)	28,777	0
Adjustments primarily involving the Capital Grants Unapplied Account:											
Capital grants and contributions unapplied credited to CI&ES	(22,637)	0	0	0	0	22,637	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	(20,688)	0	0	(20,688)	20,688	0
Adjustments involving the Capital Receipts Reserve:											
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&ES	(1,824)	0	0	0	0	4,347	0	0	2,523	(2,523)	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	0	(3,401)	0	0	(3,401)	3,401	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	12	0	0	12	(12)	0
Adjustments involving the Financial Instruments Adjustment Account:											
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(47)	0	0	0	0	0	0	0	(47)	47	0
Adjustments involving the Pensions Reserve:											
Reversal of items relating to retirement benefits debited or credited to the CI&ES	49,730	0	10	0	0	0	0	0	49,740	(49,740)	0
<i>Continued Overleaf...</i>											

Employer's pensions contributions and direct payments to pensioners payable in the year	(30,700)	0	(132)	0	0	0	0	(30,832)	30,832	0
Adjustment involving the Unequal Pay Back Pay Adjustment Account:										
Amount by which amounts charged for equal pay claims to the CI&ES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	31	0	0	0	0	0	0	31	(31)	0
Adjustment involving the Accumulated Absences Account:										
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,559	0	(4)	0	0	0	0	1,555	(1,555)	0
Other adjustments include:										
Adjustment between the Capital Adjustment Account and the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0
Depreciation of long-term asset revaluation gains	0	0	0	0	0	0	0	0	0	0
Net increase or (decrease) before transfers to Earmarked Reserves	5,401	0	(1,499)	0	958	1,949	0	6,809	(84,241)	(77,432)
Transfers to or from Earmarked Reserves	(5,401)	2,910	4,148	(1,457)	0	0	(200)	0	0	0
Increase or (decrease) in the year	0	2,910	2,649	(1,457)	958	1,949	(200)	6,809	(84,241)	(77,432)
Balance at 31st March 2017	10,720	62,778	63,153	2,130	1,443	8,572	144	148,940	57,324	206,264

Movement in Reserves Statement for the year ended 31st March 2018

	Council Fund Balance	Earmarked Reserves: Capital, Treasury & Insurance	Earmarked Reserves: Other Revenue Related	Delegated Schools Reserve	Usable Capital Receipts Reserve	Capital Grants Unapplied Account	MGCC Insurance Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves of the Council
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Notes:	16.1	16.2	16.2		16.3	16.4			17.0	
Balance at 1st April 2017	10,720	62,778	63,153	2,130	1,443	8,572	144	148,940	57,324	206,264
Movement in reserves during 2017/18:										
Total Comprehensive Income and Expenditure	(8,209)	3,720	(88)	0	0	0	0	(4,577)	(10,015)	(14,592)
Adjustments between accounting basis and funding under regulations:										
Adjustments primarily involving the Capital Adjustment Account:										
Reversal of items debited/credited to CI&ES:										
Charges for depreciation and impairment of long-term assets	40,326	0	0	0	0	0	0	40,326	(40,326)	0
Revaluation losses on property, plant & equipment	15,955	0	0	0	0	0	0	15,955	(15,955)	0
Amortisation of intangible assets	1,266	0	0	0	0	0	0	1,266	(1,266)	0
Movement in the Donated Assets Account	0	0	0	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	12,999	0	0	0	0	0	0	12,999	(12,999)	0
<i>Continued Overleaf...</i>										

Amounts of long-term assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	938	0	0	0	725	0	0	1,663	(1,663)	0
Insertion of items not debited/ credited to CI&ES:										
Statutory provision for the financing of capital investment	(11,054)	0	0	0	0	0	0	(11,054)	11,054	0
Capital expenditure charged against the Council Fund Balances	(29,797)	0	0	0	0	0	0	(29,797)	29,797	0
Adjustments primarily involving the Capital Grants Unapplied Account:										
Capital grants and contributions unapplied credited to CI&ES	(34,152)	0	0	0	0	34,152	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	(3,800)	0	0	0	(35,328)	0	(39,128)	39,128	0
Adjustments involving the Capital Receipts Reserve:										
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CI&ES	0	0	0	0	0	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0	(1,068)	0	0	(1,068)	1,068	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	27	0	0	27	(27)	0
Adjustments involving the Financial Instruments Adjustment Account:										
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(63)	0	0	0	0	0	0	(63)	63	0
Adjustments involving the Pensions Reserve:										
Reversal of items relating to retirement benefits debited or credited to the CI&ES	56,650	0	314	0	0	0	0	56,964	(56,964)	0
<i>Continued Overleaf...</i>										

Employer's pensions contributions and direct payments to pensioners payable in the year	(35,220)	0	(160)	0	0	0	0	0	(35,380)	35,380	0
Adjustment involving the Unequal Pay Back Pay Adjustment Account:											
Amount by which amounts charged for equal pay claims to the CI&ES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(98)	0	0	0	0	0	0	0	(98)	98	0
Adjustment involving the Accumulated Absences Account:											
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(4,925)	0	0	0	0	0	0	0	(4,925)	4,925	0
Other adjustments include:											
Adjustment between the Capital Adjustment Account and the Revaluation Reserve	0	0	0	0	0	0	0	0	0	0	0
Depreciation of long-term asset revaluation gains	0	0	0	0	0	0	0	0	0	0	0
Net increase or (decrease) before transfers to Earmarked Reserves	4,616	(80)	66	0	(316)	(1,176)	0	3,110	3,110	(17,702)	(14,592)
Transfers to or from Earmarked Reserves	(4,616)	2,398	922	1,267	0	0	29	0	0	0	0
Increase or (decrease) in the year	0	2,318	988	1,267	(316)	(1,176)	29	3,110	3,110	(17,702)	(14,592)
Balance at 31st March 2018	10,720	65,096	64,141	3,397	1,127	7,396	173	152,050	152,050	39,622	191,672

Comprehensive Income and Expenditure Statement (CI&ES)

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations, this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Comprehensive Income and Expenditure Statement for the year ended 31st March 2018

2016/17				2017/18			
Gross Exp	Gross Income	Net Exp		Note:	Gross Exp	Gross Income	Net Exp
£'000	£'000	£'000			£'000	£'000	£'000
108,271	(27,140)	81,131	Corporate & Frontline Services		103,294	(26,136)	77,158
17,972	(6,267)	11,705	Chief Executive's Division		21,542	(4,174)	17,368
237,858	(47,668)	190,190	Education & Lifelong Learning Services		234,949	(46,042)	188,907
222,712	(79,837)	142,875	Community & Children's Services		240,889	(86,948)	153,941
104,006	(76,302)	27,704	Authority Wide Budgets		103,932	(79,537)	24,395
(359)	3,504	3,145	Joint Committees		5,968	(5,794)	174
690,460	(233,710)	456,750	Cost of Services		710,574	(248,631)	461,943
			Other Operating Expenditure				
17,220	0	17,220	Precepts	34.3	18,192	0	18,192
11,371	0	11,371	Levies	34.3	11,685	0	11,685
0	(1,824)	(1,824)	(Gains) or Losses on Disposal of Non-Current Assets		938	0	938
			Financing and Investment Income and Expenditure				
10,446	0	10,446	Interest Payable and Similar Charges	9.2	9,760	0	9,760
17,511	0	17,511	Net Interest on Net Defined Liability (Asset)	38.2	14,590	(1)	14,589
0	(123)	(123)	Interest Receivable and Similar Income	9.2	0	(117)	(117)
			Taxation and Non-Specific Grant Income				
0	(119,893)	(119,893)	Council Tax Income	32.0	0	(123,802)	(123,802)
0	(70,451)	(70,451)	NDR Distribution	31.0	0	(76,412)	(76,412)
0	(283,324)	(283,324)	Non-Ringfenced Government Grants		0	(279,035)	(279,035)
0	(16,170)	(16,170)	Capital Grants and Contributions		0	(33,164)	(33,164)
747,008	(725,495)	21,513	(Surplus) or Deficit on the Provision of Services		765,739	(761,162)	4,577
0	11,327	11,327	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets		0	(2,171)	(2,171)
0	44,592	44,592	Remeasurement of the Net Defined Benefit Liability		0	12,186	12,186
0	55,919	55,919	Other Comprehensive Income and Expenditure		0	10,015	10,015
747,008	(669,576)	77,432	Total Comprehensive Income and Expenditure		765,739	(751,147)	14,592

Balance Sheet

The Balance Sheet shows the value of the assets and liabilities recognised by the Council at the financial year end. The net assets (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example, the Revaluation Reserve) and reserves that hold timing differences shown in the Movement in Reserves Statement section 'Adjustments between accounting basis and funding basis under regulations'.

Balance Sheet as at 31st March 2018

31/03/17			31/03/18	
£'000			£'000	£'000
		<i>Note:</i>		
	Long-Term Assets	Property, Plant & Equipment:		
587,997		Other Land & Buildings		576,234
431,023		Infrastructure		431,638
9,615		Vehicles, Plant & Equipment		8,263
4,078		Community Assets		3,677
15,620		Assets Under Construction		64,033
145		Heritage Assets		145
2,797		Long-Term Intangible Assets	8.0	2,962
1,000		Long-Term Investments	9.1	4,750
2,940		Investment in Subsidiaries		2,989
1,385		Long-Term Debtors		1,259
1,056,600		TOTAL LONG-TERM ASSETS		1,095,950
	Current Assets	Short-Term Investments	9.1	14,591
13,752		Assets Held for Sale	12.0	3,179
4,215		Short-Term Intangible Assets		498
730		Inventories		627
725		Short-Term Debtors	10.0	59,016
51,185		Cash and Cash Equivalents	11.0	7,382
2,399				
73,006		TOTAL CURRENT ASSETS		85,293
	Current Liabilities	Cash and Cash Equivalents	11.0	(14,352)
(16,646)		Short-Term Borrowing	9.1	(78,926)
(39,997)		Other Short-Term Liabilities		(388)
(379)		Short-Term Provisions	14.0	(2,120)
(3,308)		Short-Term Creditors	13.0	(77,937)
(79,135)				
(139,465)		TOTAL CURRENT LIABILITIES		(173,723)
	Long-Term Liabilities	Long-Term Creditors		(6,479)
0		Long-Term Provisions	14.0	(1,950)
(703)		Long-Term Borrowing	9.1	(193,889)
(193,872)		Other Long-Term Liabilities	15.0	(613,407)
(589,179)		Donated Asset Account		(123)
(123)				
(783,877)		TOTAL LONG-TERM LIABILITIES		(815,848)
206,264		NET ASSETS		191,672

Continued Overleaf...

10,720	Usable Reserves	Council Fund Balance	16.1	10,720	
		Earmarked Reserves:	16.2		
62,778		Capital, Treasury and Insurance Reserves	16.2	65,096	
63,153		Other Revenue Related Reserves	16.2	64,141	
2,130		Delegated Schools Reserve		3,397	
1,443		Usable Capital Receipts Reserve	16.3	1,127	
8,572		Capital Grant Unapplied Account	16.4	7,396	
144		MGCC Insurance Reserve		173	
148,940			TOTAL USABLE RESERVES		
196,695	Unusable Reserves	Revaluation Reserve	17.1	192,742	
11		Deferred Capital Receipts Reserve		6	
450,463		Capital Adjustment Account	17.2	465,403	
(5,719)		Financial Instruments Adjustment Account	17.3	(5,656)	
(579,048)		Pensions Reserve	17.4	(612,818)	
(98)		Unequal Pay Back Pay Account		0	
(4,980)		Short-Term Accumulating Compensated Absence Account		(55)	
57,324		TOTAL UNUSABLE RESERVES			39,622
206,264		TOTAL RESERVES			191,672

Cash Flow Statement

The Cash Flow Statement shows the changes in 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 2017/18

2016/17			2017/18	
£'000		<i>Note:</i>	£'000	£'000
21,513	Net (Surplus) or Deficit on the Provision of Services		4,577	
(72,943)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	18.0	(80,768)	
20,517	Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	19.0	33,889	
(30,913)	Net Cash Flows from Operating Activities			(42,302)
47,795	Investing Activities	21.0	76,001	
(12,494)	Financing Activities	22.0	(40,976)	35,025
4,388	Net Increase or Decrease in Cash or Cash Equivalents			(7,277)
9,859	Cash and Cash Equivalents at the Beginning of the Reporting Period	11.0		14,247
14,247	Cash and Cash Equivalents at the End of the Reporting Period	11.0		6,970

Expenditure and Funding Analysis

The Expenditure and Funding Analysis brings together the Council's performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the Council Fund.

Proper accounting practices measure the resources that have been generated and consumed in the year including such things as the use of property (depreciation) and the value of pension benefits earned by the employees. Statutory provisions determine how much of the authority's expenditure needs to be met from council tax each year.

The Expenditure and Funding Analysis;

- shows for each of the Council's services a comparison of the net resources applied and the net charge against council tax, and
- provides an opportunity to explain significant differences between the two.

This analysis promotes accountability and stewardship by providing a direct link with the annual decision making process of the Council and its budget i.e. the Council Fund. It follows the performance framework of the Council.

Expenditure and Funding Analysis Statement for the year ended 31st March 2017

	2016/17		
	Income and Expenditure Chargeable to the Council Fund	Adjustments Between Funding and Accounting Basis	Net Expenditure for the Equivalent Amounts for CI&ES
	£'000	£'000	£'000
Corporate & Frontline Services	59,467	21,664	81,131
Chief Executive's Division	11,480	225	11,705
Education & Lifelong Learning Services	175,552	14,638	190,190
Community & Childrens Services	133,865	9,010	142,875
Authority Wide Budgets	74,471	(46,767)	27,704
Joint Committees	0	3,145	3,145
Cost of Services	454,835	1,915	456,750
Other Income and Expenditure	(454,835)	19,598	(435,237)
(Surplus) or Deficit	0	21,513	21,513
Opening Council Fund at 31 st March 2016	(10,720)		
Less (Surplus) Deficit on Council Fund in Year	0		
Closing Council Fund at 31st March 2017	(10,720)		

Expenditure and Funding Analysis Statement for the year ended 31st March 2018

	2017/18		
	Income and Expenditure Chargeable to the Council Fund	Adjustments Between Funding and Accounting Basis	Net Expenditure for the Equivalent Amounts for CI&ES
	£'000	£'000	£'000
Corporate & Frontline Services	60,807	16,351	77,158
Chief Executive's Division	11,881	5,487	17,368
Education & Lifelong Learning Services	178,078	10,829	188,907
Community & Childrens Services	138,233	15,708	153,941
Authority Wide Budgets	69,941	(45,546)	24,395
Joint Committees	0	174	174
Cost of Services	458,940	3,003	461,943
Other Income and Expenditure	(458,940)	1,574	(457,366)
(Surplus) or Deficit	0	4,577	4,577
Opening Council Fund at 31 st March 2017	(10,720)		
Less (Surplus) Deficit on Council Fund in Year	0		
Closing Council Fund at 31st March 2018	(10,720)		

Notes to the Core Financial Statements

1.0 Significant Accounting Policies

1.1 Accruals of Expenditure and Income

The accounts of the Council have been prepared on an accrual of income and expenditure basis in accordance with the Code of Practice on Local Authority Accounting. This ensures activity is accounted for in the year that it takes place not when cash payments are made or received.

Revenue from the sale of goods or services is recognised when the Council transfers the significant risks and rewards of goods, or provides the services to the purchaser, and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Supplies are recorded as expenditure when they are consumed. Where the Balance Sheet date falls between supplies receipt and consumption, where significant, they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure in the Comprehensive Income and Expenditure Statement on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows determined by the contract. Statutory adjustments relating to interest are reflected in the Movement in Reserves Statement.

Capital transactions are also recorded on an accrual basis, as prescribed by the Code of Practice on Local Authority Accounting.

1.2 Cash and Cash Equivalents

Cash and Cash Equivalents are sums of money available for immediate use by the Council. Such items are deemed to be cash balances held in the Council's bank accounts (less unpresented cheques), any overdrawn bank balance and petty cash balances.

Short-term investments are not deemed to be cash and cash equivalents as these are not readily available without incurring penalties.

1.3 Contingent Liabilities

A contingent liability is a possible item of expenditure that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control.

Such contingent liabilities are not reflected in Provisions in the Balance Sheet as it may not be probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Material contingent liabilities are disclosed in Notes to the Core Financial Statements.

1.4 Employee Benefits

All costs relating to employee benefits are accounted for on an accruals basis.

Termination Benefits

These are amounts payable by the Council as a result of a decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy. Such costs are charged on an accruals basis to the Comprehensive Income and Expenditure Statement.

When terminations involve the enhancement of pensions, statutory provisions require the Council Fund to be charged with the amount payable by the Council. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional entries for pension enhancements and replace them with amounts paid and payable.

Pensions

The Council participates in two separate pension schemes that meet the needs of employees in particular services:

Teachers - This is an unfunded scheme administered by Teachers' Pensions on behalf of the Department of Education. Contribution rates are set on the basis of a notional fund. Whilst this is a Defined Benefit Scheme, Teachers' Pensions is unable to identify the Council's share of the underlying assets and liabilities and accordingly, the Council has accounted for its contributions to the scheme as if it were a Defined Contribution Scheme.

Other employees - Rhondda Cynon Taf CBC administer a fund on behalf of employees under the Local Government Pension Scheme Regulations, under which contribution rates are set by the Fund's actuary based on triennial actuarial valuations. Under the regulations, contribution rates are set in order to lead to full funding of the overall liability of the Fund over time. The Local Government Scheme is accounted for as a Defined Benefit Scheme.

- The liabilities of the Rhondda Cynon Taf Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% in 2017/18 (2.6% in 2016/17).

- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:

Quoted Securities	–	Current Bid Price
Unitised Securities	–	Current Bid Price
Property	–	Market Value

- The change in the net pensions liability is analysed as follows:
 - Current Service Cost – the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked plus administration expenses.
 - Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years debited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
 - Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.
 - Expected Return On Assets – the annual investment return on the fund assets attributable to the Council based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.
 - Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their financial, demographic or experience assumptions – debited or credited to the Pensions Reserve.
 - Contributions Paid to the Pension Fund – cash paid as employer’s contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense in the Comprehensive Income and Expenditure Statement.

In relation to retirement benefits, statutory provisions require the Council Fund Balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council is able to make discretionary awards of retirement benefits in the event of early retirements. Any such liabilities arising are accrued in the year of decision to make the award.

Accumulated Absence

The Council accrues for staff holidays earned but not taken at each year-end. The Welsh Government has issued regulations to mitigate the impact of this charge upon Councils. This Council has taken advantage of the regulations and charged the additional costs to the Short-Term Accumulating Compensated Absence Account in Unusable Reserves.

1.5 Events after the Balance Sheet Date

Events after the reporting period are those both favourable and unfavourable that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

The financial statements are authorised for issue in accordance with the Accounts and Audit (Wales) Regulations 2014 (as amended). Regulations state the Statement of Accounts shall be authorised for issue when certified by the Responsible Finance Officer. Regulations require certification of unaudited accounts takes place by 30th June following financial year-end.

Regulations require the audited Statement of Accounts to be published by 30th September. The published Statement of Accounts shall reflect events after the reporting period up to the date the accounts were authorised for issue. This is the date the Responsible Finance Officer re-certifies the accounts.

Two types of events can be identified;

- a) those that provide evidence of conditions existing at the end of the reporting period (adjusting events that shall be recognised in the financial statements);
- b) those that are indicative of conditions that arose after the reporting period (non-adjusting events that are not reflected in accounting statements but, where material, disclosure is made in the Notes to the Core Financial Statements).

1.6 Financial Instruments

Financial Instruments consist of Financial Liabilities and Financial Assets.

Financial Liabilities

Financial Liabilities are carried at amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. Where a loan has a single rate of interest over its term, it results in the amount presented in the Balance Sheet being the outstanding principal repayable, and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable in the loan agreement. Where loans have a rate that is lower in the initial years, the effective interest rate charge to the Comprehensive Income and Expenditure Statement “smooths” the interest rate differential. The difference between the effective interest rate charge and actual interest paid is adjusted in the Movement in Reserves Statement.

For most borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains (discounts) and losses (premiums) on the repurchase or early settlement of borrowing are credited/debited to the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase/early settlement is deemed to be a modification of existing instruments, the discounts/premiums are incorporated into the value of the instrument and written down to the Comprehensive Income and Expenditure Statement over the life of the loan via an adjustment to the effective interest rate.

Where premiums have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the Council Fund Balance to be spread over future years equal to the life of the replaced or replacement loan. Where discounts have been credited to the Comprehensive Income and Expenditure Statement, regulations require the impact to be spread over the life of the replacement loan or ten years, if earlier.

Financial Assets

Financial Assets are classified into two types:

- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available for Sale Assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Rhondda Cynon Taf CBC holds only “Loans and Receivables”.

Loans and Receivables are initially recognised at fair value and subsequently carried at amortised cost. Interest Receivable and Similar Income in the Comprehensive Income and Expenditure Statement is based upon the carrying amount of the asset multiplied by the effective interest rate for the instrument. This means that the value in the Balance Sheet is the principal plus any accrued income, and the income recognised in the Comprehensive Income and Expenditure Statement is based upon the rate quoted in the loan agreement.

Interest that is due but unpaid at year-end is categorised in the Balance Sheet as a current asset or liability. This is the case even if the financial asset or liability it relates to is a long-term instrument.

1.7 Intangible Assets

Intangible assets are those Long-Term Assets that do not have physical substance but are identifiable by the access to future economic benefits that are controlled by the Council through custody or legal rights.

Software and Licences are capitalised at cost and are amortised over their economic lives, which are reviewed at the end of each reporting period and revised if necessary.

An asset is tested for impairment whenever there is an indication that the asset may be impaired. Any losses are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Any gain or loss arising on the disposal or abandonment of an intangible asset is reflected in the Other Operating Expenditure section in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an effect upon Council Fund Balances and are reversed in the Movement in Reserves Statement.

1.8 Leases

Whether a lease is finance or operating depends upon the substance of the transaction rather than the legal form.

Leases are reviewed at inception and classed as finance or operating by reviewing arrangements such as:

- Transfer of ownership at the end of lease contract.
- Option to purchase asset at a price lower than fair value.
- Lease term is for a major part of the economic life of asset.
- Present value of minimum lease payments amounts to at least substantially all of the fair value of leased asset.
- Leased assets are specialist and only the lessee can use them without major modifications.

Leases of land and buildings are considered separately for the purpose of lease classification.

Finance Leases

A finance lease is one which transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

Where the Council is lessee, an asset and liability is recognised at lease inception. The asset is subsequently depreciated and revalued as though it were the legal property of the Council. The liability reduces as lease payments are made.

Where the Council is lessor, the lease payment receivable is recognised as a repayment of principal with the interest element of the payment being recognised in the Comprehensive Income and Expenditure Statement. No asset is recognised.

Operating Leases

An operating lease is deemed to be any lease other than a Finance Lease.

Where the Council is lessee, lease payments are recognised as an expense in the Comprehensive Income and Expenditure Statement on a straight-line basis unless another systematic basis is more representative of the benefits received.

Where the Council is lessor, the income should be recognised on a straight-line basis unless another systematic basis is more representative of the benefits received. Assets leased out under an operating lease will be subject to depreciation in the same manner as other assets within the same category.

1.9 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. Depreciation is charged on a straight-line basis on most tangible assets with a finite useful life, excluding non-depreciable land. Asset lives have been identified on an individual basis.

1.9.1 Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council, and the cost of the item can be measured reliably. The Council operates a £10k de-minimis policy for recognising such expenditure as capital. Expenditure on assets not owned by the Council, but where continuing benefit is received, is also capitalised on an accruals basis. Although capitalised, this expenditure is amortised in the year it is incurred.

The Council operates a de-minimis policy for recording assets in the asset register. De-minimis levels are in place as follows:

Asset Type	£'000
Land & Buildings	20
Vehicles	10
Plant & Equipment	10
Infrastructure	20
Community Assets	Nil

1.9.2 Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs.

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

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 section 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.

Tangible Long-Term assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS). Property, Plant and Equipment assets are generally valued on the basis of existing use value (EUV) which is deemed to be "current value". Specialist items (e.g. schools and cemeteries) are valued on a depreciated replacement cost basis (DRC). This method of valuation calculates the cost of constructing modern equivalent buildings and structures, depreciating them to account for the age and future economic life. This cost calculation is known as Modern Equivalent Valuation (MEV). Investment properties are generally valued on the basis of open market value (OMV). Infrastructure assets are included at historic cost, and adjusted to reflect depreciation. Adopted roads, built by private developers, are deemed to have zero historical cost to the Council and therefore are not recognised in the Statement of Accounts.

Where assets are not in use but do not meet the criteria for Assets Held for Sale, then they are classed as Surplus Assets within the Property, Plant and Equipment and Other Land and Building categories. Surplus Assets are valued at fair value. Fair value is the price that would be received between willing market participants. The highest and best use of the asset needs to be considered. Inputs to the valuation techniques in respect of these assets are categorised as the following hierarchy levels:

Level 1 – quoted prices in active markets for identical assets or liabilities that the Council can access at the measurement date.

Level 2 – inputs other than quoted prices that are observable for the asset or liability. For example, market conditions; recent sale prices.

Level 3 – unobservable inputs, for example, assumptions about rent growth; discount rates, etc.

Fair value measurement differentiates between measurements that are recurring i.e. at the end of each period, for example surplus assets and those that are non-recurring measured on particular circumstances, for example assets held for sale.

In the accounts there are approximately 137 Surplus Assets with a recurring fair value of £5.8m. Most of the assets are valued at level 2 inputs, with the exception of one asset which has been valued at £800k using level 3 inputs. For this asset an

adjustment has been made to the level 2 inputs to take into account the condition of the asset.

Community assets are valued on an historic cost basis. These have no determinable useful life and are assets that the Council intend to hold in perpetuity. Examples of community assets are parks and memorials.

Assets under Construction are valued at historic cost until they become operational. When they are brought into use they are revalued on the relevant basis.

Heritage Assets are recognised as such if they are material non-operational assets that are held purely for cultural or knowledge gaining purposes. These assets are recognised at cost or market value, are reviewed for impairment but not depreciated.

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

Assets included in the Balance Sheet at 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:

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

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

1.9.3 Impairment

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is 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.

1.9.4 Depreciation

Depreciation is charged on a straight-line basis on most property, plant and equipment. All asset lives have been identified on an individual basis.

Exceptions are made for:

- Heritage Assets.
- Assets without a determinable finite useful life such as freehold land.
- Assets that are not yet available for use i.e. assets under construction, and assets held for sale.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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.

Depreciation is calculated in the year of acquisition and not in the year of disposal.

1.9.5 Disposals and 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. These assets are measured at the lower of the value they had when it was agreed they would be sold and fair value less costs to sell.

The valuation in the balance sheet can be split as follows:

	£'000
Fair value	842
Carrying value	2,337
Total value in Balance Sheet	3,179

The non-recurring fair value is measured using level 2 in the input hierarchy (refer to note 1.9.2 for explanation of levels). 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 long-term assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations), 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. The criteria for recognising assets as being held for sale are:

- Available for immediate sale in present condition.
- Sale highly probable.
- Actively marketed.
- Sale completion expected within 12 months.

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 section in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10k are categorised as capital receipts. Receipts are required to be credited to the Usable Capital Receipts Reserve, and can then 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 Usable Capital Receipts Reserve from the Council Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of long-term 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.

1.10 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the Council Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year. To ensure this is not a charge against the Council Fund Balance, the expenditure is funded via an adjustment in the Movement in Reserves Statement.

Certain reserves are kept to manage the accounting processes for long-term assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

1.11 Revenue Expenditure Funded from Capital Under Statute

This is expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a Long-Term Asset. It is charged as expenditure to the relevant service line(s) in the Comprehensive Income and Expenditure Statement in the year. Where the Council funds such expenditure from capital resources, a transfer in the Movement in Reserves Statement to the Council Fund Balance from the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

1.12 Government Grants and Other Contributions

Government grants and other contributions relating to capital and revenue expenditure shall be accounted for on an accruals basis and recognised in the Comprehensive Income and Expenditure Statement when there is reasonable assurance that;

- the conditions for their receipt have been/will be complied with; and
- the grant or contribution will be received.

Monies advanced where there is no reasonable assurance of the above two criteria, are held as creditors in the Balance Sheet.

Revenue grants are credited to the relevant service and capital grants are credited to the Taxation and Non-Specific Grant Income section of the Comprehensive Income and Expenditure Statement.

Where a revenue grant has been recognised in the Comprehensive Income and Expenditure Statement but not yet used to fund expenditure, it is set aside as an Earmarked Reserve.

Where a capital grant has been recognised as income but not yet used to finance capital expenditure, it is credited to Capital Grants Unapplied via the Movement in Reserves Statement. Subsequently, when the funds are used, the grant is transferred from Capital Grant Unapplied Account to Capital Adjustment Account.

Where a claim has yet to be signed off by the Wales Audit Office, Balance Sheet values in relation to grants are included on an unaudited draft claim basis.

1.13 Charges to Revenue for Long-Term Assets

Services, support services and trading accounts are debited with the following items to record the cost of holding Long-Term Assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of Intangible Assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. Therefore these charges to the Comprehensive Income and Expenditure Statement are reversed in the Movement in Reserves Statement.

1.14 Minimum Revenue Provision/Provision for the Repayment of Debt

The Local Government Act 2003 requires each local authority to set aside a Minimum Revenue Provision (MRP) for debt redemption. In accordance with the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 the Council's accounting treatment is as follows:

Supported Borrowing: The MRP on supported borrowing is written off on a straight line basis over 40 years, linked (broadly) to the lives of the Council's assets.

Unsupported Borrowing: MRP is charged to the Council Fund Balance as follows:

- Charge in equal instalments (or to match the benefits derived) over the life of the asset created (asset life must be applied for any expenditure capitalised under a Capitalisation Direction).
- Annuity method.
- Charge in accordance with the depreciation of the asset; or
- An alternative appropriate method permitted by the guidance.

Finance Leases: In accordance with MRP guidance issued by the Welsh Government, MRP for finance leases, represents the principal element of repayments made by the Council (refer to Lease policies).

1.15 Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

1.16 Interests in Companies and Other Entities

The Council has interests in companies and other entities which are required to be included in the financial statements.

Amgen Cymru Ltd. and Amgen Rhondda Ltd. meet the criteria of subsidiaries and are represented within Long-Term Assets in the Balance Sheet of the financial statements.

Capita Glamorgan Consultancy Ltd. meets the criteria of an associated company.

Due to materiality, Group financial statements have not been produced. The accounts for Amgen Cymru Ltd., Amgen Rhondda Ltd. and Capita Glamorgan Consultancy Ltd. will be available separately once audited.

The Council participates in various Joint Committee arrangements. In line with materiality considerations, only two of these Joint Committees, Central South Consortium Joint Education Service (CSCJES) and Cardiff Capital Region City Deal (CCRCD), have been included within the Council's financial statements. The consolidation has been done on a line-by-line basis, calculated using a reasonable apportionment methodology.

2.0 Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The additional disclosures that will be required in the 2017/18 and 2018/19 financial statements in respect of accounting changes that are introduced in the 2018/19 Code are:

- IFRS 9 Financial Instruments.
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers.
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses.
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

The 2018/19 Code requires implementation from 1st April 2018 and there is therefore no impact on the 2017/18 Statement of Accounts.

The other narrow scope amendments and IFRIC included in the consultation on the 2018/19 Code listed below:

- IAS40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-16 Cycle, and
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.

The above were not adopted by the EU in time for inclusion in the 2018/19 Code and therefore they have been rolled forward into the development programme for the 2019/20 Code.

It is not anticipated that the above amendments will have a material impact on the Council's Statement of Accounts.

3.0 Critical Judgements in Applying Accounting Policies

In applying the Accounting Policies set out in note 1.0, the Council has had to make certain judgements about complex transactions and those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

3.1 Grants and Contribution Conditions

Judgements are made in terms of conditions attached to both capital and revenue grants. Grants are recognised as income when received/receivable. Unless there are assumptions that conditions of the grant are breached, a return obligation is not recognised. As a result, capital grants received, with no expected return obligation are reflected in the Capital Grants Unapplied Account until they are used to fund the Capital Programme. Similarly, revenue grants received with no expected return obligation that are to be used to fund future years' expenditure are reflected in Earmarked Reserves in the Balance Sheet.

3.2 Voluntary Aided and Voluntary Controlled Schools

The Code confirms that the accounting treatment of local authority maintained schools in England and Wales depends on the balance of control. For voluntary aided schools any long-term assets that are not owned by the Council but by another legal body, such as the Diocese, are not to be shown on the Balance Sheet.

The Balance Sheet includes land at St Margaret's Catholic School and playing fields at both St John Baptist Church in Wales High School and Cardinal Newman Comprehensive School, as ownership lies with the Council. When reviewing the existing criteria, the Council does not consider it has any voluntary controlled schools.

4.0 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

This 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 taking into account historical experience, current trends and other relevant factors. However, because assets and liabilities cannot always be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31st March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

4.1 Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. AON Hewitt is engaged to provide the Council with advice about the assumptions to be applied.

The effects on the net pensions liability of changes in individual assumptions can be measured. However, the assumptions interact in complex ways. During 2017/18, AON Hewitt advised that the funded proportion of the Council's net pensions liability had decreased by £8.1m due to estimates being corrected as a result of experience and decreased by £28.6m attributable to updating of financial assumptions. Refer to note 38.0 for further details.

4.2 Insurance Provision

The Council makes provision for all claims received (but not yet paid) according to the "reserve" value attached to that claim. The reserve value represents the most likely value to settle the claim, not taking into account probability of settlement. Reserve values are provided by the Council's in-house insurance team, claims handlers and loss adjusters depending on the claim type and estimated value of the claim. Motor and property claims are provided for at 100% of the reserve value. Liability claims are provided for at a percentage based on the length of time a claim remains unresolved. This reflects that not all claims received are paid. Some are successfully repudiated. Refer to note 14.0 for further details.

The risks attached to misstatement are that existing claims will change in value (increase or decrease) or be successfully repudiated. An earmarked reserve is established to meet the additional costs relating to the impact of these potential changes in estimates. The earmarked reserve also funds claims or incidents that have occurred but claims are yet to be received. Refer to note 16.2 for further details.

4.3 Property, Plant and Equipment

External valuers undertake formal valuations within a maximum of a 5 year rolling programme to ensure that assets in the Balance Sheet are represented at "current value". Valuations are undertaken in accordance with guidance issued by the Royal Institute of Chartered Surveyors (RICS). Within the computation of the current value valuation, assumptions are made upon the useful lives of assets which could be subject to change in future years.

5.0 Material Items of Income and Expense

The Council has no material items of income or expense that require separate disclosure.

6.0 Events After the Balance Sheet Date

The draft, unaudited Statement of Accounts was authorised for issue by the Group Director Corporate & Frontline Services, as Chief Finance Officer, on 31st May 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31st March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no events that took place after 31st March 2018 requiring disclosure providing information that is relevant to an understanding of the Council's financial position.

7.0 Property, Plant and Equipment

7.1 Movements on Balances

Movements in 2017/18:

	Other Land & Buildings	Infrastructure	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
At 1 st April 2017	650,879	592,367	37,627	4,556	15,620	1,301,049
Joint Committees Opening Balance	0	0	0	0	0	0
Additions	20,464	17,365	4,621	265	48,413	91,128
Donations	0	0	0	0	0	0
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	5,845	0	0	(26)	0	5,819
Revaluation Increases/ (Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(14,362)	0	(90)	(401)	0	(14,853)
Derecognition – Disposals	(1,557)	0	(3,914)	0	0	(5,471)
Derecognition – Other	(1,911)	0	(1,439)	0	0	(3,350)
Assets Reclassified (to)/from Held for Sale	1,000	0	0	0	0	1,000
Other Reclassifications	(26)	(442)	0	26	0	(442)
Other Movements in Cost or Valuation	0	0	0	0	0	0
At 31st March 2018	660,332	609,290	36,805	4,420	64,033	1,374,880

Continued Overleaf...

Accumulated Depreciation and Impairment						
At 1 st April 2017	(62,882)	(161,344)	(28,012)	(478)	0	(252,716)
Joint Committees Opening Balance	0	0	0	0	0	0
Depreciation Charge	(12,600)	(16,308)	(4,452)	0	0	(33,360)
Depreciation Written Out of the Revaluation Reserve	3,023	0	0	0	0	3,023
Depreciation Written Out to the Surplus/Deficit on the Provision of Service	753	0	90	0	0	843
Impairment (Losses)/Reversals Recognised in the Revaluation Reserve	(6,689)	0	0	0	0	(6,689)
Impairment (Losses)/Reversals Recognised in the Surplus/Deficit on the Provision of Services	(7,255)	0	(1,440)	(265)	0	(8,960)
Derecognition – Disposals	27	0	3,833	0	0	3,860
Derecognition – Other	1,525	0	1,439	0	0	2,964
Assets Reclassified (to)/from Held for Sale	0	0	0	0	0	0
Other Reclassifications	0	0	0	0	0	0
Other Movements in Cost or Valuation	0	0	0	0	0	0
At 31st March 2018	(84,098)	(177,652)	(28,542)	(743)	0	(291,035)
Net Book Value:						
At 31st March 2018	576,234	431,638	8,263	3,677	64,033	1,083,845
At 31st March 2017	587,997	431,023	9,615	4,078	15,620	1,048,333

7.2 Capital Commitments

At 31st March 2018 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years, budgeted to cost £74.5m. Similar commitments at 31st March 2017 were £54.0m.

The material contract values as at 31st March 2018 are:

Scheme	£'000
Porth Community School	3,009
Treorchy Comprehensive School	3,214
Tonypandy Community School (Ysgol Nantgwyn)	10,186
Tonyrefail Community School	20,934
Taff Vale Development	37,171
Total	74,514

7.3 Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. Valuations are carried out by the Council's appointed valuer. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the current values are:

- Valuations include the cost of construction on a modern equivalent basis.
- The cost has been depreciated to account for the age and future economic life of the buildings.
- Valuations are subject to the prospect and viability of the continuance of the occupation and use of the property.

8.0 Long-Term Intangible Assets

The Council accounts for its software and licences as Intangible Assets, to the extent that the software and licences are not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

The Council pays for licences and software in respect of two key financial systems: the payroll system and the accounting system. The cost of these systems is written off over five years.

All software and licences are given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The carrying amount of Long-Term Intangible Assets is amortised on a straight-line basis. The amortisation charge for Long-Term Intangible Assets during 2017/18 was £1.3m.

The movement on Long-Term Intangible Asset balances during the year is as follows:

	2016/17	2017/18			
	Total	Purchased Software Licences	Licences, Trade Marks and Artistic Originals	Carbon Reduction Commitment	Total
	£'000	£'000	£'000	£'000	£'000
Balance at start of year					
Gross Carrying Amounts	13,284	5,800	8,725	128	14,653
Accumulated Amortisation	(10,658)	(4,988)	(6,868)	0	(11,856)
Net carrying amount at start of year	2,626	812	1,857	128	2,797
Additions: Purchases	1,746	41	1,226	0	1,267
Transfers	(377)	291	0	(128)	163
Amortisation for the Period	(1,198)	(295)	(970)	0	(1,265)
Net Carrying Amount at end of year	2,797	849	2,113	0	2,962
Gross Carrying Amounts	14,653	6,132	9,951	0	16,083
Accumulated Amortisation	(11,856)	(5,283)	(7,838)	0	(13,121)
Total	2,797	849	2,113	0	2,962

There are no items of capitalised Long-Term Intangible Assets that are individually material to the financial statements.

9.0 Financial Instruments

9.1 Categories of Financial Instruments

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

Assets	Long-Term		Current	
	31/03/17	31/03/18	31/03/17	31/03/18
	£'000	£'000	£'000	£'000
Investments: Loans and Receivables	1,000	4,750	13,752	14,591
Debtors: Financial Assets Carried at Contract Amounts	1,385	1,259	51,185	59,016
Total	2,385	6,009	64,937	73,607

Liabilities	Long-Term		Current	
	31/03/17	31/03/18	31/03/17	31/03/18
	£'000	£'000	£'000	£'000
Borrowings: Financial Liabilities at Amortised Cost	193,872	193,889	39,997	78,926
Finance Lease Liabilities	386	385	1	1
Creditors: Financial Liabilities at Amortised Cost	0	0	14,750	11,565
Total	194,258	194,274	54,748	90,492

The value of creditors in the table relates to invoices authorised for payment by the Council but remaining unpaid at year-end. This balance is included within the Balance Sheet heading *Short-Term Creditors*.

9.2 Income, Expense, Gains and Losses

	2016/17			2017/18		
	Financial Liabilities Measured at Amortised Cost	Financial Assets: Loans and Receivables	Total	Financial Liabilities Measured at Amortised Cost	Financial Assets: Loans and Receivables	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest Expense	10,446	0	10,446	9,760	0	9,760
Impairment Losses	0	0	0	0	0	0
Total Expense in (Surplus) or Deficit on the Provision of Services	10,446	0	10,446	9,760	0	9,760
Interest Income	0	(123)	(123)	0	(117)	(117)
Interest Income Accrued on Impaired Financial Assets	0	0	0	0	0	0
Total Income in (Surplus) or Deficit on the Provision of Services	0	(123)	(123)	0	(117)	(117)
Net (Gain)/Loss for the Year	10,446	(123)	10,323	9,760	(117)	9,643

9.3 Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cashflows over the whole life of the instrument at the appropriate market rate for Local Authority loans.

- No early repayment or impairment is recognised.
- Where a financial instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

The fair values calculated are as follows:

	31/03/17		31/03/18	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt	111,060	180,213	111,060	173,225
Market Debt	87,547	144,250	85,539	136,001
Local Authority Debt	35,016	35,018	76,078	76,078
Other Debt	246	246	138	138
Finance Lease	387	387	386	386
Trade Creditors	14,750	14,750	11,565	11,565
Total	249,006	374,864	284,766	397,393

	31/03/17		31/03/18	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and Receivables	14,660	14,752	22,060	22,065

The fair values for PWLB debt and market debt have been calculated using level 2 in the fair value hierarchy. Please see note 1.9.2 in the accounting policies for the explanation of these levels.

9.4 Nature and Extent of Risks Arising from Financial Instruments

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

Key Risks

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Refinancing and Maturity Risk – the possibility that the Council may be required to renew a financial instrument on maturity at less favourable interest rates or terms.
- Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

9.5 Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of the financial markets and implementing restrictions to minimise these risks. The procedures for risk management are defined in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. This Council complies with these requirements by:

- Formally adopting the requirements of the Code of Practice.
- By adopting a Treasury Management Policy Statement and Treasury Management Clauses being incorporated into Financial Procedure Rules.
- Approving annually in advance Prudential and Treasury Indicators for the following three years.
- Approving an Investment Strategy for the forthcoming year setting out criteria for both investing and selecting investment counterparties in compliance with guidance from the Welsh Government.

These are required to be reported and approved before the start of the year to which they relate. The Treasury Management Strategy outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is reported in a mid-year review to Members, in addition to a full year review and also included within quarterly performance reports.

Policies are implemented by a corporate Treasury Management team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash through Treasury Management Practices (TMPs). The TMPs are a requirement of the Code of Practice and are reviewed periodically.

The Treasury Management Strategy is available on the Council's website.

9.6 Credit Risk

Credit Risk arises from deposits with banks and financial institutions as well as credit exposures to the Council's customers.

This risk is minimised through the Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. Such criteria include credit ratings assigned by credit ratings agencies. The Investment Strategy also imposes a maximum amount and duration to be invested with a financial institution. The Council undertakes appropriate due diligence and puts in place appropriate security arrangements when lending to organisations. There are also other criteria and controls in place regarding counterparty selection, further details of which can be found in the approved Treasury Management Strategy.

The following analysis summarises the Council's potential maximum exposure to credit risk. The default rates give details of the Council's experience of its customer collection levels.

	31/03/18	Historical Experience of Default	Adjustment for Market Conditions at 31/03/18	Estimated Maximum Exposure to Default at 31/03/18	Estimated Maximum Exposure to Default at 31/03/17
	(a)	(b)	(c)	(a*c)	
	£'000	%	%	£'000	£'000
Deposits with Government Departments & Local Authorities	22,065	0	0	0	0
Trade Debtors	11,202	0.57	0.57	64	57

The 0.57% Historical Experience of Default represents debt written off in 2017/18 expressed as a percentage of invoices raised during that year. This percentage is not the basis of the Bad Debt Provision, which is calculated using various percentages designed to reflect the risk of debts of various ages not being collectable, as opposed to the far lower rate of actual write-offs for the year.

Investments with the Debt Management Office and other Government backed public bodies have the rating applicable to Government borrowing.

The Council does not generally allow credit for its trade debtors. However, £3.3m of the £11.2m balance is debt greater than 30 days old. This debt can be analysed as follows:

	31/03/17	31/03/18
	£'000	£'000
Less than 3 months	803	919
3 – 6 months	299	795
6 months to 1 year	313	254
More than 1 year	1,125	1,288
Total	2,540	3,256

9.7 Liquidity Risk

The Council manages its liquidity position through effective cash flow management procedures.

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and whilst the PWLB provides access to longer-term funds, it also acts as a lender of last resort to Councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to produce a balanced budget in accordance with the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

9.8 Refinancing and Maturity Risk

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

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

This includes;

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day-to-day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of the principal value of the Rhondda Cynon Taf CBC element of financial liabilities is as follows:

	31/03/17	31/03/18
	£'000	£'000
Less than 1 year	38,649	76,133
Between 1 and 2 years	1	6
Between 2 and 5 years	6	2
Between 5 and 10 years	552	552
More than 10 years	194,627	194,627
Total	233,835	271,320

The maturity analysis of financial assets is as follows:

	31/03/17	31/03/18
	£'000	£'000
Maturity greater than one year	5,000	4,750
Maturity less than one year	9,660	17,310

Trade Debtors are not included in the table above.

9.9 Market Risk

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact upon the Council, depending how variable and fixed rates move across differing financial instrument periods.

The Council has a number of 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 the strategy, a treasury indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central Treasury team, together with the appointed Treasury Management Advisors, monitor market and forecast interest rates within the year to adjust the Council's exposures appropriately.

If all interest rates had been 1% higher (with all other variables being constant) the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	2
Increase in interest receivable on variable rate investments	N/A
Impact on Comprehensive Income and Expenditure Statement	2
Decrease in fair value of fixed rate borrowing liabilities (no impact on CI&ES)	52,665

The approximate impact of a 1% fall in interest rates would also be as above.

10.0 Short-Term Debtors

An analysis of Short-Term Debtors in the Balance Sheet is as follows:

31/03/17		31/03/18
£'000		£'000
27,543	Central Government Bodies	31,349
3,407	Other Local Authorities	4,471
3,643	NHS Bodies	4,329
59	Public Corporations and Trading Funds	1257
16,533	Other Entities and Individuals	17,610
51,185	Total	59,016

11.0 Cash and Cash Equivalents

The Cash and Cash Equivalents are made up of the following elements:

31/03/17		31/03/18
£'000		£'000
2,399	Cash Held by the Council	7,382
(16,646)	Bank Current Accounts	(14,352)
(14,247)	Total Cash and Cash Equivalents	(6,970)

Short-term cash surpluses are invested in line with investment strategy and are represented in the Balance Sheet as "Short-Term Investments". Bank Current Accounts represent the position of the bank account as at 31st March 2018 adjusted for unrepresented cheques.

12.0 Assets Held for Sale

The movement on Assets Held for Sale is as follows:

	2016/17	2017/18
	£'000	£'000
Balance at 1st April	5,411	4,215
Assets Newly Classified as Held for Sale:		
Property, Plant and Equipment	0	0
Revaluation Gains	1,593	17
Impairment Losses	(2)	0
Assets Declassified as Held for Sale:		
Property, Plant and Equipment	(532)	(1,000)
Assets Sold	(2,255)	(53)
Balance at 31st March	4,215	3,179

Assets Held for Sale are included in the projected receipts the Council uses in its forecasts of funding for the capital programme. Actual receipts may vary from those levels projected.

13.0 Short-Term Creditors

An analysis of Short-Term Creditors in the Balance Sheet is as follows:

31/03/17		31/03/18
£'000		£'000
(13,400)	Central Government Bodies	(8,487)
(5,936)	Other Local Authorities	(6,963)
(1,789)	NHS Bodies	(1,692)
(37)	Public Corporations and Trading Funds	(11)
(57,973)	Other Entities and Individuals	(60,784)
(79,135)	Total	(77,937)

14.0 Provisions

Provisions are amounts set aside for specific future costs, which are likely to be incurred, but the amount or timing of which cannot be determined accurately. Provisions for bad debts are shown as a deduction from debtors.

Movements in provisions during the year were:

Short-Term Provision	Land Purchases and Part 1 Claims	Insurance Claims	Equal Pay	Total
	£'000	£'000	£'000	£'000
Balance at 1st April 2017	(908)	(2,302)	(98)	(3,308)
Additional provisions made in 2017/18	(5)	(1,580)	0	(1,585)
Amounts used in 2017/18	373	1,709	98	2,180
Unused amounts reversed in 2017/18	0	593	0	593
Balance at 31st March 2018	(540)	(1,580)	0	(2,120)

Long-Term Provision	Insurance Claims	Joint Committees	Total
	£'000	£'000	£'000
Balance at 1st April 2017	(703)	0	(703)
Additional provisions made in 2017/18	(3,236)	(284)	(3,520)
Amounts used in 2017/18	1,976	0	1,976
Unused amounts reversed in 2017/18	297	0	297
Balance at 31st March 2018	(1,666)	(284)	(1,950)

15.0 Other Long-Term Liabilities

An analysis of Other Long-Term Liabilities is given in the following table:

31/03/17		31/03/18
£'000		£'000
(579,048)	Pension Liability (IAS19)	(612,818)
(8,304)	Opencast Works Redevelopment Bonds	(195)
(1,827)	Other	(394)
(589,179)	Total	(613,407)

16.0 Usable Reserves

31/03/17			31/03/18
£'000			£'000
10,720	Council Fund Balance		10,720
62,778	Capital, Treasury and Insurance Reserves	16.2	65,096
63,153	Other Revenue Related Reserves	16.2	64,141
2,130	Delegated Schools Reserve		3,397
1,443	Usable Capital Receipts Reserve	16.3	1,127
8,572	Capital Grant Unapplied Account	16.4	7,396
144	MGCC Insurance Reserve		173
148,940	Total Usable Reserves		152,050

16.1 Council Fund Balance

Council Fund Balances are accumulated working balances and relate to general fund services. These exclude "ring-fenced" Council services such as Delegated Schools.

There were no movements in the Council Fund Balance during 2017/18.

16.2 Earmarked Reserves

This note sets out the amounts set aside from the Council Fund Balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet Council Fund expenditure in 2017/18. All earmarked reserves are deemed to be revenue reserves.

Capital, Treasury and Insurance Reserves

Reserve	Purpose	Balance at	Transfers	Transfers	Balance at
		31/03/17	Out	In	31/03/18
		£'000	£'000	£'000	£'000
Capital Developments	Resources set-aside from revenue budget, earmarked to fund the Council's approved 3-year capital programme.	47,006	(16,098)	22,792	53,700
Treasury Management Reserve	Funding for known and potential future pressures upon the Capital Financing budget.	2,452	0	13	2,465
Insurance Reserve	To provide for estimated costs of incidents that have occurred during the policy year but have not yet resulted in a claim being received.	13,320	(4,491)	102	8,931
Total		62,778	(20,589)	22,907	65,096

Other Revenue Related Reserves

Reserve	Purpose	Balance at	Transfers	Transfers	Balance at
		31/03/17	Out	In	31/03/18
		£'000	£'000	£'000	£'000
Revenue Budget Strategy 2017/18	Medium Term Financial Planning & Service Transformation (transitional funding) released to fund the 2017/18 budget.	1,433	(1,433)	0	0
Revenue Budget Strategy 2018/19	Medium Term Financial Planning & Service Transformation (transitional funding) to be released to fund the 2018/19 budget.	0	0	1,022	1,022
Joint Committee Reserve	Reflects the Council's share of General and Earmarked Reserves of the Joint Committees in which it has an interest.	121	(85)	71	107
Revenue Grant Reserves (IFRS)	Carry forward of Revenue Grants not yet applied to spend - required accounting treatment to comply with International Financial Reporting Standards.	2,515	(2,515)	3,021	3,021
Financial Management and Human Resources Risk Management	Resources set aside as cover for future liabilities relating to various risks identified and being managed.	34,519	(17,442)	12,689	29,766
Investment / Infrastructure	To fund current and future costs of maintaining and enhancing infrastructure across the County Borough	3,628	(3,628)	6,855	6,855
Prior Year Commitments	Carry forward of existing funding to finance projects for which commitments have already been made in the prior year.	12,127	(5,282)	5,112	11,957
Medium Term Financial Planning and Service Transformation	Resources set aside as transitional (one-off) funding to support the Council's medium-term financial and service planning requirements.	5,484	(1,022)	203	4,665
Other Specific Reserves	Represents a number of reserves held for specific and identified purposes.	3,326	(1,693)	2,059	3,692
Invest to Save	Funding identified (pump priming) to support Invest to Save opportunities as and when they arise.	0	0	3,056	3,056
Total		63,153	(33,100)	34,088	64,141

16.3 Usable Capital Receipts Reserve

The Usable Capital Receipts Reserve is the proportion of capital receipts that may be used to finance capital expenditure.

The movements on the reserve are as follows:

2016/17		2017/18
£'000		£'000
485	Balance as at 1st April	1,443
	<u>Receipts during the year:</u>	
4,347	Sale of assets	725
1	Mortgage repayments	22
11	Repayment of discount (Right to Buys)	5
	<u>Application during the year:</u>	
(3,401)	Financing of capital expenditure	(1,068)
1,443	Balance as at 31st March	1,127

16.4 Capital Grant Unapplied Account

The Capital Grant Unapplied Account consists of Capital Grants and Contributions received and credited to Comprehensive Income and Expenditure Statement but not yet applied to fund capital expenditure. It represents resources available to fund future capital expenditure. It is assumed that the conditions of grants held within this account will be met.

2016/17		2017/18
£'000		£'000
6,623	Balance at 1st April	8,572
22,637	Grants received	34,152
(20,688)	Grants utilised to fund capital expenditure	(35,328)
8,572	Balance at 31st March	7,396

17.0 Unusable Reserves

These are reserves established as a result of various regulations to ensure costs chargeable to Council Tax are appropriate. They do not represent resources available for the general use of the Council.

31/03/17			31/03/18
£'000			£'000
196,695	Revaluation Reserve	17.1	192,742
11	Deferred Capital Receipts Reserve		6
450,463	Capital Adjustment Account	17.2	465,403
(5,719)	Financial Instruments Adjustment Account	17.3	(5,656)
(579,048)	Pensions Reserve	17.4	(612,818)
(98)	Unequal Pay Back Pay Account		0
(4,980)	Short-Term Accumulating Compensated Absence Account		(55)
57,324	Total Unusable Reserves		39,622

17.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are;

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation;
or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2016/17 £'000		2017/18	
		£'000	£'000
214,171	Balance at 1st April	196,695	
13,346	Upward revaluation of assets	13,583	
(24,697)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(11,412)	
202,820	Surplus or Deficit on revaluation of Long-Term Assets not posted to the Surplus or Deficit on the Provision of Services		198,866
(5,199)	Difference between Current Value Depreciation and Historical Cost Depreciation	(4,781)	
(926)	Accumulated Gains on Assets sold or scrapped	(1,343)	
(6,125)	Amount written off to the Capital Adjustment Account		(6,124)
196,695	Balance at 31st March		192,742

17.2 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of Long-Term Assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

This account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

2016/17		2017/18	
		£'000	£'000
452,176	Balance at 1st April	450,463	
	Reversal of items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(44,575)	Charges for depreciation and impairment of Long-Term Assets*	(40,326)	
(15,755)	Revaluation losses on Property, Plant and Equipment	(15,955)	
(1,385)	Amortisation of Intangible Assets	(1,266)	
(8,476)	Revenue Expenditure Funded from Capital Under Statute	(12,999)	
(2,522)	Amounts of Long-Term Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,664)	
24	Adjusted items written out of revenue for joint committees	0	
6,125	Adjusted items written out of the Revaluation Reserve	6,124	
385,612	Net written out amount of the cost of Long-Term Assets consumed in the year		384,377
	Capital Financing Applied in the Year:		
3,401	Use of the Capital Receipts Reserve to finance new Capital Expenditure	1,068	
22,637	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	34,152	
(1,949)	Application of grants to capital financing from the Capital Grants Unapplied Account	4,977	
11,732	Statutory provision for the financing of capital investment charged against the Council Fund	11,054	
28,777	Capital Expenditure charged against the Council Fund	29,797	
(1)	Private mortgage repayments	(22)	
64,597			81,026
254	Movement in the Donated Assets Account Credited to the Comprehensive Income and Expenditure Statement		0
450,463	Balance at 31st March		465,403

* Charges for depreciation and impairment of long-term assets include credits representing reversal of accumulated depreciation and impairment, and debits representing in year changes.

17.3 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account represents the accumulated difference between the financing costs included in the Comprehensive Income and Expenditure Statement and the accumulated financing costs required in accordance with regulations to be charged to the Council Fund Balance. As at 31st March 2018 there was a credit balance of £5.7m (credit balance of £5.7m as at 31st March 2017).

17.4 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits are due to be paid.

2016/17		2017/18
£'000		£'000
(515,545)	Balance at 1st April	(579,048)
(44,592)	Actuarial gains or (losses) on Pensions Assets and Liabilities	(12,186)
(49,740)	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	(56,964)
30,829	Employer's pensions contributions and direct payments to pensioners payable in the year	35,380
(579,048)	Balance at 31st March	(612,818)

18.0 Cash Flow Statement – Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements

2016/17		2017/18
£'000		£'000
(60,330)	Depreciation and Impairment	(56,281)
(1,385)	Amortisation	(1,266)
2,533	(Increase)/Decrease in Creditors	(2,526)
862	Increase/(Decrease) in Debtors	7,705
15	Increase/(Decrease) in Stock	(98)
(15,991)	Movement in Pension Liability	(7,749)
2,067	Contribution to Provisions	225
(1,554)	Short-Term Accumulated Absence Accrual	4,925
2,515	Revenue Grant Earmarked Reserves	3,021
(2,522)	Carrying amount of Long-Term Assets and Assets Held For Sale, sold or derecognised	(1,664)
1,949	Capital Grants Unapplied	(1,176)
(8,476)	Revenue Expenditure Funded from Capital Under Statute	(12,999)
7,374	Other non-cash items charged to the Net (Surplus) or Deficit on the Provision of Services	(12,885)
(72,943)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	(80,768)

19.0 Cash Flow Statement - Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities

2016/17		2017/18
£'000		£'000
4,347	Proceeds from the sale of Property, Plant & Equipment, Investment Property and Intangible Assets	725
16,170	Any other items for which the cash effects are investing or financing cash flows	33,164
20,517		33,889

20.0 Cash Flow Statement – Interest within Operating Activities

The following table details interest received and interest paid included within 'Net Cash Flows from Operating Activities' on the Cash Flow Statement.

2016/17		2017/18
£'000		£'000
(123)	Interest received	(117)
10,446	Interest paid	9,760
10,323	Interest within Operating Activities	9,643

21.0 Cash Flow Statement - Investing Activities

2016/17		2017/18
£'000		£'000
85,692	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	100,643
(14,002)	Purchase and Redemption of Short-Term and Long-Term Investments	4,888
(4,347)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(725)
(19,548)	Other receipts from Investing Activities	(28,805)
47,795	Net Cash Flows from Investing Activities	76,001

22.0 Cash Flow Statement - Financing Activities

2016/17		2017/18
£'000		£'000
(74,900)	Cash receipts of Short and Long-Term Borrowing	(76,000)
22,361	Cash payments for the reduction of the outstanding liabilities relating to Finance Leases	1
40,045	Repayments of Short and Long-Term Borrowing	35,023
(12,494)	Net Cash Flows from Financing Activities	(40,976)

23.0 Notes to the Expenditure and Funding Analysis

23.1 Adjustments between Funding and Accounting Basis 2016/17

Adjustments from Council Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes £'000s	Net change for the Pensions Adjustments £'000s	Other Differences £'000s	Total Adjustments £'000s
Corporate & Frontline Services	9,683	2,137	9,143	20,963
Chief Executive's Division	364	(47)	(440)	(123)
Education & Lifelong Learning Services	16,067	(241)	621	16,447
Community & Childrens Services	11,232	(327)	(1,746)	9,159
Authority Wide Budgets	(16,159)	(2)	(31,516)	(47,677)
Joint Committees	0	0	3,145	3,145
Net Cost of Services	21,187	1,520	(20,793)	1,914
Other income and expenditure from the Expenditure and Funding Analysis	(17,994)	17,510	20,082	19,598
Difference between Council Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services	3,193	19,030	(711)	21,512

Adjustments between Funding and Accounting Basis 2017/18

Adjustments from Council Fund to Arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes £'000s	Net change for the Pensions Adjustments £'000s	Other Differences £'000s	Total Adjustments £'000s
Corporate & Frontline Services	11,058	1,244	4,049	16,351
Chief Executive's Division	3,786	438	1,263	5,487
Education & Lifelong Learning Services	15,661	2,218	(7,050)	10,829
Community & Childrens Services	13,787	2,939	(1,018)	15,708
Authority Wide Budgets	(19,387)	2	(26,161)	(45,546)
Joint Committees	0	0	174	174
Net Cost of Services	24,905	6,841	(28,743)	3,003
Other income and expenditure from the Expenditure and Funding Analysis	(29,363)	14,589	16,348	1,574
Difference between Council Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services	(4,458)	21,430	(12,395)	4,577

Details of the total adjustments above are within the Movement in Reserves Statement.

23.2 Expenditure and Income Analysed by Nature

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

	2016/17 £'000	2017/18 £'000
Expenditure		
Employee Benefits Expenses	313,498	289,785
Other Services Expenses	326,066	364,784
Depreciation, Amortisation and Impairment	68,407	70,595
Interest Payments	10,446	9,760
Precepts and Levies	28,591	29,877
Loss on the Disposal of Assets	0	938
Total Expenditure	747,008	765,739
Income		
Fees, Charges and Other Service Income	(233,709)	(248,631)
Interest and Investment Income	(123)	(117)
Income from Council Tax and NNDR	(190,345)	(200,215)
Gain on the Disposal of Assets	(1,824)	0
Government Grants and Contributions	(299,494)	(312,199)
Total Income	(725,495)	(761,162)
(Surplus) or Deficit on the Provision of Services	21,513	4,577

24.0 Acquired and Discontinued Operations

There have been no material acquired or discontinued operations in the year.

25.0 Agency Services

The Council collects Non-Domestic Rates (NDR) on an agency basis for the Welsh Government. These monies are then redistributed to all Welsh Local Authorities. Please refer to note 31.0 for further details on NDR.

26.0 Road Charging Schemes

The Council does not operate a scheme of road user charging or workplace parking levy under the Transport Act 2000.

27.0 Members' Allowances

The Local Authorities (Allowances for Members of County and County Borough Councils and National Parks Authorities) (Wales) Regulations 2002, require authorities to make public their schemes for Members' allowances and to disclose annually amounts paid to each Member under such schemes.

During the year the Council paid the following amounts in respect of basic allowances, special responsibility allowances and dependent care allowances to 75 Members (excluding employer's national insurance contributions, employer's pension contribution and other associated costs).

	2016/17	2017/18
	£'000	£'000
Allowances	1,262	1,285
Expenses	12	12
Total	1,274	1,297

Details of all remuneration and allowances paid annually by the Council to each Councillor and Co-opted Member will be published on the Council's website following the end of each financial year.

28.0 Officers' Remuneration

Statutory guidance issued by Welsh Ministers recommends the use of pay multipliers as a means of measuring the relationship between pay rates across the workforce and that of senior managers, as included within the Hutton 'Review of Fair Pay in the Public Sector' (2010).

Rhondda Cynon Taf's remuneration ratio is 1:7 with the median salary being £19,939. This is the ratio between the Chief Executive's pay and the median earnings of the workforce within the Council, using current pay levels.

Under the Accounts and Audit (Wales) Regulations 2014 (as amended), local authorities must disclose in their accounts the number of employees whose remuneration in the year fell in each bracket of a scale in multiples of £5,000 commencing at £60,000 (excluding employer pension contributions). The disclosure includes redundancy payments.

During 2017/18 the Council paid 10,213 employees (10,452 2016/17), paying total remuneration of £220m (excluding employer's national insurance and pension contributions) (£221m 2016/17). Within this, the following remuneration payments were made within the categories specified:

Remuneration Band	2016/17	2017/18		
	No. of Employees	No. of Employees		
	Total	At 31/03/18	Left in Year	Total
£60,000 - £64,999	58	59	3	62
£65,000 - £69,999	24	24	1	25
£70,000 - £74,999	11	11	0	11
£75,000 - £79,999	3	7	1	8
£80,000 - £84,999	9	0	0	0
£85,000 - £89,999	3	8	0	8
£90,000 - £94,999	3	3	0	3
£95,000 - £99,999	0	0	0	0
£100,000 - £104,999	0	0	1	1
£105,000 - £109,999	3	0	0	0
£110,000 - £114,999	0	1	0	1
£115,000 - £119,999	0	1	0	1
£120,000 - £124,999	0	0	0	0
£125,000 - £129,999	0	0	0	0
£130,000 - £134,999	0	0	0	0
£135,000 - £169,999	0	0	0	0
Total	114	114	6	120

Officers employed by Voluntary Aided Schools have been excluded.

Salary costs for Joint Committees are not included in the above note, but can be found in the relevant Joint Committee Statement of Accounts.

However, a percentage of Joint Committee salaries has been consolidated into the Net Cost of Services within the Comprehensive Income and Expenditure Statement.

The above table excludes specific Senior Officers, disclosed in the following table.

The following table sets out the remuneration for specific Senior Officers whose salary is less than £150k but greater than £60k. There are no Senior Officers whose salary is greater than £150k. Employer pension contributions are included.

Post Holder Information (Post Title)	2016/17			2017/18				
	Total Remuneration	Total Employer Pension Contributions	Total Remuneration Including Employer Pension Contributions	Salary	Taxable Benefits in Kind	Total Remuneration	Total Employer Pension Contributions	Total Remuneration Including Employer Pension Contributions
	£'000			£'000				
Chief Executive	143	31	174	145	0	145	36	181
Group Director Corporate & Frontline Services	114	25	139	116	0	116	29	145
Group Director, Community & Children's Services	114	25	139	116	0	116	29	145
Director of Education & Lifelong Learning	86	0	86	87	0	87	0	87
Director of Human Resources to 30/11/2017	55	12	67	38	9	47	0	47
Director of Human Resources wef 01/12/2017	0	0	0	31	0	31	8	39
Director of Legal & Democratic Services	93	20	113	94	0	94	23	117
Director of Legal & Democratic Services Returning Officer	21	0	21	6	0	6	0	6
Service Director - Legal Services to 31/12/2016	56	12	68	0	0	0	0	0
Director of Regeneration & Planning	86	19	105	89	0	89	22	111

Continued Overleaf...

Director - Highways and Streetcare Services	85	19	104	86	0	86	22	108
Director of Corporate Estates & Procurement	93	20	113	93	0	93	23	116
Service Director - Cabinet Office & Public Relations	66	14	80	66	17	83	0	83
Service Director - Public Health & Protection to 30/11/2017	75	16	91	50	0	50	13	63
Director of Public Health, Protection & Community Services wef 01/12/2017	0	0	0	29	0	29	7	36

The table above represents the Senior Leadership Team for Rhondda Cynon Taf CBC. Disclosure of Senior Officer remuneration of Joint Committees are included in the relevant Joint Committee Statement of Accounts.

29.0 Severance Costs

This note provides details of the cost of severance to the Council in respect of employees who have left the employment of the Council during the financial year (costs do not reflect the value of the severance received by the individual as it includes pension strain). All costs incurred are in line with the Council's relevant and applicable schemes of termination and as required under relevant Pension Fund Regulations where applicable, with each decision being based upon and supported by a business case.

The number and costs (in bandings) of compulsory and other terminations are set out in the table below

Severance Cost Band	Number of Compulsory Terminations		Number of Other Terminations		Total Number of Terminations		Total Cost of Severance	
	£	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	£'000
£0 - £20,000	15	18	235	186	250	204	1,792	1,212
£20,001 - £40,000	8	2	71	40	79	42	2,160	1,215
£40,001 - £60,000	1	2	9	11	10	13	517	677
£60,001 - £80,000	2	1	9	4	11	5	791	329
£80,001 - £100,000	1	1	3	6	4	7	349	647
£100,001 - £150,000	3	1	2	7	5	8	649	940
£150,001 - £200,000	2	0	0	4	2	4	360	666
Total	32	25	329	258	361	283	6,618	5,686

During 2017/18, the Council saved annual payroll costs of £3,823k (£5,437k 2016/17) through Voluntary Redundancy and Voluntary Early Retirement.

Severance Costs for Joint Committees are not included in the above note, but can be found in the relevant Joint Committee Statement of Accounts.

However, a percentage of Joint Committee severance costs has been consolidated into the Net Cost of Services within the Comprehensive Income and Expenditure Statement.

30.0 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims, statutory inspections and other services provided by the Council's external auditors:

	2016/17	2017/18
	£'000	£'000
Fees Payable to the Auditor General for Wales		
External audit services carried out by the Statutory Auditor for the year	255	250
Local Government Measure Work	94	94
Certification of Grant Claims and Returns for the year	100	100
Total	449	444

31.0 Non-Domestic Rates

The level of Non-Domestic Rates (NDR) is based on a “multiplier” set nationally by the Welsh Government, multiplied by the rateable value of a particular property. This calculation will give the property a rate liability for the year. The multiplier for 2017/18 was 49.9p (48.6p for 2016/17). The total rateable value as at 31st March 2018 was £129.3m (£129.0m as at 31st March 2017).

The Council is responsible for collecting the business rates in its area and pays the proceeds into the NDR pool administered by the Welsh Government. The Welsh Government redistributes total collections back to local authorities on the basis of a fixed amount per head of population. Total NDR collected from ratepayers in respect of 2017/18 rates is £49.9m (£52.3m in 2016/17). The contribution back to the Council from the pool in the year amounted to £76.4m (£70.5m in 2016/17) and the amount paid to the pool amounted to £49.4m (£53.6m in 2016/17). As the Council acts as an agent collecting income on behalf of the Welsh Government, the income collected is not recognised as income in the Comprehensive Income and Expenditure Statement.

32.0 Council Tax

Council Tax income derives from charges raised according to the value of residential properties. Charges are calculated by taking the amount of income required for Rhondda Cynon Taf CBC, the Police and Crime Commissioner for South Wales and the Community Councils for the year, and dividing this amount by the Council Tax base.

The Council Tax base for 2017/18 was calculated to be £74,978.22 (compared with £74,301.87 for 2016/17). This represents the anticipated yield for every £1 of council tax levied.

The base is calculated by placing properties in ten bands (A*-I). After allowing for discounts and exemptions, these are then converted to the equivalent number of Band D properties, using the appropriate multiplier as below:

Band	A*	A	B	C	D	E	F	G	H	I
No. of Properties	227	37,937	21,387	14,420	8,130	5,993	3,050	1,057	172	29
Multiplier	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	21/9

The resultant number of Band D properties is reduced by a percentage to reflect anticipated non-collection. The target collection rate for 2017/18 was 97.5%.

An analysis of the net proceeds from Council Tax is shown as follows:

Council Tax Analysis	2016/17	2017/18
	£'000	£'000
Council Tax Collectable	119,893	123,802
Net Proceeds from Council Tax	119,893	123,802
Less Payable:		
Police and Crime Commissioner for South Wales	(15,444)	(16,363)
Community Councils	(1,776)	(1,829)
Total	102,673	105,610

33.0 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18:

33.1 Credited to Services

A number of grants and contributions have been recognised as income within Net Cost of Services. This income amounts to £202m in 2017/18 (in 2016/17 these grants and contributions amounted to £157m).

33.2 Capital Grants Receipts in Advance

All Capital Grants received have been recognised as income within the Comprehensive Income and Expenditure Statement.

34.0 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.

34.1 Welsh Government

The Welsh Government is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills).

	2016/17	2017/18
	£'000	£'000
Non-Ringfenced Government Grants	(283,324)	(279,035)
Capital Grants and Contributions	(16,170)	26,697
Credited to Services	(138,046)	(141,431)
Total	(437,540)	(393,769)

34.2 Chief Officers and Members

Members of the Council

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 website.

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 Council. Membership details are available from the Director of Legal & Democratic Services, The Pavilions, Clydach Vale.

During 2017/18 there were no Members identified as having a controlling interest in any company commissioned to supply works or services to the Council of any material value. However, Members have identified interests with organisations with which the Council has had financial transactions during 2017/18. The value of these transactions amounted to payments of £1,398k, of which £9k was outstanding at year end, and receipts of £365k, of which £39k was outstanding at year end.

Chief Officers (Senior Leadership Team)

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. Most professional bodies also have codes of professional conduct to which members of those bodies are expected to adhere.

During 2017/18, the Council has transactions with a company that provides specialist support to people with disabilities. A member of the Senior Leadership Team of the Council declared that a relative is one of the trustees of the company. Payments to the company amounts to £1,127k. The Officer did not take part in any discussion, decision or administration relating to the services.

There were no other transactions of material value.

34.3 Precepts and Levies

Details of precepts collected on behalf of other organisations are provided in the Comprehensive Income and Expenditure Statement.

An analysis of precepts is given in the following table:

	2016/17	2017/18
	£'000	£'000
Police and Crime Commissioner for South Wales	15,444	16,363
Community Councils	1,776	1,829
Total	17,220	18,192

An analysis of levies is given in the following table:

	2016/17	2017/18
	£'000	£'000
South Wales Fire and Rescue Service	10,789	11,033
Coroner	369	440
Brecon Beacons National Park	48	48
Glamorgan Archives Joint Committee	165	164
Total	11,371	11,685

34.4 Rhondda Cynon Taf Pension Fund

The Group Director Corporate & Frontline Services is also the responsible Finance Officer to the Rhondda Cynon Taf Pension Fund. The Council charged the Pension Fund an amount of £1.6m (£1.5m in 2016/17) in respect of administration and support during financial year 2017/18. The amount owed from the Council to the Pension Fund as at 31st March 2018 is nil (£20k as at 31st March 2017).

34.5 Associated and Subsidiary Companies

The Council has an interest in three companies, namely; Amgen Cymru Ltd., Amgen Rhondda Ltd. and Capita Glamorgan Consultancy Ltd. Officers of the Council are directors of Amgen Cymru Ltd and Amgen Rhondda Ltd. During 2017/18 the following related party transactions took place with these companies.

Amgen Cymru Ltd.

The Council paid Amgen Cymru £7,199k (£7,367k in 2016/17) in respect of waste management and waste disposal charges, with £560k (£109k in 2016/17) due to the company at the year-end.

Amgen Cymru paid the Council £487k (£403k in 2016/17) in respect of goods and services, with £34k (£13k in 2016/17) due to the Council at the year-end.

Amgen Rhondda Ltd.

The Council paid Amgen Rhondda £175k (£175k in 2016/17) in respect of site management fees, with nil (nil in 2016/17) outstanding at 31st March 2018.

Capita Glamorgan Consultancy Ltd.

Capita Glamorgan Consultancy Ltd is a Joint Venture between Capita Symonds and Bridgend, Merthyr Tydfil and Rhondda Cynon Taf County Borough Councils. The Council owns 27.93% of the shares of the company, and holds voting rights to this value on the board.

During 2017/18, the Council was charged £1,404k (£1,544k in 2016/17) in respect of goods, services and capital works. The balance owed to Capita Glamorgan Consultancy Ltd at 31st March 2018 was £347k (£133k in 2016/17).

Capita Glamorgan Consultancy Ltd paid the Council £1.9k (£2k in 2016/17) in respect of goods and services, with nil (nil in 2016/17) due to the Council at the year-end.

34.6 Joint Committees

The Council participates in the following Joint Committees.

Glamorgan Archives Joint Committee

The Glamorgan Record Office is managed and administered by the Glamorgan Archives Joint Committee under powers conferred by the Local Government (Wales) Act 1994. The Joint Committee has 16 members in total. There are 4 Rhondda Cynon Taf CBC Members on the Joint Committee.

During 2017/18, the Council contributed to the Joint Committee an amount of £164k (£165k in 2016/17). This was calculated proportionately based upon population.

Llwydcoed Crematorium

Llwydcoed Crematorium is subject to the control of a Joint Committee of Members from Rhondda Cynon Taf CBC and Merthyr Tydfil CBC.

During 2017/18, the Council charged Llwydcoed Crematorium £32k (£20k in 2016/17) in respect of central establishment charges. As at 31st March 2018 the Council held cash balances relating to the Crematorium of £1,586k (£1,072k in 2016/17).

Education School Improvement Service (ESIS)

ESIS became non-operational from 1st September 2012 and was administered by a Joint Committee comprising Bridgend, Caerphilly, Merthyr Tydfil and Rhondda Cynon Taf County Borough Councils.

Exit agreement negotiations are ongoing.

Central South Consortium Joint Education Service (CSCJES)

The Central South Consortium Joint Education Service provides a range of school improvement services within the local authority areas of Bridgend, Cardiff, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan.

The Council consolidates 28.32% of the assets, liabilities and transactions of CSCJES into its financial statements.

During 2017/18, the Council received income of £118k from CSCJES (received income of £1,183k in 2016/17) in respect of advisory and training services, along with grants of £19,114k (£18,482k in 2016/17), and charged CSCJES £108k (£116k in 2016/17) in respect of central establishment charges. The Council also paid CSEC expenditure of £1,060k (£1,150k in 2016/17). As at 31st March 2018 the Council owed cash balances of £12,275k relating to CSCJES (the Council owed cash balances to CSCJES of £6,004k as at 31st March 2017). As part of the Joint Committee consolidation process, offsetting transactions and balances are removed from the accounts to ensure individual values are not overstated. CSCJES distributes grants to participating authorities on behalf of Welsh Government.

Coychurch Crematorium

Coychurch Crematorium is owned and operated by a Joint Committee on behalf of Bridgend CBC, the Vale of Glamorgan Council and Rhondda Cynon Taf CBC.

At year-end there were no balances outstanding between the Council and Coychurch Crematorium.

Vale, Valleys and Cardiff Regional Adoption Collaborative (VVC)

The Vale, Valleys and Cardiff Regional Adoption Collaborative (VVC) became operational on 1st June 2015 and is administered by the Vale of Glamorgan Council. It is comprised of the adoption services of the Vale of Glamorgan Council, Rhondda Cynon Taf CBC, Merthyr Tydfil CBC and Cardiff City and County Council. It is one of five regional Collaboratives which form part of the National Adoption Service in Wales (NAS).

During 2017/18, the Council contributed £460k to the Vale, Valleys and Cardiff Regional Adoption Collaborative (£350k in 2016/17).

Cardiff Capital Region City Deal (CCRCD)

The Council approved to formally establish Cardiff Capital Region ('CCR') Joint Cabinet (the 'Regional Cabinet'), as a joint committee, to oversee the Region's economic growth and to deliver the commitments set out in the CCR City Deal. To ensure that the right investments are made to achieve significant economic growth, the CCR City Deal has set a small number of key targets, which are; the creation of 25,000 new jobs by 2036; and leveraging £4 billion of private sector investment as a result of the £1.2 billion public sector investment. This CCR City Deal Investment Fund comprises 2 distinct elements:

£734m - METRO scheme. This will comprise £503m, Welsh Government funding provided over the first seven years of the Investment Fund, from 2016/17 to 2022/23; £106m from the European Development Fund (which is committed and guaranteed following Brexit by both UK and Welsh Government); and £125m from UK Government. This element will be the direct responsibility of Welsh Government.

£495m – Regional Cabinet Fund, comprising the ten constituent councils' commitment to borrow £120m over the 20 year period of the Investment Fund, together with the £375m from UK Government, for investment in infrastructure, housing, skills and training, innovation, business growth and "Metro plus" transport proposals. This element will be the responsibility of the CCR Regional Cabinet.

Wales Pension Partnership

On the 15th March 2017 the Council approved the establishment of a Joint Governance Committee (JGC) to oversee the pooling of the investments of the eight Local Government Pension Scheme (LGPS) funds in Wales. An inter authority agreement has been developed as the legal framework and sets out the governance arrangements for the Pool, the rights and obligations of the eight constituent authorities and the powers and responsibilities delegated to the JGC. All costs associated with the JGC will be divided equally between the eight authorities (excluding investment management costs).

34.7 Partnership Agreement

Biogen Tomorrow's Valley Food Waste Plant

The Biogen Food Waste Plant became fully operational on the 19th July 2015. The 3 local authorities who form the Hub (Rhondda Cynon Taf CBC, Merthyr CBC and Newport City Council) send a combined annual contracted guaranteed minimum tonnage of 13,500 tonnes to be treated at the facility. In 2017/18 a total amount of £958k associated costs have been incurred by the parties, with Welsh Government contributing £124k of grant funding.

34.8 Other Related Parties

Trivallis

Trivallis is one of Wales' largest registered social landlords providing homes for thousands of families in Rhondda Cynon Taf. There are 3 Rhondda Cynon Taf CBC Members and 1 officer on the board of Trivallis.

During 2017/18, the Council paid Trivallis £1,201k (£1,414k in 2016/17) and received income of £1,235k (£218k in 2016/17). At year-end, Trivallis owed £116k to the Council (the Council owed £11k to Trivallis in 2016/17).

In line with the Council's agreed Investment Strategy, following appropriate due diligence and subject to appropriate and acceptable security arrangements being put in place, the Council entered into a commercially agreed loan arrangement with Trivallis, for an amount of £5,250k. As at 31st March 2018 £5,000k was outstanding.

35.0 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR) - a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2016/17	2017/18
	£'000	£'000
Opening Capital Financing Requirement	391,914	411,081
Capital Investment:		
Property, Plant & Equipment	73,541	88,033
Intangible Assets	1,746	1,267
Revenue Expenditure Funded from Capital Under Statute	8,476	12,461
	83,763	101,761
Sources of Finance:		
Capital Receipts	(3,401)	(1,068)
Government Grants and Other Contributions	(20,686)	(35,328)
	(24,087)	(36,396)
Sums Set Aside from Revenue:		
Direct Revenue Contributions	(28,777)	(29,797)
Minimum Revenue Payment	(11,732)	(11,054)
	(40,509)	(40,851)
Closing Capital Financing Requirement	411,081	435,595
Explanation of Movements in Year		
Increase in underlying need to borrowing (supported by government financial assistance)	145	13
Increase in underlying need to borrowing (unsupported by government financial assistance)	20,266	24,502
Finance Leases	(1)	(1)
Private Finance Initiative (PFI)	(1,243)	0
Increase/(Decrease) in Capital Financing Requirement	19,167	24,514

36.0 Leases

The following disclosures relate to the Council as a lessee.

36.1 Finance Leases

The Council has a number of properties arranged under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31/03/17	31/03/18
	£'000	£'000
Other Land and Buildings	144	136

These assets are part of the Council's impairment review.

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired and finance costs that will be payable in future years while the liability

remains outstanding. The minimum lease payments are made up of the following amounts:

	31/03/17	31/03/18
	£'000	£'000
Finance Lease Liabilities:		
Current	1	1
Long-Term	386	385
Finance costs payable in future years	1,276	1,254
Minimum Lease Payments	1,663	1,640

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/17	31/03/18	31/03/17	31/03/18
	£'000	£'000	£'000	£'000
Less than 1 year	23	23	1	1
1 to 5 years	113	113	4	4
Greater than 5 years	1,527	1,504	382	381
Total	1,663	1,640	387	386

The Council also acts as a lessor for 8 vehicles:

	31/03/17	31/03/18
	£'000	£'000
Finance Lease Liabilities:		
Current	1	1
Long-Term	386	385
Finance costs payable in future years	1,276	1,254
Minimum Lease Payments	1,663	1,640

	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/17	31/03/18	31/03/17	31/03/18
	£'000	£'000	£'000	£'000
Less than 1 year	147	147	111	120
1 to 5 years	479	320	414	286
Greater than 5 years	0	0	0	0
Total	626	467	525	406

36.2 Operating Leases

The future minimum lease payments due under non-cancellable operating leases in future years are demonstrated in the table below. Examples of such assets utilised under operating lease arrangements are photocopiers and printers.

	31/03/17			31/03/18		
	Other Land & Buildings	Vehicles, Plant & Equip.	Totals	Other Land & Buildings	Vehicles, Plant & Equip.	Totals
	£'000	£'000	£'000	£'000	£'000	£'000
Less than 1 year	467	1,223	1,690	612	1,195	1,807
1 to 5 years	1,318	1,954	3,272	2,002	1,369	3,371
Greater than 5 years	6,128	637	6,765	8,253	566	8,819
Total	7,913	3,814	11,727	10,867	3,130	13,997

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

	31/03/17	31/03/18
	£'000	£'000
Minimum Lease Payments	2,363	2,362

36.3 Sub-Leases

The Council has sub-let office accommodation at Valleys Innovation Centre. Non-cancellable sub-lease payments of £60k per annum are expected to be received until expiry of the lease agreement, as shown in the table below:

	2016/17	2017/18
	£'000	£'000
Less than 1 year	92	60
1 to 5 years	119	59
Greater than 5 years	0	0
Total	211	119

37.0 Impairment Losses

During 2017/18, the Council has recognised an impairment loss of £20.5m (a loss of £25.2m in 2016/17) in relation to its Long-Term Assets. This impairment charge is included within the Long-Term Asset note 7.1, which also includes reversal of impairment from previous years.

38.0 Retirement Benefits - Defined Benefit Schemes

38.1 Participation in Pension Schemes

As part of their terms and conditions Members and Officers are offered retirement benefits by the Council. Although these benefits will not actually be payable until retirement, the Council has a commitment to make these payments. The liability for these payments needs to be accounted for at the time the future entitlement is earned.

The Council participates in two pension schemes:

- Teachers - Please refer to note 39.0.
- Other Employees and Members - The Local Government Pension Scheme administered by Rhondda Cynon Taf CBC. This is a funded defined benefit career average scheme. The Council and participants pay contributions into the fund calculated at a level intended to balance the pensions liabilities with investment assets. The pension costs that are charged to the Council's accounts are defined by IAS 19 "Employee Benefits".

The CSCJES Joint Committee charges pension costs to their accounts in line with IAS 19. The Rhondda Cynon Taf CBC share of these entries is consolidated into the main accounts, and disclosed in the following notes.

The remaining Joint Committees are unable to produce IAS 19 compliant accounts as they are not treated as separate employers in the relevant Pension Funds. However, where the employees of the Joint Committee contribute to the Rhondda Cynon Taf CBC Pension Fund, the resultant assets and liabilities are included within the Rhondda Cynon Taf CBC accounts.

38.2 Transactions Relating to Post-Employment Benefits

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

	2016/17	2017/18		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement:				
Cost of Services:				
Current Service Cost	30,149	40,980	279	41,259
Past Service Cost	2,281	1,080	37	1,117
Consolidation Adjustment	(201)	0	(1)	(1)
<i>Financing and Investment Income and Expenditure:</i>				
Net Interest Expense	17,511	14,590	(1)	14,589
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	49,740	56,650	314	56,964
<i>Remeasurement of the Net Defined Benefit Liability Comprising:</i>				
Return on Plan Assets (Excluding the Amount Included in the Net Interest Expense)	(129,257)	(24,140)	(150)	(24,290)
Actuarial (Gains) and Losses Arising on Liabilities - Demographic Assumptions	(57,736)	0	0	0
Actuarial (Gains) and Losses Arising on Liabilities - Financial Assumptions	306,542	28,480	127	28,607
Actuarial (Gains) and Losses Arising on Liabilities - Experience	(74,899)	8,030	32	8,062
Net Increase in Liabilities from Disposals/Aquisitions on Liabilities - Experience	(58)	0	(193)	(193)
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	94,332	69,020	130	69,150
Movement in Reserves Statement:				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(49,740)	(56,650)	(314)	(56,964)
Actual amount charged against the Council Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	30,832	35,220	160	35,380

The total remeasurement of the Net Defined Benefit Liability recognised in Other Comprehensive Income and Expenditure to the 31st March 2018 is a loss of £12.2m (£44.6m loss in 2017/18).

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the year ending 31st March 2018 is a loss of £143.0m.

38.3 Reconciliation of Present Value of the Scheme Liabilities

	2016/17	2017/18		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
Balance at 1st April	1,349,822	1,558,200	6,360	1,564,560
Current Service Cost	30,149	40,980	279	41,259
Interest Cost on Defined Obligation	46,619	40,010	162	40,172
Contributions by scheme participants	8,098	8,200	82	8,282
Remeasurement (Gains) and Losses				
Actuarial (Gains) and Losses Arising on Liabilities - Demographic Assumptions	(57,736)	0	0	0
Actuarial (Gains) and Losses Arising on Liabilities - Financial Assumptions	306,542	28,480	127	28,607
Actuarial (Gains) and Losses Arising on Liabilities - Experience	(74,899)	8,030	32	8,062
Benefits paid	(47,528)	(47,610)	(310)	(47,920)
Past service costs	2,281	1,080	37	1,117
Business combinations	0	0	0	0
Net Increase in Liabilities from Disposals/Aquisitions	1,945	0	0	0
Consolidation Adjustment	(733)	0	(17)	(17)
Balance at 31st March	1,564,560	1,637,370	6,752	1,644,122

38.4 Reconciliation of Fair Value of the Scheme Assets

	2016/17	2017/18		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
Balance at 1st April	834,277	979,280	6,232	985,512
Interest Income	29,108	25,420	163	25,583
<i>Remeasurement (Gains) and Losses:</i>				
The Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	129,257	24,140	150	24,290
Employer contributions	30,832	35,220	160	35,380
Contributions by scheme participants	8,098	8,200	82	8,282
Benefits paid	(47,528)	(47,610)	(310)	(47,920)
Net Increase in Assets from Disposals/Aquisitions	2,003	0	193	193
Consolidation Adjustment	(535)	0	(16)	(16)
Balance at 31st March	985,512	1,024,650	6,654	1,031,304

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was a gain of £49.87m (£158.4m gain in 2016/17).

38.5 Scheme History

	2013/14	2014/15	2015/16	2016/17	2017/18
	Inc Joint	Inc Joint	Inc Joint	Inc Joint Comm's	Inc Joint Comm's
	£'000	£'000	£'000	£'000	£'000
Present Value of the Defined Obligation	(1,234,997)	(1,399,724)	(1,349,822)	(1,564,560)	(1,644,122)
Fair Value of Plan Assets	712,031	811,839	834,277	985,512	1,031,304
Surplus/(Deficit)	(522,966)	(587,885)	(515,545)	(579,048)	(612,818)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £612.8m has a substantial 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 is not impacted upon. The deficit on the local government scheme will be made good in line with actuarial assumptions.

38.6 Local Government Pension Scheme Assets

As at 31st December 2017, the Rhondda Cynon Taf Pension Fund Assets used in IAS19 calculations comprised of:

Fair Value of Scheme Assets		
	2016/17	2017/18
	£'000	£'000
UK Equities	595,905	657,668
Overseas Equities	1,459,349	1,775,137
UK Fixed Interest Gilts	259,370	274,407
UK Index Linked Gilts	0	0
UK Corporate Bonds	255,420	276,825
Overseas Government Bonds	8,326	2,735
Overseas Corporate Bonds	28,693	29,407
Property	167,239	175,043
Cash and Net Current Assets	60,748	62,774
Total	2,835,050	3,253,996

38.7 Basis for Estimating Assets and Liabilities

Rhondda Cynon Taf CBC employs a “building block” approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund as 31st March 2018.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Council Fund liabilities have been assessed by AON Hewitt, an independent firm of actuaries, with estimates for the Council Fund being based on the latest full valuation of the funded scheme as at 31st March 2016, and the unfunded scheme as at 31st March 2018.

The liability in the Balance Sheet has increased significantly over the year mainly as a result of changes to actuarial assumptions. The principal assumptions used by the actuary have been:

	31/03/17	31/03/18
Long-Term Expected Rate of Return on Assets in the Scheme (in line with the discount rate)	4.5%	4.5%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.8	22.9
Women	24.9	25.0
Longevity at 65 for future pensioners:		
Men	25.0	25.1
Women	27.2	27.3
Rate of inflation (RPI)	3.1%	3.2%
Rate of inflation (CPI)	2.0%	2.1%
Rate of increase in salaries	3.25%	3.35%
Rate of increase in pensions	2.0%	2.1%
Rate for discounting scheme liabilities	2.6%	2.6%
Take-up of option to convert annual pension into retirement lump sum:		
Post-2010 Service	80%	80%
Pre-2010 Service	80%	80%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the 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, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	RCT		Joint Committes		Total	
	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
	£'000	£'000	£'000	£'000	£'000	£'000
Longevity (Increase or Decrease in 1 Year)	48,940	(48,570)	203	(202)	49,143	(48,772)
Rate of Increase in Salaries (Increase or Decrease by 0.1%)	6,530	(6,470)	31	(31)	6,561	(6,501)
Rate of Increase in Pensions (Increase or Decrease by 0.1%)	24,400	(24,010)	103	(101)	24,503	(24,111)
Rate for Discounting Scheme Liabilities (Increase or Decrease by 0.1%)	(30,420)	31,000	(132)	134	(30,552)	31,134

38.8 Contributions for the Accounting Period ending 31st March 2019

The Employer's regular contributions to the Fund for the accounting period 31st March 2019 are estimated to be £36.3m. In addition, "strain on fund" contributions may be required.

Further information can be found in the Pension Fund Annual Report, which is available on request from the Group Director Corporate & Frontline Services, Bronwydd House, Porth, Rhondda, CF39 9DL.

39.0 Retirement Benefits - Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2017/18, the Council paid £12.9m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2016/17 were £12.8m, also representing 16.48% of pensionable pay. In addition, the Council is responsible for all pension payments relating to added years that it has awarded, together with related increases. In 2017/18 these amounted to £838k (£870k in 2016/17).

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis.

40.0 Contingent Liabilities

40.1 Private Finance Initiative

During 2003/04 financial year, the council entered into a Private Finance Initiative (PFI) arrangement for the provision of a Lifelong Learning Campus at Garth Olwg. The facilities provided comprise a Nursery, Primary School, Secondary School, Lifelong Learning Centre, Library and Youth Centre. The arrangement was originally contracted to be in place until September 2030. The original commitment was £113.8m over the duration of the contract,

funded by a combination of former PFI Credits, agreed by the Welsh Government, and Council/Delegated School resources.

The Council determined in December 2015 to voluntarily terminate the PFI agreement. The final termination notice was issued to the contractor on 28th July 2016, and the agreement terminated on 25th January 2017.

Elements of the termination payment are subject to ongoing discussions with the contractor.

The Council anticipates concluding these discussions during the 2018/19 financial year.

40.2 Insurance

The Council is liable for insurance claims made against it in respect of certain events. A provision is made in respect of claims received as at 31st March 2018. There is a further contingent liability in respect of events which will have occurred but which have not resulted in a claim being made as at the date of the accounts. The “statute of limitation” sets out the timescale by which a claim will have to be made in respect of such past events. An earmarked reserve has been set up to provide towards the costs of these incidents.

Due to the volume and differing circumstances of each potential claim it is impractical to provide an estimate of the possible financial effect. Similarly, it is impractical to provide an indication of uncertainties relating to the amount and timing of such liabilities.

Insurance claims are also referenced in note 4.2.

40.3 Municipal Mutual Insurance Ltd.

The former authorities of Rhondda Borough Council, Cynon Valley Borough Council, Taff Ely Borough Council and Mid Glamorgan County Council are creditors of Municipal Mutual Insurance Ltd. (MMI). MMI ceased to write new insurance business from 30th September 1992 and a Scheme of Arrangement was put in place in January 1994. The scheme was set up to ensure an orderly run off of claims in the event of MMI not being solvent. As creditors of MMI, the Council is legally bound by the Scheme and in November 2012, the scheme was triggered.

Future claim settlements by MMI will be made at a level of 75% with the funding of the remaining 25% being met from the former authorities’ funds. Correspondence from the scheme administrator states that it is not possible to guarantee that the initial and second levy, paid in February 2014 and May 2016, will be sufficient but they are the best estimates given the current position. The scheme requires the administrator to review the Levy at least once a year. Given the uncertainty regarding how sufficient the initial clawback will be, a contingent liability exists as the Council could be subject to further clawback dependent upon the resources of MMI, the insurer.

41.0 Trust Funds

The Council acts as sole trustees for various charities. Separate accounts are maintained for these. Net assets as at 31st March 2018 are shown as follows and are not included in the Council's Balance Sheet. The 2017/18 figures are draft, subject to audit (the Wales Audit Office for Welsh Church Act, the Council's Internal Audit Section for the other funds).

	Description	31/03/17	31/03/18
		£'000	£'000
Education & Miscellaneous	Various funds established for educational and community benefits	248	219
Rhondda Cynon Taf Charity for the Visually Impaired	Fund established for the benefit of visually impaired citizens	109	109
Welsh Church Act Fund	Fund established under the Welsh Church Act for various charitable aims within the counties of Rhondda Cynon Taf, Merthyr Tydfil and Bridgend	12,292	12,253

The Council also participates on the Board of Trustees for "The Rhondda Trust". This is a charity established by a manufacturing company following the closure of its factory in the Rhondda Valleys. The charity's aims are to improve skills and education in the area. The Council has administrative responsibility for the fund. However, decisions are made by the Board of Trustees. The balance held on behalf of the trustees by the Council at 31st March 2018 is £16k (£52k at 31st March 2017). The Rhondda Trust is independently audited by RH Jeffs and Rowe Ltd.

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

ANNUAL GOVERNANCE STATEMENT 2017/18

1. **INTRODUCTION**

1.1 The Council's Corporate Plan 2016 - 2020 sets the overall direction for the Authority describing the vision, purpose and priorities to be delivered.

1.2 The Council's agreed Vision, purpose and priorities are:

- Vision – For a County Borough that has high aspirations, is confident and promotes opportunity for all.
- Purpose – to provide strong community leadership and effective services for the people of Rhondda Cynon Taf to enable them to fulfil their potential and prosper.
- Priorities:
 - Economy - Building a strong economy;
 - People - Promoting independence and positive lives for everyone;
 - Place - Creating neighbourhoods where people are proud to live and work;
and
 - Living within our means.

1.3 The Council's Annual Governance Statement sets out for the community, service users, tax payers and other stakeholders the Council's governance arrangements together with a review of their effectiveness in managing risks of failure in delivering Corporate Plan priorities.

2. **SCOPE OF RESPONSIBILITY**

2.1 Rhondda Cynon Taf County Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

2.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes the arrangements for the management of risk.

- 2.3 The Council, in compiling the Annual Governance Statement, has adopted the *Delivering Good Governance in Local Government: framework (2016)* developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE). In doing so, the Annual Governance Statement meets the Council's legal duty as set out in the Accounts and Audit (Wales) Regulations 2014, as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018.
- 2.4 The Council's Annual Governance Statement aims to provide an accurate representation of the governance arrangements in place for financial year ending 31st March 2018.

3. **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

- 3.1 The governance framework comprises the systems, processes and cultural values by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 3.2 For Rhondda Cynon Taf County Borough Council, governance is about ensuring that the Council does the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 3.3 The system of internal control is a significant part of that framework and is designed to manage the risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 3.4 The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's priorities, to evaluate the likelihood and impact of those risks materialising, and to manage them efficiently, effectively and economically.
- 3.5 The governance framework outlined below has been in place at Rhondda Cynon Taf County Borough Council for the year ended 31st March 2018 (and up to the date of approval of the 2017/18 Statement of Accounts).

4. **THE GOVERNANCE FRAMEWORK**

- 4.1 The Council has a range of governance arrangements in place, in line with the *Delivering Good Governance in Local Government: framework*, many of which are set out within its Constitution. Table 1 provides examples of the key systems, processes and documents in place within the Council during 2017/18.

Table 1 – Examples of the key elements of the Council’s governance arrangements

Good Governance Principles	Examples of key systems, processes and documents in place within the Council
Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	<ul style="list-style-type: none"> • <u>Elected Councillor and Officer Codes of Conduct</u> - setting out the standards of behaviour to be followed based on the principles of integrity, honesty, impartiality and objectivity. • <u>Rules of Procedure</u> – covering Council, Open Government, Access to Information, Budget and Policy Framework, Executive, Overview and Scrutiny, Officer Employment and Contract and Financial Procedure Rules. The rules set out arrangements to be followed by elected Councillors and Officers when conducting the Council’s business with the aim of publicly demonstrating accountability and openness. • <u>Standards Committee</u> (pages 71 and 72) - the role of which includes, amongst other things, promoting and maintaining high standards of conduct by elected Councillors. • <u>Whistle-blowing Policy</u> (from page 42) – promoting the highest possible standards of service and setting out how workers can bring information about a wrongdoing to the attention of the Council. • Anti-fraud, Bribery & Corruption Strategy. • Gifts and hospitality Policy. • <u>Comments, Compliments and Complaints</u> – setting out how the Council handles and responds to the feedback (complaints, compliments and comments). • Officer Guide.

Good Governance Principles	Examples of key systems, processes and documents in place within the Council
Defining outcomes in terms of sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> • Performance Management Framework. • Corporate Plan and Service Delivery Plans. • Quarterly Performance Report (including Risk Register up dates). • Risk Management Strategy.
Determining the interventions necessary to optimise the achievement of the intended outcomes	<ul style="list-style-type: none"> • Annual Revenue Budget Strategy and three year Capital Programme. • Medium Term Financial Plan. • Scrutiny Committees.
Developing the entity's capacity, including the capability of its leadership and the individuals within it	<ul style="list-style-type: none"> • Corporate and Service Self Assessment process. • Corporate Plan. • Programme of elected Councillor and Officer training and development. • Workforce Plan 2017-22. • Schemes of Delegation.
Managing risks and performance through robust internal control and strong public financial management	<ul style="list-style-type: none"> • Corporate and Service Self Assessment process. • Risk Management Strategy. • Service Delivery Planning. • Quarterly Performance Report (including Risk Register up dates). • Corporate Performance Report (i.e. year-end annual report). • Audit Committee and an Internal Audit function. • Information Management Plan (including General Data Protection Regulation). • Budget and Policy Framework Procedure Rules and Contract and Financial Procedure Rules. • Medium Term Financial Plan.

Good Governance Principles	Examples of key systems, processes and documents in place within the Council
Implementing good practices in transparency, reporting, and audit to deliver effective accountability.	<ul style="list-style-type: none"> • Reporting protocols and calendars. • Statement of Accounts. • Annual Governance Statement. • Production of Annual Reports on key areas of business e.g. Corporate Parenting, Annual Equality Report. • Internal Audit external assessment and Charter. • Pension Fund Committee.

- 4.2 The *Delivering Good Governance in Local Government: framework* supports the principle for local authorities to develop and maintain an up-to-date local code of governance. In the case of the Council, its arrangements comprise of a number of codes and documents rather than a local code.

Proposal for Improvement

- 4.3 In line with the national framework, the Council should document and publish its arrangements within a local code of governance, following review and approval by elected Councillors.

5. **REVIEW OF EFFECTIVENESS**

- 5.1 The Council has responsibility for conducting, at least annually, an assessment of its governance framework including the system of internal control. The review of effectiveness has been led by the Group Director – Corporate and Frontline Services and supported by the Service Director – Performance and Improvement and Head of Internal Audit and Procurement Development Programmes.
- 5.2 The exercise has entailed reviewing the activities in place around the Council’s main governance arrangements, discussing governance arrangements with senior officers across services and taking account of the findings from the Council’s corporate assessment findings and external auditor reports.
- 5.3 The findings and proposals for improvement have been reviewed and challenged by the Council’s Senior Leadership Team and Audit Committee, and have been set out below in line with the *Delivering Good Governance in Local Government: Framework (2016)*.

5.4 **PROGRESS MADE TO IMPLEMENT PROPOSALS FOR IMPROVEMENT REPORTED IN THE 2016/17 ANNUAL GOVERNANCE STATEMENT**

- 5.4.1 The 2016/17 Annual Governance Statement made 7 proposals for improvement. An up date on progress was reported to the Council’s Audit Committee on 27th November 2017 and following consideration the Committee **RESOLVED:** ‘*That progress in respect of implementing the areas for improvement was to the satisfaction of Committee.*’
- 5.4.2 As at 31st March 2018, progress had been made against 6 of the 7 proposals:
- 4 recommendations had been fully completed;
 - 1 recommendation was partly completed with further work required during 2018/19;
 - 1 recommendation had a target date of 30th June 2018 and preparatory work is on schedule for completion within this timescale; and
 - The target date for 1 recommendation is to be revised in line with receipt of up dated guidance from CIPFA.
- 5.4.3 It is considered that sufficient progress has been made in delivering the 2016/17 proposals for improvement with the requirement for further work to be completed in 2018/19. A detailed position statement is set out at Appendix A.

5.5 BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES AND RESPECTING THE RULE OF LAW

Behaving with integrity

Elected Councillors

- 5.5.1 Following the Local Government elections held on 4th May 2017, all elected Councillors were provided with an induction and an on-going programme of support that included an overview of the Council's Code of Conduct.
- 5.5.2 The Council's Scrutiny Committee meeting minutes were examined to determine whether proceedings were conducted in line with the Council's Code of Conduct. This identified that out of 42 meetings in 2017/18, all Minutes showed that declarations of interest were sought and declarations were made by elected Councillors, where appropriate. In addition, a Standards Committee was in place during 2017/18 and received no complaints in respect of the conduct of elected Councillors.

Council employees

- 5.5.3 All officers who started employment within the Council were provided with a local induction and an Individual Performance Review process was in place to support the personal development of officers.

Policies and Strategies

- 5.5.4 Whistle-blowing arrangement - the Council included a payslip insert to all employees in May 2017 providing information on how Council employees could access the Whistle-blowing Policy. During the year, 5 referrals were made via the Council's whistle-blowing arrangements, all were investigated and the outcomes from which were:
- 4 referrals were not founded and therefore no further action was taken; and
 - 1 referral was founded and action was taken.
- 5.5.5 The Council also has a legal duty¹ to report annually on whistle-blowing disclosures and the report must be published annually on the employer's website or by other means appropriate for bringing the report to the attention of the public. For Rhondda Cynon Taf, this requirement was met via a report to Audit Committee on 30th April 2018.
- 5.5.6 Anti-fraud, Bribery & Corruption Strategy - the Council reviewed and updated its Anti-Fraud, Bribery & Corruption Strategy, and was reported and approved by Audit Committee on 27th November 2017. At this time, the Audit Committee also supported the requirement to raise awareness via a payroll insert to all staff and it is noted that this is planned for May 2018.

¹ Whistle-blowing – under The Prescribed Persons (Reports on Disclosures of Information) Regulations 2017 (SI 2017/507)

- 5.5.7 During the year, 565 referrals were made via the Council's anti-fraud, bribery & corruption arrangements. The majority, over 99%, were in relation to suspected fraud against the benefit / income support system and were accordingly passported to the Department for Work and Pensions Fraud and Error Service (FES) for further investigation.
- 5.5.8 An annual report was presented to the Council's Audit Committee on 30th April 2018 setting out an update of activities carried out in relation to the prevention, detection and investigation of potential fraud during 2017/18, together with the associated outcomes. The report included a forward plan of targeted activity for 2018/19, to ensure the Council continues to operate within an effective anti-fraud culture across the organisation, with resilient preventive measures capable of identifying and addressing new threats.
- 5.5.9 Gifts and Hospitality Policy - the Council has a Gifts and Hospitality Policy and arrangements were in place, via registers, to record gifts and hospitality in line with the Policy.
- 5.5.10 Clear progress has been made to review and up date the above mentioned Policies and Strategies, and steps taken to raise awareness within the Council. The level of awareness and understanding of Council Officers should now be assessed to provide assurance that the documents, including induction arrangements, continue to be fit for purpose.

Comments, Compliments and Complaints

- 5.5.11 A report was presented to Cabinet on 19th September 2017 setting out an overview of the Council's statutory Social Services complaints procedure for the period April 2016 and March 2017. The report detailed that a total of 184 complaints were received, an increase of 28 compared to the previous year, and remains low in comparison to the number of people that come into contact with Social Services annually.
- 5.5.12 The Report also detailed that 59.5% of stage one complaints were responded to within the required timescale compared to 58% in the previous year, and is identified as an area for improvement. In addition, the Report included lessons learned to be addressed in 2017/18; a review of these demonstrated that a number had been completed (for example, the delivery of guidance and training for managers on subject access requests, the development of an information pack for parents of adults making the transition to supported living and a review of the Special Guardianship Order Financial Policy) and a number by their nature are on-going (for example, the need to assess the ability of recipients to maintain the confidentiality of sensitive reports linked to Child Protection Case Conferences).
- 5.5.13 In terms of non-social services comments, compliment and complaints, an up date is in the process of being compiled for reporting by 30th June 2018. It is however noted that no regular analysis is produced and provided to

Services to support performance management arrangements, for example, the number and type of complaints, and recurring themes. This should be an area for improvement in 2018/19.

Demonstrating a strong commitment to ethical values

- 5.5.14 In January 2018 an up dated 'Officer Guide' was issued that included, amongst other things, revised templates for Cabinet Reports and Officer Delegated Decisions to document how proposed decisions support the Well-being of Future Generations Act (Wales) 2015 (WFG Act). A review of Cabinet Reports presented in February and March 2018 confirmed the revised template had been implemented and showed a clear commitment to ethical values through consideration of the sustainable development principle² (five ways of working).
- 5.5.15 Following the local government elections in May 2017, all elected Members received induction training on the Member's Code of Conduct that supports the principle of ethical values.

Respecting the rule of law

- 5.5.16 The Chief Executive (as Head of Paid Service) led the Council's officers and chaired the Senior Leadership Team (SLT). The SLT comprises, in addition to other key posts, the statutory roles of Chief Finance Officer (allocated to the post Group Director, Corporate & Frontline Services) and Monitoring Officer (allocated to the post Director of Legal and Democratic Services).
- 5.5.17 With specific regard to the Chief Finance Officer position within the Council during 2017/18, the role complied with the principles outlined in the CIPFA document 'The Role of Chief Finance Officer' because the Chief Finance Officer:
- *Was a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;*
 - *Was actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy; and*
 - *Leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.*

To deliver these responsibilities the Chief Financial Officer:

² Sustainable Development principle - the WFG Act sets out for public bodies 5 ways of working: long term, integration, involvement, collaboration and prevention

- *Led and directed a finance function that was resourced to be fit for purpose; and*
- *Is professionally qualified and suitably experienced.*

Proposals for Improvement

- 5.5.18 Policies and Strategies - undertake engagement within the Council to assess the level of awareness and understanding of the Whistle-blowing Policy, Anti-fraud, Bribery and Corruption Strategy, Gifts and Hospitality Policy and induction arrangements.
- 5.5.19 Comments, compliments and complaints (non-social services) – introduce arrangements to enable regular complaint analysis to be provided to Services.

5.6 ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

Openness

A commitment to openness

- 5.6.1 The Council agreed and published an annual report in July 2017, called the Corporate Performance Report, setting out its financial and performance results for the 2016/17 financial year and plans for 2017/18. In addition, Council approved the Well-being Plan 2018-2023 on 28th February 2018; the priorities set out within this document complemented the Council's Corporate Plan priorities.
- 5.6.2 The Council operated a Freedom of Information (FOI) Act 2000 publication scheme in accordance with legislative requirements. During 2017/18 the Council received 1,027 FOI/Environmental Information Regulations (EIR) requests. Response statistics and any complaints investigated by the Information Commissioner's Office concerning FOI/EIR requests are reported through the Information Management Board's quarterly meeting highlight reports and allows the Board to maintain an overview of the Council's compliance with the relevant legislation.
- 5.6.3 The Council's website provided information on the Freedom of Information Act 2000 and a Publication Scheme was in place to advise citizens how to request public information the Authority holds.
- 5.6.4 In terms of the Publication Scheme, from a sample of items selected from the Scheme and checked to the Council's website, all were found to be available.
- 5.6.5 The Council had in place a forward plan of Committee meetings together with the matters to be considered, where appropriate:
- The 17th May 2017 Council meeting agreed and published a calendar of meetings for the 2017/18 municipal year for Cabinet, Council, Licensing Committee, Audit Committee and the Planning & Development Committee, in line with its Constitution;
 - Cabinet published its work programme on 22nd June 2017 for the 2017/18 municipal year and refreshed this on three occasions: 19th September 2017, 19th December 2017 and 22nd March 2018; and
 - Scrutiny Committees agreed work programmes and these were publicly available on a stand alone Scrutiny Work Programme page on the Council's website, in line with a proposal for improvement made by the Wales Audit Office.

Decision making and scrutiny of decisions made

5.6.6 Cabinet is a key decision making body within the Council. From a review of reports presented to Cabinet during 2017/18:

- All reports were in the required format;
- A total of 95 reports were presented, 88 of which were made publicly available and 7 were excluded from the press / public on the grounds that the items of business involved the likely disclosure of exempt information, for example, commercially sensitive information; and
- For all decisions made by Cabinet during the year, 'Decision Notices' were published on the Council's website and did not become effective (i.e. implementable) until the expiry of 'five working days'³ after the Decision Notices were published.

5.6.7 Decisions taken by designated officers in 2017/18, called Delegated Decisions, and were published on the Council's website. A total of 32 Delegated Decisions were published, none were called in and did not become effective (i.e. implementable) until the expiry of 'five working days'⁴ after the Decision Notices were published.

Engagement with residents / stakeholders

5.6.8 The Council set out its commitment to engage with residents and stakeholders in its 'Corporate Plan 2016 – 2020' to help achieve the outcome of 'more involved and resilient communities'.

5.6.9 This commitment is supported through a dedicated Consultation page on the Council's and a wider commitment by the Council to engagement via the Public Services Board .

5.6.10 During the year, the Council undertook 28 consultation exercises, some in partnership with other public sector organisation. The results of consultation activity and engagement with local community groups have been included within reports to Cabinet, where relevant, to inform decision making. Examples include:

- Public Spaces Protection Order – agreed by Cabinet on 22nd June 2017 to introduce dog controls across Rhondda Cynon Taf;
- Transfer of St Mairs Day Centre, Aberdare to Age Connects Morgannwg – agreed by Cabinet on 19th September 2017 via the Council's RCT Together Community Participation Programme; and

³ Five working days – this is called the 'call in period', as per the Council's Constitution, and provides opportunity for Councillors who are not members of the Cabinet to challenge the decisions that Cabinet make before they become eligible for implementation.

- Secondary Care Substance Misuse Services in Cwm Taf – agreed by Cabinet on 19th September 2017.

5.6.11 From reviewing a sample of consultation reports produced during 2017/18, a broad range of communication methods were on offer to encourage stakeholders to express their views. One of the largest consultation exercises during the year was the Annual Budget Consultation that engaged via social media (including a Youtube video), elected Councillor led engagement events, an on-line budget simulator, town centre road-shows, targeting specific groups such as the Older Persons Forum, RCT wide Youth Forum and the Disability Forum, and engaging directly with users of Council Services at Leisure Centres and Libraries. The impact of this approach is showing a trend of increased engagement, for example, the budget consultation exercise for 2018/19 ran from the 6th of November 2017 to the 18th of December 2017 and over 1,500 people were involved in the process (compared to 900 in 2017/18). The results of the consultation were attached at Appendix 2 to the report to Full Council.

5.7 **DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL, AND ENVIRONMENTAL BENEFITS**

5.7.1 The 'Corporate Plan – 2016 – 2020' sets out the Council's priorities and outcomes to be delivered and arrangements were in place during the year to test if these continued to be relevant:

- The 2017/18 Budget Consultation process received feedback from 178 consultees on whether they thought the existing priorities were the right ones; 131 (73.6%) indicated they thought that they were;
- The key actions to be delivered, as identified by the 2017/18 Service Self Assessments and operational Service Delivery Plans, complemented the priorities set out within the Council's Corporate Plan; and
- Corporate Plan priority updates were published during the year and reviewed and scrutinised by Cabinet and the Finance and Performance Scrutiny Committee.

5.7.2 A review of the three Corporate Plan action plans in place for 2017/18 identified:

- Actions were generally in line with the WFG Act sustainable development principle, for example,
 - Economy – a focus on collaborating with other South East Wales Councils over the long term (10 years) to maximise the economic benefits from the Cardiff Capital Region City Deal;
 - People – an on-going programme of investment in Leisure facilities, informed through consultation with residents, to support the well being of local people;
 - Place – working with partners to deliver training and awareness raising around the prevention of terrorism and radicalisation.
- The extent that performance indicator targets were 'stretching' was mixed, albeit, the on-going reduction in the level of resources available was a clear influencing factor. It is considered that for 2018/19, pre-scrutiny of target setting and draft action plans, will help test these arrangements; and
- Progress reports were presented to Cabinet and the Finance and Performance Scrutiny Committee on a quarterly basis during the year that included an agreed set of actions and suite of performance indicators (including benchmarking information where available) and an analysis of targets set.

- 5.7.3 There was clear evidence that Corporate Plan priorities were aligned with the Council's Medium Term Financial Plan and areas for additional investment, and were supporting the delivery of defined outcomes. Examples noted are set out below.

Medium Term Financial Plan

- 5.7.3.1 The Council's latest Medium Term Financial Plan covered the period 2017/18 to 2020/21 and indicated that 84% of the 2017/18 revenue budget and 98% of the three year Capital Programme (2017/18 to 2019/20) were allocated to Corporate Plan priority areas.

Investment

- 5.7.3.2 Additional investment was approved for delivery in 2017/18: 1st March 2017 Council amounting to £7.514M and 29th November 2017 Council amounting to £7M, and were aligned to the Economy, People and Place priorities to further improve infrastructure and the local environment, and also supporting apprenticeships jobs within the Council.

Delivery of defined outcomes

- 5.7.3.3 Table 2 shows performance against the delivery of a selection of defined outcomes.

Table 2 – Delivery against defined outcomes

Corporate Plan Priority	Defined Outcome	2017/18 Performance ⁵
Economy	Work with Communities First (and other partners) to...reduce unemployment	No. of people supported that have entered employment (Communities First) – 334 against a target of 238.
People	More residents being supported to live in their own homes;	% of adults who completed a period of reablement & have no package of care & support 6 months later - 77.84% against a target of 77.23%.
Place	Rhondda Cynon Taf's streets will be kept clean and tidy	% of highways inspected of a high or acceptable standard of cleanliness – 99.8% against a target of 95%

⁵ 2017/18 performance – based on the Council's quarter 3 Performance Report

Proposal for improvement

- 5.7.4 Draft Corporate Plan priority action plans for 2018/19 should be subject to pre-scrutiny to assess, amongst other things, the basis of performance indicator targets and whether the actions included will help to deliver defined outcomes.

5.8 DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES

Determining and planning interventions

- 5.8.1 The Council's decision making arrangements during 2017/18 were based on written reports in an agreed format, as set out in Section 5.6, having regard to financial, legal and consultation matters, and alignment with the WFG Act (this includes, for example, Council and Cabinet reports).
- 5.8.2 A review of Cabinet Reports during year showed that the suite of information to inform decisions was comprehensive. One decision approved by Cabinet on 19th September 2017 was called in: *Review of the Council's Senior and Associated Management Post Structure* and this matter was considered by the Overview and Scrutiny Committee on 2nd October 2017. At this time, the Committee determined that the '*matter not be referred back and that the decision taken on the 19th September, 2017 take effect as from the close of this meeting*'.
- 5.8.3 Of the approaches or interventions used by the Council during the year, overall, these are making a positive contribution to the delivery of outcomes in line with Corporate Plan priorities. The key interventions noted are set out below.

Cabinet and the Senior Leadership Team (SLT)

- 5.8.3.1 The Cabinet and SLT have jointly planned the work programme of items to be reported during the year and required timescales, with this informing the pace of progress and outcomes being delivered. This has included:
- Economy priority – a focus on regenerating the County Borough, for example, progressing the Taff Vale Development in Pontypridd town centre, as reported to Cabinet on 28th September 2017;
 - People – the commencement of a medium term programme of work to develop extracare facilities across the County Borough to help improve outcomes for those adults who require support to live independently, as reported to Cabinet on 28th September 2017; and
 - Place – the on-going delivery of a highways investment programme to further improve the condition of the roads to help keep the economy moving. The on-going investment is making a positive impact where the percentage of principal (A) roads, non-principal (B) roads and non-principal (C) roads that are in overall poor condition was 8.6% in 2015/16, 7.2% in 2016/17 and 5.7%⁶ in 2017/18.

⁶ Condition of roads (5.7% in 2017/18) - subject to year end validation process

Scrutiny Committees

5.8.3.2 Scrutiny Committees have undertaken discrete areas of work that have supported changes to service provision. This has included:

- Children and Young People Scrutiny Committee - Free Sanitary Provisions in schools that was supported by Council on 28th February 2018 and it is noted that Cabinet at its meeting on 19th April 2018 agreed a plan to enable the initiative to be implemented.
- Finance and Performance Scrutiny Committee – Bereavement fees and charges for war veterans and men and women. This was reviewed by the Committee on 18th December 2017 who helped formulate a pilot scheme to reduce the total costs of all bereavement services provided by the Council for war veterans by 25%. This was included within the 2018/19 Revenue Budget Strategy Report presented to Council on 28th February 2018 (Appendix 3).
- Public Service Delivery, Communities and Prosperity Scrutiny Committee – following a review of the Cabinet Work Programme, the Committee pre-scrutinised the area of ‘Increasing Recycling Performance’ and reported proposals to Cabinet. These were endorsed at its meeting on 15th February 2018.
- Overview and Scrutiny Committee - following a review of the Cabinet Work Programme, the Committee pre-scrutinised ‘the Corporate Plan – The Way Ahead’ and ‘Transforming Adult Social Care – development of extra care housing’. With regard to the latter, the final report to Cabinet was reinforced, following the pre-scrutiny process, to clarify site location.
- Health and Wellbeing Scrutiny Committee – the Committee reviewed and supported for the provision of defibrillators to be made available within specific Council buildings across the County Borough (as reviewed by the Committee on 20th February 2018).

Quarterly Performance Report

5.8.3.3 Performance Reports for quarters 1 to 3 provided updates on financial performance; progress against Corporate Plan priorities (including performance indicators and investment); staffing including sickness absence; and strategic risks, and provided electronic links to more detailed information. With specific regard to financial performance, Corporate Plan priority and strategic risk up dates, exceptions were highlighted, explained and the corrective action to be taken included within reports. There was evidence of scrutiny challenge around financial and performance results and requesting further information to be included within reports to aid the reader’s understanding.

Fees and Charges

- 5.8.3.4 Cabinet agreed Fees and Charges for 2017/18 on 9th February 2017 that included ‘no increases’ for specific areas that linked to Corporate Plan priorities, for example, car parking, summer and winter fees (sports clubs), domiciliary care, trade refuse (recycling), meals on wheels and schools meals.

Optimising achievement of intended outcomes

- 5.8.4 On 28th September 2017 Cabinet agreed a way forward to deliver the Corporate Plan in a climate of further funding reductions by investing in Rhondda Cynon Taf’s future and by improving and delivering essential services in a different way. This involved the creation of 5 workstreams to invest in to improve essential services: Digitalisation, Commercialisation, Early Intervention and Prevention, Independence and Efficient and Effective Organisation.
- 5.8.5 Table 3 notes respondents feedback when asked whether they thought the Council should focus on these key areas as part of the 2018/19 Budget Consultation exercise.

Table 3 – Respondents feedback

	Yes (%)	No (%)	Don’t Know (%)
Digitisation	78	16	6
Early Intervention and Prevention	89	4	7
Commercialisation	64	23	13
Efficient and Effective	89	5	6
Independence	67	20	13

5.9 DEVELOPING THE ENTITY'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT

Developing the entity's capacity

5.9.1 The Council has continued to undertake a 'corporate self assessment' and complete 'individual service self assessments' to assess the organisation's current position and areas for improvement, the latter being incorporated into service planning processes.

5.9.2 The above self assessment and planning arrangements, supported by the 2017/18 Revenue Budget Strategy and an on-going programme of investment, continues to evidence that the Council is developing its capacity in priority areas albeit in the context of reducing funding levels for the Council as a whole. Examples were noted within each Corporate Plan priority area and are set out below.

5.9.2.1 Economy – working collaboratively with other South East Wales Councils as part of the Cardiff Capital Region City Deal and the Council leading the transportation and housing themes of this programme. Working in partnership was also evident with the Central South Consortium Joint Education Service to improve education attainment and closing the attainment gap between those children eligible for free school meals and their peers.

5.9.2.2 People – working with the Health Service to put permanent hospital based social workers in place and implementing the new 'Stay well at home' service, both of which are having a positive impact on reducing the number of delayed transfers of care from hospital and helping to rehabilitate more people to maintain their independence. A new Resilient Families Programme has also been created to support the increasing number of families with complex needs and requiring support, this being a key risk area for the Council. The primary aim of the new service is to prevent statutory intervention by the Council, for example, preventing the need to bring children into the care of the Council.

5.9.2.3 Place – working with the Police and Crime Commissioner to run a *Divert Project* that focuses on first time offenders aged 18-25 to reduce re-offending and antisocial behaviour. Since the start of the programme, 96% had not re-offended 6 months after completion of the intervention.

5.9.3 Capacity building was also noted as a key principle in other areas of the Council's work. This included:

- Working with local groups to help them become providers of services / activities in communities, via the Council's RCT Together initiative. Examples noted were provision at Maerdy and Beddau Libraries with in excess of 1,300 and 900 members respectively, and the Feel Good Factory with nearly 80 members who use the facility to exercise.
- Investment in digitisation to enable agile working and support further improvement in productivity, work / life balance and utilisation of space within

Council buildings. It was noted that agile working is currently in place within Adult Services and the Public Health and Protection Service, and a programme is being devised to roll-out to other service areas in 2018/19. The Council's approach to digitisation has also focussed on the customer, with on-line transactions now representing around 50% of all transactions.

- A focus on improving attendance through targeting areas with high levels of sickness. The Council's publishes its sickness information on a quarterly basis; the latest position as at 31st December 2017 showed a slightly improving trend: 4.34% at December 2017 compared to 4.42% in December 2016.
- Investment in apprentice and graduate jobs in professions the Council has identified need to be developed. During 2017/18, 33 apprentices and 13 graduates were appointed covering areas such as engineering (civil / electrical / mechanical), IT, Digital Services, Accounting, mechanic and aquatics.

Developing the capability of the entity's leadership and other individuals

- 5.9.4 Part 3(i) of the Council's Constitution, 'Responsibilities for Functions', sets out the responsibilities of the Leader of the Council, the Cabinet and designated employees of the Senior Leadership Team (Section 3A) and is kept under on-going review, for example, an up date to the Leader's Scheme of Delegation of Executive Functions was published on 18th July 2017.

Developing the capabilities of councillor

- 5.9.5 Following the local government elections in May 2017, a programme of training commenced for elected Councillors to ensure they were equipped with the appropriate skills, knowledge and support to fulfil their roles. Areas of training delivered were:
- How the Council Works - providing an understanding of the Executive and Scrutiny arrangements within the authority;
 - Code of Conduct;
 - Welsh Language – Setting the Standards;
 - The Modern Member – focusing on practical casework and advocacy skills to assist Members in managing challenging constituents and difficult situations;
 - Local Government Pension Scheme;
 - Meeting with Officers of the Senior Leadership Team – newly elected Members were given the opportunity to meet with the Chief Executive and Senior Officers and received a brief overview of each of their respective areas of responsibility;
 - Scrutiny Training – including 'Making a Difference through Scrutiny', 'Effective Questioning and Listening Skills', 'Achieving Effective

Scrutiny of Children's Services' (delivered to Members of the Children & Young People Scrutiny Committee) and 'Local Government Finance' (delivered to Members of the Finance & Performance Scrutiny Committee);

- An Introduction to Local Authority Licensing – covering Taxi Licensing, Licensing Act 2003 including Police Reform and Social Responsibility Act, changes, reviews, offences and appeals; and
- Charing Skills – for the Chairs and Vice-Chairs of the Planning & Development Committee, Licensing Committee and Scrutiny Committees, and the Chair of the Democratic Services Committee.

5.9.6 It was noted that evaluation forms are provided at sessions; however, to date limited feedback is received.

Developing the capabilities of employees

5.9.7 The Council put in place a Workforce Plan 2017-22, following engagement with services, and was approved by Cabinet on 15th February 2018. The plan has set priorities that align to the Council's Corporate Plan:

- Developing a flexible and agile workforce that shares organisational knowledge;
- Recruiting and retaining the best talent to create a diverse workforce;
- Leadership and management development;
- Enabling a high performing, engaged and committed workforce; and
- Supporting health and wellbeing to maximise attendance.

5.9.8 Staff development has been supported through induction sessions, Leadership and Middle Management Development Programmes, Manager Briefings, 'Joint Cabinet and Manager meetings' and a range of operational training such as health and safety, information management and dignity at work. This was supported by a new Training Compendium that brought together all training available within the Council. It was also noted that evaluation forms are provided at training sessions; however to date, limited feedback is received.

Proposal for Improvement

5.9.10 In view of the limited level of training event feedback provided, engage with attendees to identify alternative methods of obtaining feedback to ensure that training resources provide maximum benefit for attendees.

5.10 **MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT**

Managing risk

- 5.10.1 The Council has a Risk Management Strategy that was approved by Cabinet in March 2014 and set out the overall purpose and framework for risk management within the organisation.
- 5.10.2 It was noted that the Council's risk management arrangements were reviewed in consultation with the Group Director, Corporate & Frontline Services and the Chief Executive during the first quarter of 2017/18. Following review, the format of the Strategic Risk Register was changed to provide more specific information to stakeholders in respect of controls and actions in place to manage the individual risks. Risk up dates form part of the Council's Performance Report that was published on a quarterly basis throughout the year.
- 5.10.3 During 2017/18, the Council complied with the strategy because it up dated its Strategic Risk Register at the start of the year to align with Corporate Plan priority areas, aligned risks to risk holders and incorporated strategic risk up dates into quarterly Performance Reports. To assess whether the current Risk Management Strategy document remains fit for purpose, this should be reviewed and if appropriate up dated during 2018/19.

Managing performance

- 5.10.4 The Council has taken steps to strengthen its performance management arrangements during the year through Service Self Assessment / Service Delivery Planning 'challenge sessions' with the Chief Executive and designated Cabinet Member. The outcome of this work is supporting an overall improvement in the content of the documents via more clearly defined outcomes and measures being set. Steps have also been taken to introduce revised and proportionate individual performance management arrangements to all staff.
- 5.10.5 The Council is using partnerships to help deliver its own strategic plans and manage performance, with priorities based on a sound understanding of local needs, for example, Population Needs Assessment and the Well-being Assessment and Local Housing Market Assessment 2017/18 - 2022/23. Shared priorities, in particular, are benefiting from closer partnership working around areas such as the 'Stay well at home service' and the new early intervention service supporting the two A&E hospitals having significant success to date, in particular over the winter months, reducing delayed discharges and ensuring significantly less elective surgeries were cancelled during the period than in prior years.

Robust internal control

- 5.10.6 The membership and meeting frequency of the Council's Audit Committee (6 meetings) during 2017/18 was in line with the Council's Constitution and legal requirements.
- 5.10.7 The Council's Head of Internal Audit presented the Internal Audit Annual Report 2017/18 to Audit Committee on 30th April 2018 setting out the work of Internal Audit over this period. Based on the information provided to Audit Committee during the year, it concluded that '...the overall system of internal control within the Council operated effectively during 2017/18 with some areas identified for improvement – particularly within the comprehensive school sector.
- 5.10.8 A review of a sample of Audit Committee meeting minutes identified:
- A number of internal audit opinions concluded that the standard of internal control at specific establishments was insufficient and require improvement, mainly in relation to the school sector;
 - As a result, Audit Committee requested 'follow up visits' to determine whether the required improvements in internal control had been made;
 - 6 of the 8 'follow up visits' were completed in 2017/18 and all demonstrated satisfactory improvement in the standard of internal control. It is noted that the remaining 2 visits will be finalised in the first quarter of the 2018/19 financial year; and
 - It is also noted that Audit Committee have requested more thematic reviews to be undertaken of secondary schools in 2018/19, following consideration of reports received in 2017/18, focussing on areas of highest risk.
- 5.10.9 The CIPFA 'Audit Committees: Practical Guidance for Local Authorities and Police. 2013 Edition' provides an overview of the core functions of an Audit Committee. A review of compliance against the Guidance was incorporated into the workplan of Audit Committee during 2017/18. The CIPFA Guidance was due to be updated and re-published during quarter 4 of 2017/18; however, at the time of this annual governance statement, an update had not been released. It is noted that this work will now take place during 2018/19 (further to receipt of up dated guidance).

Managing data

- 5.10.10 An Information Management Plan is in place that sets out the framework, including legal requirements, for information management within the Council.
- 5.10.11 A review of the arrangements in place during 2017/18 identified they were in line with the agreed governance structure:
- Key responsibilities were designated within the Council: The Council's designated Senior Information Management Risk Officer (SIRO) is the Group Director, Corporate & Frontline Services and there was a

Information Management & Data Protection Act Officer who reports to the Head of Information Technology;

- An Information Management Board was in operation, Chaired by the SIRO, with the Board being supported by an Information Management Working Group;
- Information was available on the Council's website in respect of Data Protection and Freedom of Information, and has set out in Section 5.6 a Publication Scheme was in place in accordance with the Council's responsibilities under the Freedom of Information Act 2000; and
- The Council continued to secure its annual accreditation to the Public Service Network (PSN) in September 2017 i.e. The 'PSN' is the Council's connection to the wider public sector network (Council to Council, Council to Government e.g. Department for Work and Pensions) to enable the Council to communicate and share data securely across all public bodies.

5.10.12 It was noted that alongside the above activity, the Information Commissioner's Office (ICO) investigated 8 referrals (2 self referrals and 6 external). No further action was taken in each case and the ICO determined the following:

- 3 cases were likely to have been the result of a breach of the Data Protection Act (DPA);
- 3 cases were unlikely to have been the result of a breach of the DPA;
- 1 case did not meet the threshold for investigation; and
- 1 case was withdrawn.

General Data Protection Regulation (GDPR)

5.10.13 In addition to the normal business of the Information Management requirements placed upon the Council, the General Data Protection Regulation (Regulation (EU) 2016/679) comes into effect on 25th May 2018.

5.10.14 The GDPR is a regulation intended to strengthen and unify data protection for all individuals within the European Union (EU). The primary objectives of the GDPR are to give individuals greater control of their personal data and to simplify the regulatory environment. When the GDPR takes effect, it will replace the Data Protection Directive 1995 (under which the UK Data Protection Act 1998 was made).

5.10.15 A Report was presented to Cabinet at the meeting held on 22nd March 2018 providing an overview of the preparatory work being undertaken in readiness for the 25th May 2018 and agreeing a Data Protection Policy and to designate the post of Data Protection Officer to an existing member of staff.

Public Services Ombudsman for Wales

5.10.16 During the 2017/18 financial year, no investigations were undertaken by the Public Services Ombudsman for Wales in respect of the Council. It was noted that 10 referrals⁷ were considered through the Council's Complaints and Concerns Procedure the outcomes from which were: no further action deemed necessary for 8 and 2 referrals are currently being reviewed (received in March 2018).

5.10.17 It was also noted that an 'early resolution' procedure was made, via the Public Services Ombudsman for Wales, in respect of a further complaint. This was settled via a letter of apology from the Council and a small payment in recognition of this.

Strong public financial management

5.10.18 The Council has publicly demonstrated its commitment to strong and responsible financial planning and management, and has supported this through the delivery of sound financial performance during a period of reducing budgets. This is because:

- A key cross-cutting principle within the Council's Corporate Plan is '*Live within our means*', in effect setting out the importance of sound financial planning and management within the organisation;
- The Council has a suite of protocols supporting strong financial planning and management, for example, 'Budget and Policy Framework Procedure Rules' and the 'Financial Procedure Rules'. In the case of the latter, it was noted that the document has not been up dated in the past 2 years and therefore requires review;
- The Council set a Revenue Budget in 2017/18 after taking account of a significant budget gap, with savings being delivered from areas that did not affect frontline services. The Council also continued to take a responsible approach to Council Tax increases, having regard to residents feedback as part of the revenue budget consultation process, and set a 2.25% Council Tax increase which was lower than the all Wales average increase of 3.04% and in line with the ambition set out in the Corporate Plan;
- Financial performance results were publicly reported every three months during the year and scrutinised by elected Councillors. The latest financial performance results, for the period April 2017 to December 2017, forecast that the Council will deliver a £0.487Million underspend on its revenue budget against a total budget of £458.940Million (a 0.1% variance);

⁷ Referrals – referrals are where members of the public complain to the Ombudsman without exhausting the local authority's complaints procedure first. The Ombudsman therefore refers these back to the local authority to be considered in line with their complaints procedure

- The Council kept its finances under on-going review throughout 2017/18 and was able to release £7.0M of resources from earmark reserves. This was approved by Council on 29th November 2017 and supported investment in Corporate Plan priority areas. It is noted that the release of one-off funding as a result of early identification of savings or from assessing the Council's specific reserves has been a consistent approach in enabling significant additional investment in recent years;
- The Council is financially stable as a result of it: maintaining General Reserve balances at the minimum level as at 31st March 2017 (as assessed by the Council's Chief Finance Officer); having a track record over a number of years of setting and delivering balanced revenue budgets; and having 'clean bills of health' on its year end accounts when audited by the Wales Audit Office. It was noted that the Council is also taking steps to meet the requirements of up dated legislation that will require all local authorities in Wales to prepare their draft Statement of Accounts earlier and for the external audit of these to also be completed earlier; and
- The Council had sound medium term financial planning arrangements that robustly forecasted future spending and funding levels, and published an up date during the year.

Proposals for improvement

- 5.10.19 Review the Council's Risk Management Strategy document to assess whether it remains fit for purpose. Where revisions are deemed required, these should be reported to elected Councillors for review and sign off before being re-published.
- 5.10.20 Review, and where required, up date the Council's Financial Procedure Rules and report revisions to elected Councillors for consideration / approval.

5.11 IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING, AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY

Implementing good practice in transparency and reporting

5.11.1 The Council has implemented an open and consistent approach to reporting its business, as set out in earlier sections of this Annual Governance Statement, with the aim of helping to ensure information is understandable to stakeholders and that they have the opportunity to challenge the Council's performance, plans and decisions.

5.11.2 A review of a sample of information reported to Council, Cabinet, Scrutiny Committees and Audit Committee has revealed that:

- Annual Reports and Plans are reported publicly, providing an overview of performance either on a council wide basis or in relation to specific areas of business, for example:
 - The Council's audited Statement of Accounts 2016/17 reported and approved by Council on 20th September 2017 in line with the statutory timeframe;
 - The Corporate Performance Report setting out an assessment of the Council's performance for 2016/17 and plans for 2017/18, these being reported to Council on 19th July 2017. The Wales Audit Office has a statutory duty to review the Council's arrangements in this area and issued a 'certificate of compliance' In November 2017;
 - Annual Reports / Plans presented to Cabinet: Cwm Taf Carer's Annual Report 2016/17, Corporate Parenting Board - Annual Report, National Adoption Annual Report and Annual Equality Report .
- The minutes of meetings confirm that designated officers attended Committee meetings to orally present reports and answer questions, and a number of occasions were noted where updates were delivered via presentations.

Proposal for Improvement

5.11.3 As part of the above review, it was noted that the Council's Annual Governance Statement was incorporated within the Statement of Accounts and was not a stand alone document. To increase the prominence / awareness of the Annual Governance Statement, this should be a stand alone document on the Council's website.

Assurance and effective accountability

Internal Audit

- 5.11.4 The Council's Internal Audit Service was subject to an external assessment during 2016/17 to determine conformance or otherwise with the Public Sector Internal Audit Standards. The external assessment (required to be done once every 5 years) concluded that the service '*complies with the Standards in all significant areas, the impact of the non-conformances identified is not considered to be significant*'. The outcome of the external assessment was presented in full to the Audit Committee held on 20th March 2017 (Appendices 3A and B).
- 5.11.5 The Council's Internal Audit Service also had an Internal Audit Charter for the 2017/18 financial year that was approved by Audit Committee on 20th March 2017 and sets out the Service's position within the organisation, for example, its authority to access records, personnel and physical properties relevant to the performance engagements. From a review of Audit Committee reports during the year, the Internal Audit Service was delivered in line with the requirements set out in the Charter.

Wales Audit Office recommendations

- 5.11.6 The Council has a process in place for agreeing and monitoring the implementation of recommendations / proposals for improvement made by the Wales Audit Office. It was noted that Wales Audit Reports were reported to Cabinet and then to Audit Committee and the Overview and Scrutiny Committee during the year, with the responsibilities of the role of both Committees set out in covering reports.
- 5.11.7 During 2017/18 the Council also developed a section on its internet site that set out all regulatory reports received by the Council since December 2015.

5.12 OTHER KEY GOVERNANCE ARRANGEMENTS

Amgen Cymru Ltd

- 5.12.1 Rhondda Cynon Taf CBC holds 100% of the voting rights of Amgen Cymru Ltd., who in turn hold 100% of the voting rights of Amgen Rhondda. The Council also holds 100% of the allotted preference shares in Amgen Rhondda Ltd. The principal activities of Amgen Cymru is to provide waste management services and waste disposal facilities. Amgen Rhondda is responsible for the stewardship of the Nant y Gwyddon landfill site.
- 5.12.2 The directors of the companies are responsible for ensuring there are sound governance arrangements including a robust system of internal control.

5.12.3 The Council removed the “arms length” status of the companies during 2009/10, therefore many of the aspects of the Council’s governance arrangements such as policies, processes and controls apply to the companies.

5.12.4 During 2017/18 there have been no significant governance issues that have been identified by the Amgen Company directors, internal auditors or external auditors.

Pension Fund

5.12.5 Rhondda Cynon Taf County Borough Council is the Administering Authority for the Rhondda Cynon Taf Pension Fund. Whilst the governance arrangements detailed in this statement apply equally to the Council’s responsibilities to the Pension Fund there are further specific requirements for Pension Funds which are detailed in a number of key documents:

- Governance Statement of Compliance which indicates the Fund’s position against the Government’s best practice standards;
- Governance Policy Statement which provides an overview of the management structure, decision making and employer engagement;
- Communication Policy Statement which details the communication and information services to participating employers and scheme members;
- Pension Fund Administration Strategy which seeks to improve efficiency in the delivery of agreed standards of quality and to ensure compliance with statutory requirements;
- Investment Strategy Statement which details how Fund investments are managed;
- Funding Strategy Statement which provides a summary of how we will fund our pension liabilities.

5.12.6 All of these documents can be found at the following link:
www.rctpensions.org.uk

5.12.7 The Public Service Pensions Act 2013 introduced a number of changes to public service pension schemes, including some significant changes for the governance of such schemes. In accordance with the Act, the Council established a Local Pension Board to assist Rhondda Cynon Taf County Borough Council in its role of Administering Authority ('Scheme Manager' in):

- Securing compliance with the Principal Regulations and any other legislation relating to the governance and administration of the LGPS;
- Securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and
- Ensuring the effective and efficient governance and administration of the LGPS by the Scheme Manager.

5.12.8 The Pension Board is made up of two employer representatives and two member representatives.

- 5.12.9 In 2016/17 the Council established a formal Pension Fund Committee (subject to the provisions of Section 101 of the Local Government Act 1972) to oversee its responsibilities with regard to the administration of the RCT Pension Fund. The Pension Fund Committee consists of 5 elected members and is politically balanced.
- 5.12.10 The Committee is responsible for the strategic management of the RCT Pension Fund with all operational matters continuing to be delegated to the Group Director Corporate and Frontline Services (as the Section 151 Officer or in his absence the Deputy Section 151 Officer) who are supported by an Investment and Administration Advisory Panel with appropriate officer, independent advisor and professional support.
- 5.12.11 The Pension Fund Committee met 4 times during the Municipal Year 2017/18.
- 5.12.12 In early 2017, a Joint Governance Committee (JGC) was established in accordance with an inter-authority agreement, responsible for oversight of the Wales Pension Partnership (WPP) investment pooling collaboration of the eight LGPS funds in Wales. The eight Welsh Pension Fund Committee Chairs or their nominated deputy (elected member) attend the JGC and are supported by an officer working group. In January 2018, the WPP appointed an 'Operator' to establish and run a collective investment vehicle for the sole use of the Local Government Pension Scheme (LGPS) funds in Wales.

A summary of the pooling objectives of the WPP are:

- Generate consistent net of fee excess returns;
- Diversify manager risk;
- Reduce average manager fees;
- Achieve tax efficiency by reclaiming withholding tax on dividends (for non-UK equity sub-funds);
- Meet the Government deadlines by establishing one sub fund submission to the FCA; and
- Equitably share the costs of transitioning into sub-funds.

6. **OVERALL ASSESSMENT OF THE COUNCIL'S ARRANGEMENTS**

6.1 Based on the assessment undertaken, it is considered that the Council's governance arrangements were fit for purpose and publicly demonstrated how the Council's work and resources have contributed to the delivery of Corporate Plan priorities and outcomes. This overall conclusion is supported by:

- Sound arrangements to support elected Councillors and Officers in the effective discharge of their responsibilities and also in maintaining high standards of conduct when undertaking business on behalf of the Council;
- Processes in place to up date governance related documents, such as the 'Anti-fraud, Bribery and Corruption Strategy' and 'Whistle-blowing' arrangements, raise awareness of these documents within the Council and also publicly reporting on the Council's performance in such areas;
- An open approach to engaging with stakeholders and planning and delivering services, a number of which being in partnership with others;
- Clear arrangements for decision making that were: supported by robust service management, financial management and scrutiny arrangements; informed by consultation feedback where appropriate; and tested against the requirements of the Well-being of Future Generations Act;
- The continued reporting of understandable priorities and ambition, as set out in the Council's Corporate Plan, with progress reports demonstrating generally improving outcomes and performance at the same time as maintaining financial stability;
- Regular reporting of the Council's performance, with examples of 'exceptions' being reviewed and challenged by Scrutiny Committees;
- A medium term approach to financial planning that helped inform strategic decision making and prioritisation of resources through on-going public sector austerity; and
- The Council having a track record of implementing Annual Governance Statement recommendations in previous years.

6.2 Notwithstanding this overall position, the assessment has identified areas where improvements are deemed necessary to further reinforce the effectiveness of the Council's current arrangements. These are set out in Section 7.

7. PROPOSALS FOR IMPROVEMENT

7.1 Further to completing the assessment of the Council's governance arrangements, Table 4 sets out proposals for improvement.

Table 4 – Proposals for Improvement

Core Principle / Area	Paragraph No.	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer
The Governance Framework	4.3	The Council's governance arrangements comprise a number of codes and documents and are not brought together to form a local code of governance as set out in the national framework.	In line with the national framework, the Council should document and publish its arrangements within a local code of governance, following review and approval by elected Councillors.	Qtr 2 2018/19	Service Director – Performance and Improvement
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	5.5.18	A number of actions were taken to raise awareness of policies and strategies within the Council; however, no information is collected around the extent of understanding.	Policies and Strategies - undertake engagement within the Council to assess the level of awareness and understanding of the Whistle-blowing Policy, Anti-fraud, Bribery and Corruption Strategy, Gifts and Hospitality Policy and induction arrangements.	Qtr 3 2018/19	Head of Organisational Development
	5.5.19	Complaints and Comments - no regular analysis is produced and provided to Services to support performance	Comments, compliments and complaints (non-social services) – introduce arrangements to enable regular complaint analysis to be	Qtr 2 2018/19	Head Of Legal - Corporate

		management arrangements, for example, the number and type of complaints, and recurring themes.	provided to Services.		And Democratic Services
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Core Principle / Area	Paragraph No.	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer
Defining outcomes in terms of sustainable economic, social, and environmental benefits	5.7.4	Draft Corporate Plan priority action plans were not subject to pre-scrutiny in 2017/18.	Draft Corporate Plan priority action plans for 2018/19 should be subject to pre-scrutiny to assess, amongst other things, the basis of performance indicator targets and whether the actions included will help to deliver defined outcomes.	Qtr 1 2018/19	Service Director – Performance & Improvement and Performance Manager
Developing the entity's capacity, including the capability of its leadership and individuals within it	5.9.10	Although evaluation forms are in place to gauge the value of training and development activities, feedback is limited.	In view of the limited level of training feedback provided, engage with attendees to identify alternative methods of obtaining feedback to ensure that training resources provide maximum benefit.	Qtr 1 2018/19 onwards	Head of Organisational Development
Managing risks and performance through robust internal control and strong public financial management	5.10.19	The Council's risk management processes were reviewed in 2017/18 and improvements introduced to further strengthen arrangements. However, the Risk Management Strategy document was not reviewed / up dated.	Review the Council's Risk Management Strategy document to assess whether it remains fit for purpose. Where revisions are deemed required, these should be reported to elected Councillors for review and sign off before being re-published.	Qtr 3 2018/19	Head of Internal Audit and Procurement Development Programmes

	5.10.20	The Council's Financial Procedure Rules document has not been reviewed for 2 years.	Review, and where required, up date the Council's Financial Procedure Rules and report revisions to elected Councillors for consideration / approval.	Qtr 2 2018/19	Service Director – Performance & Improvement

Core Principle / Area	Paragraph No.	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer
Implementing good practices in transparency, reporting and audit to deliver effective accountability	5.11.3	The Annual Governance Statement is not a stand alone document on the Council's website.	To increase the prominence / awareness of the Annual Governance Statement, this should be a stand alone document on the Council's website.	Qtr 2 2018/19	Head of Internal Audit and Procurement Development Programmes
<u>PROPOSALS FOR IMPROVEMENT TO BE CARRIED FORWARD FROM 2016/17</u>					
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	2016/17 AGS	Complaints and Comments - no update is produced on a periodic basis to summarise the non-social services related complaints and concerns received and action taken.	In line with the timescale set in the 2016/17 Annual Governance Statement, this action is scheduled for completion by 30 th June 2018.	Qtr 1 2018/19	Head Of Legal - Corporate And Democratic Services
Managing risks and performance through robust internal control and strong public financial management	2016/17 AGS	Audit Committee – no self assessment has been undertaken against the standards set out in the CIPFA document 'Audit Committees: Practical Guidance for Local Authorities and Police - 2013	The Council's Audit Committee, in consultation with the Head of Internal Audit, should undertake a self assessment against the Standards as set out in the CIPFA document 'Audit Committees: Practical Guidance for Local Authorities and Police. 2013	To be completed on receipt of up dated guidance	Head of Internal Audit and Procurement Development Programmes

		Edition'. This has been delayed due to awaiting receipt of up dated guidance.	Edition'.		
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7.2 The Council's Senior Leadership Team has accepted the proposals for improvement and is committed to their implementation during 2017/18. The Senior Leadership Team has also confirmed that an update on progress will be reported to the Council's Audit Committee during the year to enable Councillors to review and scrutinise the extent of progress being made.

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Leader: A. Morgan

Chief Executive [Signature]

APPENDIX A

POSITION STATEMENT ON PROGRESS MADE TO IMPLEMENT 2016/17 PROPOSALS FOR IMPROVEMENT

Core Principle	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer	Position Statement
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	The 'Anti-Fraud, Bribery and Corruption Policy and Procedure' was last up dated in 2013.	The Council's Anti-Fraud, Bribery and Corruption Policy and Procedure should be reviewed and up dated where relevant and reported to the appropriate Committee for scrutiny and sign-off. Thereafter, the up dated document should be used to inform awareness raising throughout the Council.	Qtr 3 2017/18	Service Director – Operational Finance	Completed (reported to Audit Committee 27/11/17 – link to the report)
	Complaints and Comments - no update is produced on a periodic basis to summarise the non-social services related complaints and concerns received and action taken.	A periodic up date, for example annually, of all non-social services complaints and comments received by the Council should be produced, along with action taken / lessons learned, and reported to an appropriate Committee for review and where relevant further action.	Qtr 1 2018/19	Head Of Legal - Corporate And Democratic Services	On Target
Defining	The MTFP does	As part of updating the MTFP in	Qtr 2 2017/18	Service	Completed

outcomes in terms of sustainable economic, social, and environmental benefits	not allocate the Council's Capital Programme over Corporate Plan priority areas	2017/18, the Council's Capital Programme resources should be allocated / categorised over Corporate Plan priorities to demonstrate or otherwise the prioritisation of resources.		Director – Performance & Improvement	(reported to <u>Cabinet 18/7/17</u> as part of the Council's updated Medium Term Financial Plan)
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	Core Principle	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer	Position Statement
Tuduaten 152 Developing the capability of the entity's leadership and other individuals	Councillor / employee development / training – where operational training is delivered, its impact / benefit is not always captured.	Where Councillor and employee development / training activity takes place, information should be collected on an on-going basis to help demonstrate the longer term effectiveness of the training and also help inform future needs.	Qtr 3 2017/18	Head of Organisational Development	Partly Completed. Questionnaire in place however limited feedback. To be carried forward into 2018/19.	

<p>Managing risks and performance through robust internal control and strong public financial management</p> <p>Managing risks and performance through robust internal control and strong public financial management</p>	<p>Risk Management – the Council’s Risk Management Strategy has not been reviewed / up dated since 2014.</p>	<p>The Council’s Risk Management Strategy should be reviewed, and where relevant updated, and reported to an appropriate Committee for review and sign off.</p>	<p>Qtr 3 2017/18</p>	<p>Head of Internal Audit</p>	<p>Complete.</p> <p>The Council’s risk management arrangements were reviewed and up dated in consultation with the Group Director, Corporate & Frontline Services and the Chief Executive during the first quarter of 2017/18.</p>
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Core Principle	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer	Position Statement
<p>Managing risks and performance through robust internal control and strong public financial management</p> <p>Managing risks and performance through robust internal control and strong public financial management</p>	<p>Audit Committee – no self assessment has been undertaken against the standards set out in the CIPFA document ‘Audit Committees: Practical Guidance for Local Authorities and Police - 2013 Edition’.</p>	<p>The Council’s Audit Committee, in consultation with the Head of Internal Audit, should undertake a self assessment against the Standards as set out in the CIPFA document ‘Audit Committees: Practical Guidance for Local Authorities and Police. 2013 Edition’.</p>	<p>Qtr 4 2017/18</p>	<p>Head of Internal Audit</p>	<p>To be carried forward into 2018/19.</p> <p>The CIPFA ‘Audit Committees: Practical Guidance for Local Authorities and Police. 2013 Edition’ was due to be updated and re-published during quarter 4 of 2017/18. However, at the time of this annual governance statement, an update had not been released. As a result, this work will take place during 2018/19 (further to receipt of up dated guidance). issued).</p>

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Core Principle	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer	Position Statement
<p>Managing risks and performance through robust internal control and strong public financial management</p> <p>Managing risks and performance through robust internal control and strong public financial management</p>	<p>Information Management – no update is reported setting out the Council’s work and performance in this area.</p>	<p>The Council should report on a periodic basis, for example, annually, its work and performance around Information Management and provide opportunity for review and scrutiny.</p>	<p>Qtr 4 2017/18</p>	<p>Head of I.T</p>	<p>Completed.</p> <p>An overview of the Council’s Information Management function / governance arrangements was reported to the Overview and Scrutiny Committee at its meeting held on <u>14th November 2017</u>.</p> <p>Following receipt of the report, the Committee resolved to receive an annual report in respect of the Council’s overall Information Management arrangements and this is due to be presented to the Overview & Scrutiny Committee early in the new Municipal Year.</p>

Rhondda Cynon Taf Pension Fund Accounts

Background to the Fund

The Rhondda Cynon Taf Pension Fund was established with effect from 1st April 1996, upon the reorganisation of Local Government in Wales under the Local Government Pension Scheme (Local Government Reorganisation in Wales) Regulations, 1995. The Local Government Pension Scheme (LGPS) is open to all employees in Local Government apart from teachers, who have their own scheme. It is also open to employees of other organisations that have been accepted into the Fund.

The Rhondda Cynon Taf Pension Fund provides pension benefits for employees of Rhondda Cynon Taf, Bridgend and Merthyr Tydfil County Borough Councils, together with employees from around 40 other bodies. Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

Fund Administration and Investments

Rhondda Cynon Taf CBC has responsibility for the interpretation of pension legislation, the creation and maintenance of records, the calculation and payment of benefits and the provision of information to employees, employers and other relevant bodies.

The Pension Fund Committee is responsible for the strategic management of the RCT Pension Fund in accordance with its term of reference.

The Group Director Corporate and Frontline Services (in their capacity as S151 officer) supported by an Investment and Administration Advisory Panel, has delegated responsibility for all day to day operational matters.

The Pension Fund Investment and Administration Panel, is chaired by the Group Director Corporate & Frontline Services, and consists of two independent investment advisors and other Senior Finance Officers.

The Panel meets quarterly to consider both administration and investment issues and determine policy in light of market movements and to question and challenge the Investment Managers on their activities and performance. At the Net Assets Statement date there were six Investment Managers carrying out the day-to-day investment management of the Fund's assets:

- Baillie Gifford (Global Equities and High Alpha Equities)
- Newton (High Alpha Equities)
- BlackRock (UK Equities and Passive Equities)

- Invesco (UK Equities)
- BMO Global Asset Management (Bonds)
- CBRE (Property)

The Pensions Board was established in accordance with the Public Service Pensions Act 2013 to assist Rhondda Cynon Taf CBC as 'scheme manager' with achieving effective and efficient governance and administration of the Rhondda Cynon Taf Pension Fund.

Wales Pension Partnership

On the 15th March 2017, the Council approved the establishment of a Joint Governance Committee to oversee the pooling of the investments of the eight Local Government Pension Scheme (LGPS) funds in Wales. The Wales Pension Partnership has appointed Link Fund Solutions Ltd. (Link) to establish and run a collective investment vehicle for the sole use of the LGPS Funds in Wales. This will enable the pooling of assets across a range of asset classes. The LGPS Funds will retain full control over strategic asset allocation decisions.

As at the 31st March 2018 no assets have yet transferred into the new collective investment vehicle.

Fund Account

2016/17			2017/18	
£'000		Note:	£'000	£'000
	Contributions			
(83,216)	Employer contributions	8.0	(93,945)	
(25,388)	Member contributions	8.0	(26,052)	
(108,604)				(119,997)
	Transfers in from other Pension Funds			
0	Group Transfers in from other schemes or funds		(17,545)	
(3,939)	Individual Transfers from other schemes or funds		(4,246)	
				(21,791)
(3,599)	Other income		(2,960)	
				(2,960)
(116,142)				(144,748)
	Benefits			
97,391	Pensions		100,162	
18,504	Commutation of pensions and lump sum retirement benefits		16,736	
2,573	Lump sum death benefits		2,846	
118,468		8.0		119,744
	Payments to and on account of leavers			
244	Refunds to members leaving Scheme or Fund		221	
101	Payments to members joining State Scheme or Fund		37	
0	Group Transfers to other schemes		1,088	
8,094	Individual transfers to other schemes		6,680	
8,439				8,026
126,907				127,770
10,765	Net Addition/(Withdrawals) from Dealings with Members		(16,978)	
				(16,978)
11,499	Management Expenses	9.0	10,779	
				10,779
22,264	Net Additions/(Withdrawals) Including Fund Management Expenses			(6,199)
	Investment income			
(32,203)	Dividends from equities		(36,566)	
(20,067)	Income from bonds		(20,128)	
(2,539)	Income from pooled investment vehicles		(2,944)	
(7,230)	Income from pooled property investments		(6,541)	
(38)	Interest on cash deposits		(41)	
(62,077)				(66,220)
			Continued Overleaf...	

(477,314)	(Profits) and losses on disposal of investments and changes in the value of investments		(135,030)	
				(135,030)
744	Taxes on income		886	
				886
(538,647)	Net Returns on Investments			(200,364)
(516,383)	Net (increase)/decrease in net assets available for benefits during the year			(206,563)
(2,483,148)	Opening Net Assets			(2,999,531)
(2,999,531)	Closing Net Assets			(3,206,094)

Net Assets Statement

31/03/2017			31/03/2018	
£'000		Note:	£'000	£'000
	<u>Investment Assets</u>	4.0		
1,823,693	Equities		1,973,190	
566,144	Bonds		581,747	
81,025	Pooled Investment Vehicles - Open Ended investment companies		117,649	
280,565	Pooled Investment Vehicles - Managed funds		276,219	
169,498	Pooled Property Investments		167,831	
2,920,925				3,116,636
	Cash deposits			80,192
	Other investment balances			
6,284	Accrued interest		6,331	
11,113	Investment debtors		7,093	
2,575	Tax recoverable		1,871	
19,972				15,295
3,003,920				3,212,123
	Investment Liabilities			
(10,220)	Investment creditors			(8,498)
2,993,700	Net Investment Assets			3,203,625
	Current Assets			
5,209	Contributions due from employers and employees	10.0	5,750	
3,055	Cash balances		0	
20	Amount owed from RCTCBC		0	
1,300	Other current assets		479	
9,584				6,229
	Current Liabilities			
(3,753)	Current liabilities			(3,760)
2,999,531	Net assets of the scheme available to fund benefits at period end			3,206,094

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the trustees. They do not take into account obligations to pay pensions and benefits which fall due after the end of the scheme year.

A summary of the actuarial position of the scheme, which takes account of these obligations, is included in note 3. These accounts should be read in conjunction with the Actuarial Valuation Report.

1.0 Introduction

These accounts have been prepared in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting 2017/18 which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. A more detailed Pension Fund Annual Report is available on request from the Group Director Corporate & Frontline Services.

2.0 Accounting Policies

2.1 Accruals Concept

Where material, accruals are made for employee and employer contributions, investment income, benefits paid, administration costs, investment management fees and advisors fees. Transfer values are accounted for on a cash basis, with the exception of material group transfers, which are accounted for during the year of effective date of transfer or the year in which the actuary values the transfer if later.

2.2 Investment Valuation of Financial Instruments

In terms of "Fair Value", all investments have quoted prices in active markets, with the exception of Pooled Property Funds. Listed securities are valued in accordance with IAS 39 – Financial Instruments, using bid prices as at 31st March 2018 obtained from recognised Stock Exchanges. Fixed interest securities are valued "clean", excluding accrued interest. Sterling valuations of securities denominated in foreign currencies are based on closing exchange rates as at 31st March 2018.

Pooled Property Funds are valued by Fund Managers using reliable valuation techniques to determine Fair Value. Property valuations are represented by unit prices, based on underlying independent professional valuations. No assets require significant judgements or assumptions to determine Fair Value.

2.3 Additional Voluntary Contributions (AVCs)

Scheme members may elect to make additional voluntary pension contributions from their salaries. These AVCs are not included in the Pension Fund Accounts in accordance with regulation 5(2)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016.

The amount of AVCs paid during the year amounted to £1,245k (£1,210k in 2016/17) and the market value of separately invested AVCs at the Balance Sheet date was £7,604k (£8,094k in 2016/17).

There are two AVC providers, one of which was only able to provide interim figures.

2.4 Acquisition and Disposal Costs

Transaction costs incurred in acquiring or disposing of investments are included as part of the purchase cost or netted off against sales proceeds, as appropriate. Transaction costs include fees, commissions and duties. Transaction costs incurred during 2017/18 amounted to £0.7m (£0.7m in 2016/17).

In addition to the direct costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

2.5 Taxation

As a registered public service scheme the pension fund is exempt from UK income tax and capital gains tax. Overseas investment income incurs withholding tax in the country of origin unless exemption is granted.

Irrecoverable tax is accounted for as an expense in the Fund Account, with any recoverable tax shown as an asset in the Net Assets Statement.

There is a small liability to income tax on refunds of contributions and compounded pensions (small pensions converted into lump sums). These amounts are paid to HMRC on a quarterly basis.

VAT is recoverable on all activities, so the accounts are shown exclusive of VAT.

3.0 Actuarial Position

The Fund's Actuary, AON Hewitt carried out an actuarial valuation of the Fund as at 31st March 2016 in compliance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2013. Actuarial valuations take place on a triennial basis with a number of key assumptions being made.

The methodology to calculate the pension fund liability reflects assumptions and estimates depending on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected return on Pension Fund assets.

Where a valuation reveals a deficiency (or surplus), employer contribution rates are adjusted to seek restoration of a 100% funding ratio. The recovery period for each employer is set by the Administering Authority in consultation with the Actuary.

The funding policy of the scheme is to ensure that:

- Employer contribution rates are kept as nearly constant as possible and at reasonable cost to the employers and taxpayers.
- Sufficient resources are available to meet all liabilities as they fall due.
- Employers' liabilities are managed effectively by seeking regular actuarial advice.
- Income from investments is maximised within reasonable risk parameters.

The result of the 2016 valuation is shown in the table below:

	31/03/2016	31/03/2013
	£'m	£'m
Funding Target	3,064	2,665
Market Value of Assets	2,485	2,080
Funding Deficit	579	585
Funding Ratio	81%	78%

The aggregate employer future service contribution rate is 17.1% of pensionable pay. To restore the funding ratio to 100% using a recovery period of 22 years the aggregate employer contribution rate is calculated to be 24.3%.

Contribution rates payable by each scheme employer will vary depending on their particular circumstances. Some employers will also phase in contribution increases over a maximum period of 3 years. Further details are available in the actuarial report.

Contribution rates have been calculated using the Projected Unit Method for most employers. The Attained Age Method has been used for some employers who do not permit new employees to join the Fund. The key assumptions made are listed in the following table:

Assumption	2016 Valuation	2013 Valuation
	% p.a.	% p.a.
Average in service discount rate	4.5%	5.6%
Average left service discount rate	4.5%	5.6%
RPI inflation	3.1%	3.3%
CPI inflation	2.0%	2.4%
Pensionable Pay increases	3.25%	3.9%
Post-retirement mortality assumption - base table	SAPS Normal tables with scaling factors Men 100% Women 100%	SAPS Normal tables with scaling factors Men 100% Women 95%
Post-retirement mortality assumption - future improvements	CMI 2014 core projections with long-term improvement rate of 1.5% pa	CMI 2012 core projections with long-term improvement rate of 1.5% pa

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund Accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes.

The actuary has also used valued ill health and death benefits in line with IAS 19.

The CIPFA Code of Practice on Local Authority Accounting also requires the disclosure of the relationship between the actuarial present value of promised retirement benefits and the net assets.

	Value as at 31/03/2016	Value as at 31/03/2013
	£'m	£'m
Fair Value of net assets	2,485	2,079
Actuarial present value of promised retirement benefits	3,471	3,200
Surplus / (deficit) in the Fund as measured for IAS 26 purposes	(985)	(1,121)

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2016 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

4.0 Analysis of Investments at Fair Value

	2016/17		2017/18	
	£'000	£'000	£'000	£'000
<u>Equities</u>				
UK	446,452		473,325	
Overseas	1,377,241		1,499,865	
		1,823,693		1,973,190
<u>Bonds</u>				
UK	504,792		552,838	
Overseas	61,352		28,909	
		566,144		581,747
<u>Index linked</u>				
UK	0		0	
Overseas	0		0	
		0		0
<u>Pooled funds</u>				
UK	164,456		156,755	
Overseas - other	197,134		237,113	
		361,590		393,868
<u>Pooled funds - property</u>				
UK – other	162,407		165,342	
Overseas - other	7,091		2,489	
		169,498		167,831
Total long-term investments		2,920,925		3,116,636

The Fund does not participate in any stock lending arrangements. All investments held are quoted investments with the exception of property, which is valued at Fair Value and no assets reclassified. Carrying values of assets held in the Net Assets Statement are the same as the Fair Values shown above.

All investments above are deemed to be Financial Instruments designated “Fair Value through Profit and Loss”. All investment income, profits/losses on disposals of investments, and changes in the value of investments recognised in the Fund Account arise from Financial Instruments designated “Fair Value through Profit and Loss”, with the exception of interest on cash deposits. Cash deposits are deemed to be Financial Instruments designated “Loans and Receivables”.

Quoted equities and cash are classed as fair value hierarchy level 1. Bond and pooled property are classified as fair value hierarchy level 2.

5.0 Fund Manager Asset Allocation

The market values of investments held by the Fund Managers employed by the Fund are detailed in the following table:

Fund Manager	Market Value		Proportion of Fund	
	31/03/2017 £'000	31/03/2018 £'000	31/03/2017 %	31/03/2018 %
Baillie Gifford (Equities)	656,126	734,706	22.0	22.9
Baillie Gifford (High Alpha Equities)	661,065	748,744	22.2	23.4
Newton (High Alpha Equities)	493,328	502,347	16.5	15.7
Invesco (UK Equities)	146,034	137,544	4.9	4.3
BlackRock (UK Equities)	138,748	139,837	4.7	4.4
BlackRock (Passive Equities)	134,531	138,755	4.5	4.3
BMOgam (Bonds)	573,558	589,971	19.2	18.4
CBRE (Property)	173,373	174,860	5.8	5.4
Internal	7,005	36,861	0.2	1.2
Total	2,983,768	3,203,625	100	100

No single investment accounted for more than 5% of the Fund's assets.

The market value of investments shown in this table includes short-term investments such as cash balances and money deposits, and so differs from the total of long-term investments only, as shown in note 4.0.

Investment risk is mitigated by employing a number of fund managers to diversify manager risk, with mandates covering a variety of assets including equities, bonds and property. Managers must maintain a diversified portfolio of investments and comply with the LGPS investment regulations, and any additional restrictions within their mandates. The underlying investments are further diversified by country and industry sector.

Each manager's performance is monitored quarterly against a target linked to an asset allocation benchmark, effectively constraining managers from deviating significantly from the intended approach, while still permitting some flexibility to enhance returns.

6.0 Contingencies

There is a contingent liability of £555k (£449k in 2016/17) in respect of refundable contributions for leavers who have not yet claimed refunds.

7.0 Reconciliation of Investment Asset Valuation

A reconciliation of the opening and closing investment valuations is given below.

	Market Value 01/04/17	Purchases	Sales at Historic Book Cost	Change in Market Value	Market Value 31/03/18
	£'000	£'000	£'000	£'000	£'000
Bonds	566,144	575,712	(540,066)	(20,043)	581,747
Equities	1,823,693	399,348	(247,229)	(2,622)	1,973,190
Pooled Investments	361,590	27,061	(428)	5,645	393,868
Pooled Property	169,498	9,134	(21,846)	11,045	167,831
	2,920,925	1,011,255	(809,569)	(5,975)	3,116,636
Cash Deposits	63,023			141,005	80,192
Investment Debtors	19,972				15,295
Investment Creditors	(10,220)				(8,498)
Total	2,993,700			135,030	3,203,625

8.0 Contributions Receivable and Benefits Payable

Contributions received and benefits paid are shown in the table below.

Type of Body	Member Contributions		Employer Contributions		Pensions, Lump Sums and Death Benefits	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000
Administering	8,018	8,197	28,285	33,402	31,017	31,034
Admitted	3,376	3,442	14,076	13,907	13,654	13,776
Scheduled	13,994	14,413	40,855	46,636	73,797	74,934
Total	25,388	26,052	83,216	93,945	118,468	119,744

Included in employer contributions are £9,649k of deficit funding contributions (£8,179k in 2016/17). There are no augmented contributions.

9.0 Management Expenses

The management expenses borne by the Fund in 2017/18 are set out below:

	2016/17	2017/18
	£'000	£'000
Administrative Costs	1,748	1,828
Investment Management Expenses	9,456	8,642
Oversight and Governance Costs	295	309
Total	11,499	10,779

Management Expenses represents 0.27% (0.33% in 2016/17) of the value of the Pension Fund as at 31st March. 2018.

The investment management expenses borne by the fund in 2017/18 are set out below:

	2016/17	2017/18
	£'000	£'000
Management Fees	6,479	6,265
Performance Related Fees	2,033	1,452
Custody Fees	264	201
Transaction Costs	680	724
Total	9,456	8,642

10.0 Transactions with Related Parties

In the course of fulfilling its role as administering authority to the Fund, Rhondda Cynon Taf CBC provided services to the Fund for which it charged £1.6m (£1.5m in 2016/17). These costs are mainly in respect of those staff employed in ensuring that the pension service is delivered.

At the year-end, contributions outstanding from the Employing Bodies in the Fund amounted to £5.8m (£5.2m in 2016/17), of which £4.4m related to employer contributions and £1.4m to employee contributions.

There are members of the Pension Fund Investment and Administration Panel, the Pensions Board and the Pension Fund Committee who are also members of the Rhondda Cynon Taf Pension Fund.

The administration of the Rhondda Cynon Taf Pension Fund is a function of full Council, with responsibility for day to day decisions being delegated to the Group Director-Corporate and Frontline Services. As such, the Group Director is required to declare any interests with related parties. The disclosure can be found in the main accounts of Rhondda Cynon Taf County Borough Council.

Officer remuneration and Members allowances can be found in the main accounts of Rhondda Cynon Taf County Borough Council.

11.0 Membership of the Fund

Fund membership at 31st March is as follows:

	2017	2018
Active Employers	49	49
Contributors	23,918	24,109
Pensioners	16,315	16,609
Dependants	2,640	2,653
Deferred Beneficiaries	24,641	25,956

12.0 Group Transfers

The Fund transferred £1.1m to Cardiff and Vale of Glamorgan Pension Fund in respect of the Glamorgan Record Office.

The Fund received £7.8m from Greater Gwent (Torfaen) Pension Fund in respect of the University of South Wales and also £9.7m from Cardiff and Vale of Glamorgan Pension Fund in respect of Central South Consortium Joint Education Services.

13.0 Nature and Extent of Risks Arising From Financial Instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability (or equity instrument) of another entity. There are three main ways in which the Pension Fund is exposed to risk from financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

The overall objective is to minimise the risk of a reduction in the value of the Fund, and to maximise the opportunity for gains within reasonable risk parameters.

The Funding Strategy Statement identifies key risks to the Pension Fund together with the countermeasures undertaken to mitigate the risks.

13.1 Credit Risk

Credit risk is the possibility that a counterparty will fail to discharge its obligation to the Pension Fund, causing a financial loss. Counterparties considered are banks and financial institutions with whom investments are placed, employers within the Fund and Investment Managers. The risk of counterparties failing to discharge obligations is managed in a number of ways:

- Counterparties for cash investments made by the Administering Authority must meet the strict credit criteria set out in the Rhondda Cynon Taf CBC Treasury Management Strategy.
- Participating employers may be required to provide a bond to cover the risk to the Fund should they be unable to meet their pension contribution obligations.
- Investment Managers manage funds that are held in the name of the Pension Fund, not in the name of the Investment Managers. In the event of the Investment Manager being unable to fulfil their obligations the Fund's investments will not be considered part of their asset portfolio.

The Pension Fund has had no experience of counterparty default in the last five years. Cash deposits held by the Administering Authority for the Pension Fund as at 31st March 2018 amounted to £30.8m with the institutions shown in the table below.

Institution	Balance at 31/03/18 £'000	Maturity Date
Stockport Council	2,200	03/04/2018
Debt Management Office	3,300	04/04/2018
Wakefield Metropolitan District Council	5,000	05/04/2018
Debt Management Office	5,000	06/04/2018
Office of the Police and Crime Commissioner for Humberside Police	4,000	09/04/2018
Debt Management Office	5,000	10/04/2018
Bournemouth Council	1,000	11/04/2018
Debt Management Office	5,330	11/04/2018
Total	30,830	

The Treasury Management Strategy sets a limit of £15m for cash deposits with individual Local Authorities.

13.2 Liquidity Risk

Liquidity risk is the risk that the Pension Fund will not be able to meet its financial obligations as they fall due. This risk is managed by:

- Maintaining a robust cash flow monitoring and forecasting model.
- Ensuring that the Pension Fund has access to cash in the short and medium-term to pay pensions by managing cash flow from money-market investments.
- Taking actuarial advice to set employer contribution rates at triennial valuations in order to meet the long-term funding requirements to pay pensions and other commitments.

The Administering Authority has immediate access to internally managed Pension Fund cash balances held with its own bank, Barclays. The Authority also invests Pension Fund cash in short-term deposits with the Debt Management Office or other UK public bodies for periods normally less than 3 months.

13.3 Market Risk

Market risk is the risk of a loss in the value of investment assets from movements in investment markets e.g. asset prices, interest rates and currency exchange rates. This risk is managed by ensuring that the Fund invests in a broad range of assets diversified by Investment Manager, asset class and geographical region.

Following analysis of historic data, State Street, the Fund's custodian, have provided a view of potential market movements for the 2017/18 financial year. The possible impact of movements is shown in the following table:

Asset type	31/03/18 Value	Change %	Value on increase	Value on decrease
	£'000		£'000	£'000
Core Equity Mandate	873,461	9.41	955,654	791,268
Global Equity Mandate	1,251,091	9.71	1,372,572	1,129,610
UK Equity Mandate	277,381	8.73	301,596	253,166
Bond Mandate	589,971	5.67	623,422	556,520
Property Mandate	174,860	2.43	179,109	170,611
Internal Mandate	36,861	0	36,861	36,861
Total	3,203,625		3,469,214	2,938,036

The Fund's interest rate risk is monitored regularly with the advice of the Administering Authority's treasury advisors. Interest rates changes can affect Fund income and asset values.

Assuming that all other variables, particularly exchange rates, remain unchanged, a movement in interest rates of 1% for the 2017/18 financial year would have the following effect:

Asset type	31/03/18 Value	Value on increase	Value on decrease
	£'000	£'000	£'000
Bond securities	581,747	587,564	575,930
Cash deposits & balances	86,989	87,859	86,119
Total	668,736	675,423	662,049

Currency risk is the risk to income and investment asset values from changes in foreign exchange rates. The Fund is exposed to this risk from non-sterling denominated investments in a range of assets.

A movement in currency exchange rates of 9.8% would have the following effect:

Asset type	31/03/18 Value	Value on increase	Value on decrease
	£'000	£'000	£'000
Overseas Equities	1,736,978	1,907,202	1,566,754
Overseas Bonds	28,909	31,742	26,076
Overseas Pooled Property	2,489	2,733	2,245
Total	1,768,376	1,941,677	1,595,075

The independent auditor's report of the Auditor for Wales to the Members of Rhondda Cynon Taf County Borough Council

Report on the audit of the financial statements

Opinion

I have audited the financial statements of:

- Rhondda Cynon Taf County Borough Council

for the year ended 31 March 2018 under Public Audit (Wales) Act 2004.

Rhondda Cynon Taf County Borough Council's (RCTCBC) financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs)

In my opinion the financial statements:

- give a true and fair view of the financial position of RCTCBC as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom in 2017-18.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of RCTCBC 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

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about RCTCBC's ability to continue to adopt the going concern basis of accounting for a period of at

least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual 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 in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

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

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

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Rhondda Cynon Taf 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.

Responsibilities

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 15], the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control 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.

In preparing the statement of accounts, the responsible financial officer is responsible for 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 deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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.

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

Anthony J Barrett
For and on behalf of the Auditor General for Wales
[Date]

24 Cathedral Road
Cardiff
CF11 9LJ

The independent auditor's report of the Auditor General for Wales to the members of Rhondda Cynon Taf County Borough Council as administering authority for Rhondda Cynon Taf Pension Fund

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Rhondda Cynon Taf Pension Fund for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004. Rhondda Cynon Taf Pension Fund's financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-2018 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31st March 2018, and of the amount and disposition at that date of its assets and liabilities
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the pension fund 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

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

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

- the information contained in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and the annual report has been prepared in accordance with the Local Government Pension Scheme Regulations 2013.

Matters on which I report by exception

In the light of the knowledge and understanding of the pension fund and its environment obtained in the course of the audit, I have not identified material misstatements in the annual report.

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

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

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Rhondda Cynon Taf Pension Fund in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements [set out on page 15], the responsible financial officer is responsible for the preparation of the financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the responsible financial officer is responsible for assessing the pension fund'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 deemed inappropriate.

Auditor’s responsibilities for the audit of the financial statements

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.

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

Anthony J Barrett
For and on behalf of the Auditor General for Wales
[Date]

24 Cathedral Road
Cardiff
CF11 9LJ

Glossary of Terms

Accrual

An accrual is a sum shown in the accounts representing income or expenditure relating to the accounting period, which had not actually been received or paid as at the date of the Balance Sheet.

Actuary

An actuary is an individual or organisation that calculates insurance premiums and liabilities and pension obligations.

Agency Services

Agency services are services provided by an external organisation, or services that the Council provides for an external organisation.

Amortisation

Charges to revenue for the estimated reduction in the value of an intangible asset.

Attained Age Method

An Actuarial method of calculating a contribution rate to the Pension Fund. It calculates the present value of the benefits estimated to accrue to members over their expected remaining membership, expressed as a percentage of their expected future pensionable pay.

Audit

An audit is an independent examination of activities.

Budget

A budget (or estimate) is a plan of income and spending, based upon which Council Tax is set. Actual expenditure is subsequently monitored against this plan.

Capital Expenditure

Capital expenditure is spending on long-term assets. These are assets that will be used for several years in the provision of services and are items such as buildings, equipment and vehicles.

Capital Receipt

Capital receipts are proceeds from the sale of long-term assets such as land or buildings.

CCRCD – Cardiff Capital Region City Deal

The Cardiff Capital Region within the City Deal is comprised of 10 local authorities; Blaenau Gwent; Bridgend; Caerphilly; Cardiff; Merthyr Tydfil; Monmouthshire; Newport; Rhondda-Cynon-Taf; Torfaen; and the Vale of Glamorgan.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is responsible for issuing financial guidance to public bodies.

Creditor

A creditor is an organisation/individual owed money by the Council at the end of the financial year for goods/services received.

Current Assets

These are short-term assets that are available for the Council to use in the following accounting period.

Current Liabilities

These are short-term liabilities that are due for payment by the Council in the following accounting period.

Debtor

A debtor is an organisation/individual who owes the Council money at the end of the financial year for goods/services received.

Debt Management Office (DMO)

The DMO is an Executive Agency of Her Majesty's Treasury. Its responsibilities include debt and cash management for the UK Government, lending to Local Authorities and managing certain public sector funds.

Defined Benefit Scheme

A defined benefit pension scheme is one that bases retirement benefits upon Career Average Re-valued Earnings.

Defined Contribution Scheme

A defined contribution scheme is a type of retirement plan in which the amount of the employer's annual contribution is specified. Benefits are based on the amounts credited to these accounts (through employer contributions and, if applicable, employee contributions) plus any investment earnings. Only employer contributions to the account are guaranteed, not the future benefits.

Delegated Schools

A delegated school is one managed independently by its Governing Body. The funds of these schools are held outside of the Council Fund balances.

Depreciated Historic Cost (DHC)

Depreciated Historic Cost is obtained by recording the purchase price of an asset and reducing the value over its useful economic life.

Depreciated Replacement Cost (DRC)

DRC is an estimation of the market value for existing use plus current gross replacement costs less allowances for deterioration.

Depreciation

Depreciation is the estimated loss in value of tangible long-term assets that are presented in the Balance Sheet.

Earmarked Reserves

These are reserves set aside for a specific purpose.

Fair Value Hierarchy

Level 1 – Assets and liabilities at level 1 are those where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Assets and liabilities at level 2 are those where quoted market prices are not available.

Financial Year

This is the accounting period. For local authorities it starts on 1st April and finishes on 31st March of the following year.

HMRC

Her Majesty's Revenue and Customs.

Impairment

Impairment occurs when the value of a long-term asset falls below the value it is currently held at in the Balance Sheet and Asset Register.

International Accounting Standard (IAS)

Financial Regulations to be followed as set by the International Accounting Standards Board (IASB).

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards are produced by the IASB (International Accounting Standards Board) with the aim of ensuring consistency within the countries adopting the standards.

Inventories

Inventories are raw materials purchased for day-to-day use. The value of these items that have not been used at the end of the financial year are shown as current assets in the Balance Sheet.

Leasing

This is a method of financing expenditure by paying the owner to use property or equipment for a number of years.

Lessee

User or renter of the leased asset or property. In case of capital leases, the lessee is also the 'debtor' to the lessor.

Lessor

Owner or the title holder of the leased asset or property. The lessor is also the lender and secured party in case of capital leases and operating leases.

Liability

A liability is an obligation to transfer economic benefits as a result of past transactions or events.

Long-Term Asset

These are assets that are used in the provision of services (usually for more than one year).

Minimum Revenue Provision (MRP)

MRP is a charge against revenue resources representing a repayment of debt. It is a method of paying for Capital Expenditure which was funded by borrowing.

Modern Equivalent Valuation (MEV)

Modern Equivalent Valuation is a method of valuation that calculates the cost of constructing modern equivalent buildings and structures, depreciating them to account for the age and future economic life

Non-Domestic Rates (NDR)

The NDR, or Business Rate, is the charge to occupiers of business premises. NDR is set by central government and is a percentage of rateable values. The percentage is the same throughout Wales. The total collected is split between individual authorities in proportion to their adult populations.

Net Realisable Value

The selling price of an asset, reduced by the relevant (direct) cost of selling it.

Non-Recurring Fair Values

These relate to assets that are measured at fair value due to particular circumstances. The assets which meet the criteria for assets held for sale are valued at the lower of non-recurring value less cost to sell, and its carrying value.

Operating Leases

These are leases where risks of ownership of the asset remain with the owner.

Pooled Budget

A pooled budget is a financial mechanism, in which partners, normally statutory public sector bodies, consolidate funding to form a discrete shared fund or 'pool'. This pool is then used to pay for goods, services and activities for a defined client group.

Post Balance Sheet Events

Post Balance Sheet items are those that arise after the Balance Sheet date. These are items that did not exist at the time the Balance Sheet was prepared but should be disclosed if they are relevant to the understanding of the accounts.

Precepts

This is the amount paid to a non-rating body (for example a community council).

Prior Year Adjustment

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of material errors.

Projected Unit Method

An actuarial method of calculating the liabilities of a pension scheme which allows for projected future increases in pensionable pay up to retirement or date of leaving service.

Provision

A provision is an obligation to transfer economic benefits as a result of past events where a reliable estimate can be made of the obligation, but the amount or timing of which cannot yet be determined accurately.

Public Works Loan Board (PWLB)

This is a Government agency that provides loans to local authorities for periods between 1 and 50 years.

Recurring Fair Value

These relate to assets that are measured at the end of each accounting period, within the rolling programme of valuations.

Related Party

A related party exists where there is control or influence by one party over another.

Strain on Funds

When an employee retires early and is immediately paid a pension, without actuarial reduction, the lost contribution income and interest cost arising from the associated earlier increased cash flow is referred to as pension strain cost. The pension strain cost is determined by actuarial calculation.

Sub Lease

A sub-lease is a lease between a tenant who already holds a lease to a commercial space or property and someone (the sub-lessee) who wants to use part or all of the tenant's space. The tenant is deemed to be a sub-lessor.

Trust Fund

Trust funds hold money on behalf of an individual or organisation. Trustees administer the funds for the owners.

Voluntary Aided School

Voluntary aided schools are mainly religious or faith schools, although anyone can apply for a place. The governing body employs the staff and sets admissions criteria. School land and buildings are normally owned by a charitable foundation, often a religious organisation, and the governing body contributes to building and maintenance costs.

Voluntary Controlled School

Voluntary controlled schools are similar to voluntary aided schools, but are run by the local authority. The local authority employs the school's staff and sets the admissions criteria. School land and buildings are normally owned by a charity, often a religious organisation, which also appoints some of the members of the governing body.

Welsh Government (WG)

The Welsh Government is the devolved Government for Wales. The Welsh Government consists of the First Minister, Welsh Ministers, the Counsel General and Deputy Ministers. They are supported by Civil Servants who work across devolved areas of public life such as health, education and the environment.

**CENTRAL SOUTH
CONSORTIUM
JOINT EDUCATION SERVICE
JOINT COMMITTEE**

**DRAFT – SUBJECT TO AUDIT
STATEMENT OF ACCOUNTS**

2017/18

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Narrative Report

1. Introduction

The Central South Consortium Joint Education Service was established on 1st September 2012 to provide a range of school improvement services operating on behalf of five local authorities: Bridgend, Cardiff, Merthyr Tydfil, Rhondda Cynon Taf and the Vale of Glamorgan.

This region is the most populous in Wales. It includes 396 schools and serves 146,928¹ learners - a third of the country's school-age children. The region is home to the highest number and the largest proportion of children living in poverty; it is also home to the capital city and the economic, financial and creative industries of Wales.

The Consortium is managed and administered by the Central South Consortium Joint Committee, under powers conferred by the Local Government (Wales) Act 1994. The Joint Committee is made up of five members, one from each Local Authority. Rhondda Cynon Taf CBC became the Host Authority upon formation of the Joint Committee.

The accounts for 2017/18 have been prepared in accordance with:

- The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 based on International Financial Reporting Standards (IFRS); and
- The Accounts and Audit (Wales) Regulations 2014 (as amended).

The accounts set out on pages 15 to 43 comply with the above.

2. Business Plan 2017-2020

The Consortium's role is to challenge and support schools in their work to improve educational outcomes.

The local authorities (through a Joint Committee attended by the Cabinet Member for education in each authority) agree the business plan and budget for the region and hold the Consortium to account for the impact of its work.

The Consortium receives its core funding from the five local authorities and also receives funding from the Welsh Government to support specific activities in line with national priorities / initiatives.

¹ Pupil Level Annual School Census (PLASC) – January 2017

The performance of the schools in the Central South Consortium region are key to the future educational and the economic success of Wales.

How well children and young people, particularly the most vulnerable, achieve in this region significantly influences how the country and its education system are perceived within our borders and beyond.

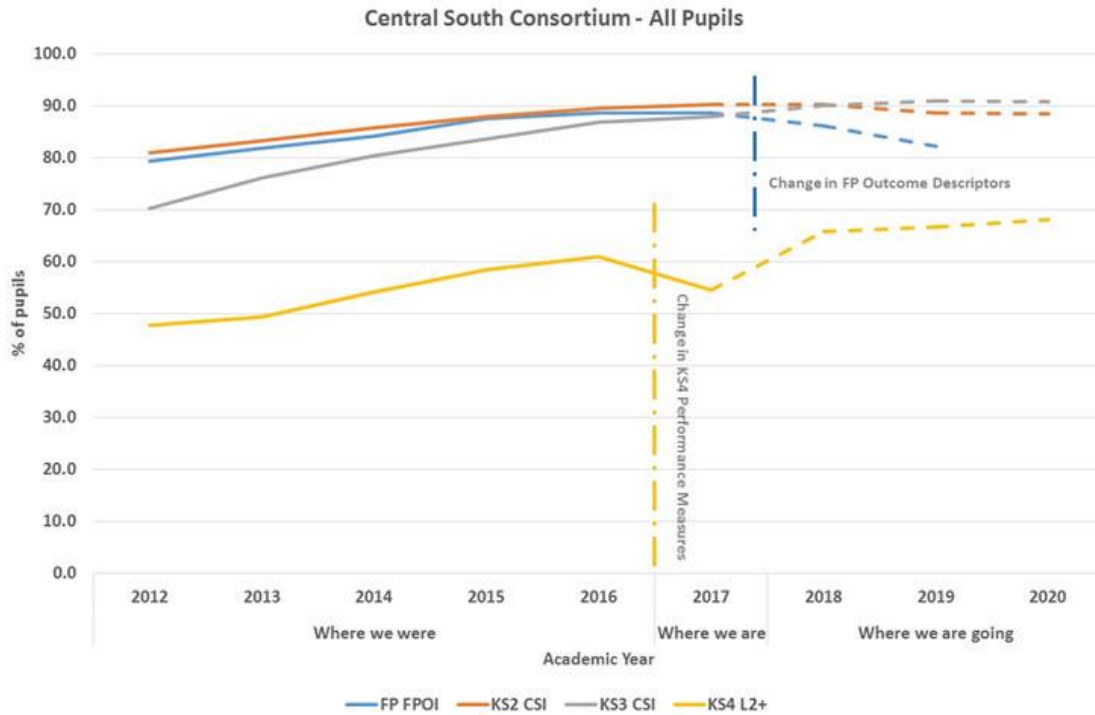
The Consortium's business plan aims to:

- Improve outcomes for vulnerable learners;
- Develop school-to-school working to deliver curriculum reform;
- Develop leadership, governance and workforce reform;
- Deliver rapid and sustainable intervention; and
- Develop effectiveness and efficiency in Central South Consortium.

Operational plans underpin each improvement objective.

The Consortium's Business Plan has been compiled in the context of reducing resources, this being consistent with the challenging economic climate facing all public sector organisations in Wales. In line with this, the 2017/18 revenue contributions received by the Consortium from the five member local authorities reduced by 5% and it is anticipated that the position of the Consortium requiring to operate in an environment of reducing resources will continue into the medium term.

There has been year-on-year improvement in nearly all performance indicators at all phases, creating a significant upward trend. However, Key Stage 4 performance in summer 2017 was lower than anticipated, even when changes to qualifications and performance indicators were taken into consideration.

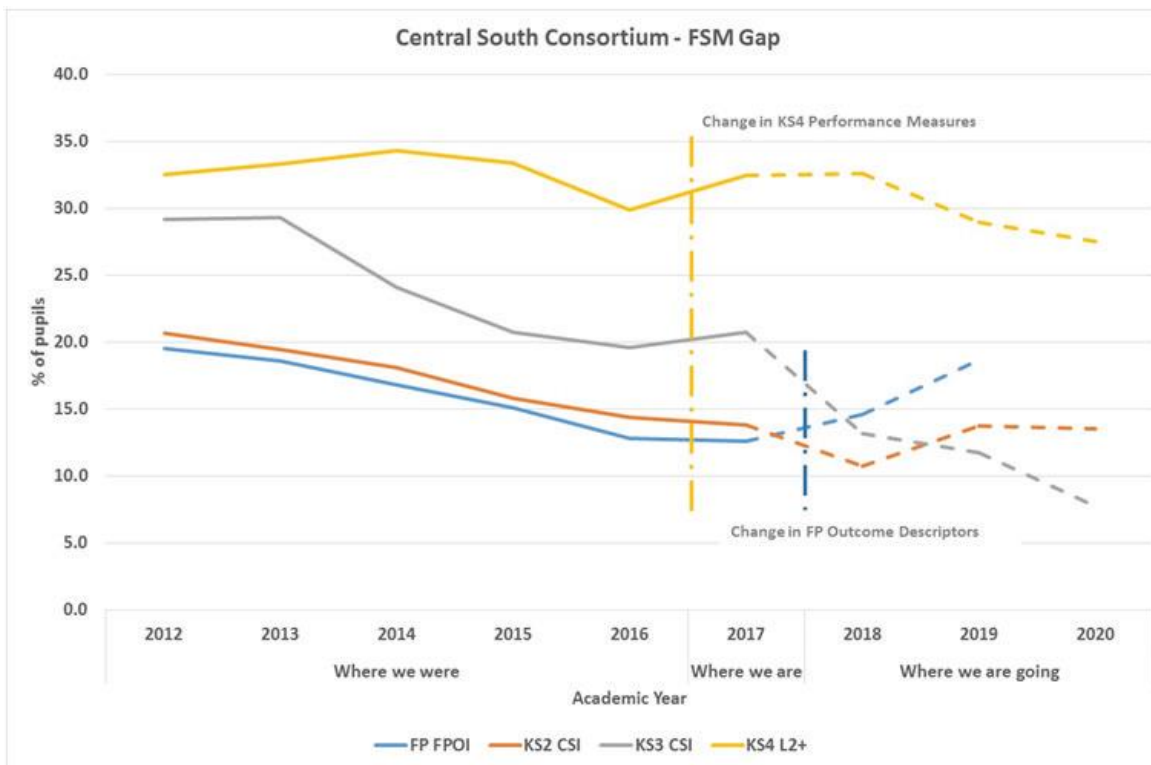
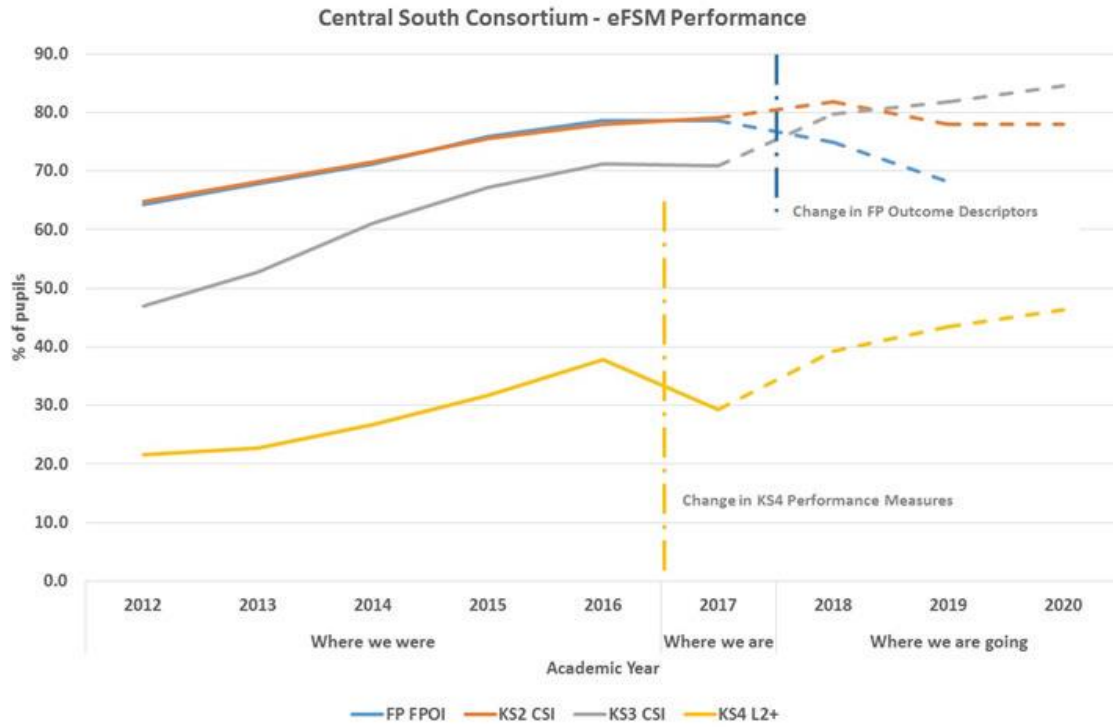


Key:

FPOI – Foundation Phase outcome indicator.

KS2, KS3 and KS4 – Key Stage 2, 3 and 4.

Whilst the performance of pupils entitled to free school meals improved year on year in most performance indicators up to the summer of 2017, the most recent performance shows a drop in outcomes in some key areas. The gap also remains too large overall.



3. Comprehensive Income and Expenditure Statement 2017/18

The Comprehensive Income and Expenditure Statement provides an analysis of the Consortium's gross revenue expenditure and income in accordance with IFRS.

The Consortium's 2017/18 revenue budget strategy underpinned the following broad objectives:

- Support the delivery of key strategic priorities particularly around the need to build teams of challenge advisors to work with all schools in the region (with more time allocated to the schools most in need);
- Provide timely data analysis to support schools' self-evaluation and improvement planning (including school categorisation judgements);
- Support and fund school-to-school improvement partnerships and broker support between schools;
- Allocate grant funding to schools in the region along with guidance and advice on how grant funding can be used to drive improvement; and
- Work with the Welsh Government to deliver its priorities in the region.

The table shows the budgeted controllable income and expenditure against the actual controllable income and expenditure for the period 1st April 2017 to 31st March 2018:

	Budget £'000	Actual £'000	Variance £'000
Expenditure			
Employees	3,496	3,463	(33)
Premises	539	494	(45)
Transport	25	25	0
Supplies & Services	311	475	164
Third Party Payments	0	0	0
Support Services	122	118	(4)
	4,493	4,575	82
Income			
Local Authority Contributions	(3,986)	(3,986)	0
Grants & Other Income	(507)	(596)	(89)
	(4,493)	(4,582)	(89)
Net Expenditure	0	(7)	(7)

The reasons for the variances between budgeted and actual expenditure and income were:

- Employees (£33k underspend) – as a result of vacancy savings within the Business Support Team and the transfer of eligible staff costs to in-

year grant funding received, for example, the Education Improvement Grant (EIG) to optimise the use of external funding;

- Premises (£45k underspend) – due to the actual costs for Non-Domestic Rates being lower than budgeted due to a revaluation of Ty Dysgu (undertaken by the Valuation Office Agency);
- Supplies & Services (£164k overspend) - due to the re-prioritising of expenditure requirements, the transfer of eligible costs to the EIG and the creation of an earmark reserve to support service remodelling over the medium term;
- Support Services (£4k underspend) – as a result of Service Level Agreements for support functions received from the Host Authority being lower than budgeted; and
- Income (actual income £89k higher than budgeted) – due to increased restaurant and conference centre income from higher than forecasted conference centre bookings along with additional income in respect of secondment of Central South Consortium staff.

In addition, the following categories of income and expenditure relating to specific grants were processed through the Central South Consortium’s accounts during 2017/18:

	Actual £'000
Expenditure	
Employees	3,492
Premises	23
Transport	26
Supplies & Services	75,351
Third Party Payments	348
Support Services	0
	79,240
Income	
Grants & Other Income	(79,240)
Net Expenditure	0

As at 31st March 2018, the Central South Consortium held General Reserves of £136k. Movements on reserves are detailed within the Movement in Reserves Statement.

4. Capital Expenditure 2017/18

No capital expenditure this financial year.

5. Summary of Future Revenue Plans

The Consortium's Business Plan 2018/2019 was approved by Joint Committee on 15th March 2018 and sets out the vision, purpose and priorities it aims to deliver within an environment of reducing resources. Our ambition is, by 2020 that:

- learners sustain the best educational outcomes in Wales, rivalling parts of the UK;
- the poverty related attainment gap is reduced faster here than anywhere else in Wales; and
- the region is known and recognised for its high quality school-led professional learning and the impact it has on outcomes.

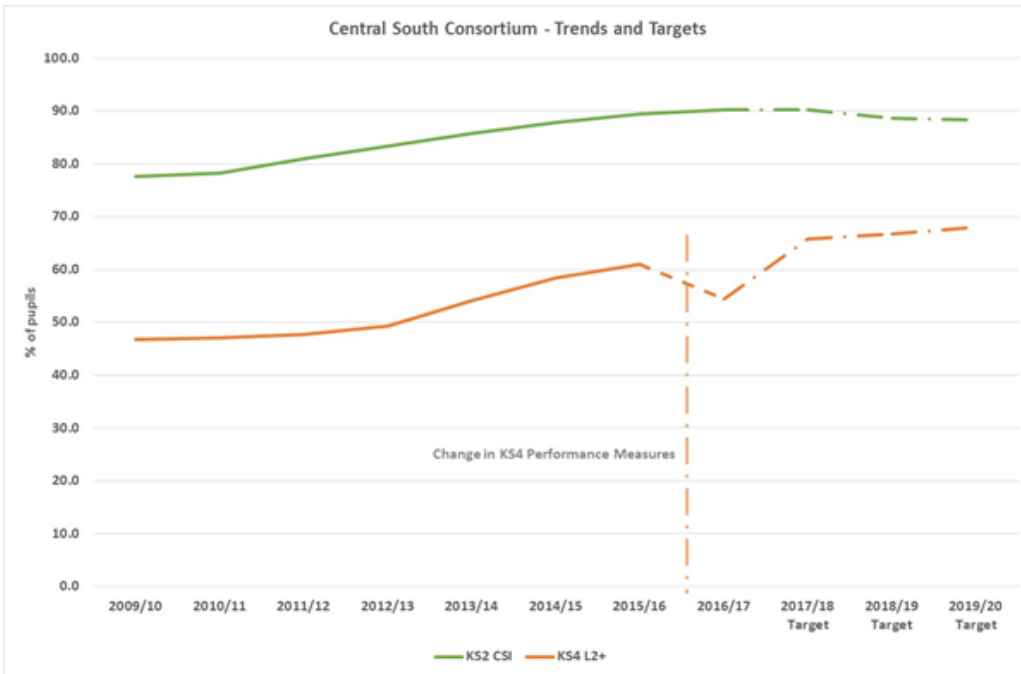
The success of our delivery plan is measured through our targets. These are based on schools' own targets incorporating benchmark measures and informed by additional challenge from the region's challenge adviser workforce.

Performance Measures

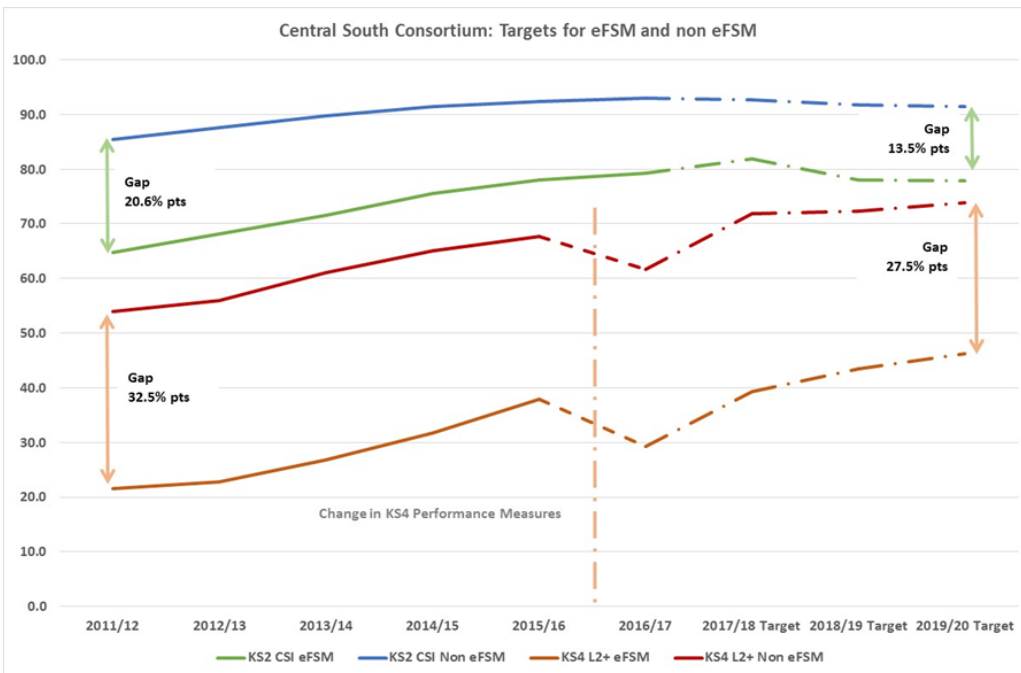
The following chart shows the projected trend in outcomes for both Key Stage 2 Core Subject Indicator² and Key Stage 4 Level 2+ indicator³ for performance up to 2019.

² Key Stage 2 Core Subject Indicator - represents the percentage of pupils achieving the expected level or above in English or Welsh (first language), mathematics and science in combination.

³ Key Stage 4 level 2+ Indicator - a volume of qualifications at Level 2 equivalent to the volume of 5 GCSE's at grade A*-C including English or Welsh First Language and Mathematics



The following chart shows the projected trend for the performance of eFSM pupils and non-eFSM pupils for both Key Stage 2 Core Subject Indicator and KS4 Level 2+ indicator for performance up to 2020.



The priorities included within the Central South Consortium’s Business Plan need to be underpinned by robust financial management in ensuring they

are affordable, provide value for money and that their impact can be assessed.

The revenue budget is approved annually by the Joint Committee and is included within the Business Plan. Welsh Government also issue annual settlements on grant awards of funding.

A summary of the latest revenue budget is as follows (as approved by the Joint Committee on 5th December 2017):

<u>Type of Expenditure</u>	<u>Budget 2018/19 £'000</u>
Expenditure	
Employees	3,412
Premises	336
Transport	34
Supplies & Services	227
Support Services	120
Total Expenditure	4,129
Income	
LA Contributions	(3,906)
Ty Dysgu Income	(153)
Grants & Other Income	(70)
Total Income	(4,129)
Net Expenditure	0

6. Pensions Assets and Liabilities

As a result of International Accounting Standard (IAS) 19 "Employee Benefits", local authorities are required to account for pensions liabilities in respect of the cost of decisions made up to the balance sheet date. Please refer to note 16.0 to the Core Financial Statements for further details.

The effect of IAS 19 upon the reserves of the Joint Committee is as follows:

	£'000
Net Assets/(Liabilities) excluding Pensions Reserve	595
Net Assets/(Liabilities) as per Balance Sheet	(249)

7. Introduction to Accounting Statements

Statement of Responsibilities for the Statement of Accounts

This sets out the responsibilities of the Council as the administering Authority and the Group Director - Corporate and Frontline Services for the preparation of the Statement of Accounts. The Statement has to be signed and dated by the presiding member at the Joint Committee meeting at which the Accounts are approved.

Certificate of the Group Director - Corporate and Frontline Services

This is the certificate of the true and fair presentation of the accounts by the Group Director - Corporate and Frontline Services.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Joint Committee, analysed into 'usable reserves' (i.e. those that the Joint Committee may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use) and 'unusable reserves'. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Joint Committee's services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

Comprehensive Income and Expenditure Statement

This statement is prepared to record income and expenditure on an accruals basis. It includes items such as salaries and wages, running costs of the service and income received. The statement is based upon International Financial Reporting Standards (IFRS).

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Joint Committee. The net assets of the Joint Committee (assets less liabilities) are matched by the reserves held by the Joint Committee.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates how the funding available to the Joint Committee for the year has been used in providing services in comparison with those resources consumed or earned in accordance with generally accepted accounting practices.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Joint Committee during the reporting period. The statement shows how the Joint Committee generates and uses cash and cash equivalents by classifying cash flows into operating and investing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Joint Committee are funded from the recipients of services provided.

Statement of Accounting Policies

The purpose of this statement is to explain the basis of the figures in the accounts. It outlines the accounting policies adopted.

Annual Governance Statement

The Annual Governance Statement sets out the framework for governance and internal control for the Joint Committee to carry out its functions effectively. It outlines the main components of the framework, including the arrangements for Internal Audit and how the Consortium has complied with the various elements of the framework.

8.0 Service Restructure

Redundancy payments totalling £162k were incurred during 2017/18 (£164k incurred in 2016/17); these costs have been funded in year through the revenue account. The Joint Committee agreed to meet the balance through an annual contribution of £100k from the revenue budget until 2025/26.

At the Joint Committee held on the 15th March 2018 an alternative approach, in line with the Legal Agreement, to the funding of the balance of outstanding redundancy costs incurred in previous financial years and future redundancy costs should they arise was agreed. The host authority's Chief Finance Officer has engaged with member local authorities to agree the revised approach and will enable the annual contribution of £100k to be removed from the revenue budget as from the 2019/20 financial year.

Statement of Responsibilities for the Statement of Accounts Central South Consortium Joint Education Service

The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of the Joint Committee's 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 Group Director – Corporate and Frontline Services.
- To manage its affairs to ensure economic, efficient and effective use of resources and safeguard its assets.

The Joint Committee's Responsibilities

- To approve the accounts.

Signature: _____

Date: _____

**Chair of the Central South Consortium Joint Education Service Joint
Committee**

The Group Director - Corporate and Frontline Services' Responsibilities

The Group Director is responsible for the preparation of the Statement of Accounts. In terms of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, the Statement of Accounts is required to give a true and fair view of the financial position of the organisation at the accounting date and its income and expenditure for the period ended 31st March 2018.

In preparing the Statement of Accounts, the Group Director has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code.

The Group Director has also throughout the financial year:

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

Certificate of the Group Director – Corporate and Frontline Services as Treasurer of the Joint Committee

I certify that the statement of accounts give a true and fair view of the financial position of the Joint Committee at 31st March 2018 and its income and expenditure for the period then ended.

Signed: CDLee

Date: 14/6/18

Christopher D. Lee

Group Director – Corporate and Frontline Services

Bronwydd House

Porth

CF39 9DL

Movement in Reserves Statement for the Period ended 31st March 2017

	General Reserves £'000	Earmarked Reserves £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Reserves £'000
<i>Notes:</i>	14.1	14.2		15.0	
Balance as at 1st April 2016	129	283	412	(566)	(154)
Movement in reserves during 2016/17					
Total comprehensive income and expenditure	(279)	0	(279)	347	68
Adjustments between accounting basis and funding basis under regulations					
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	743	0	743	(743)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(465)	0	(465)	465	0
Adjustments primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	18	0	18	(18)	0
Net increase or (decrease) before transfers to Earmarked Reserves	17	0	17	51	68
Transfers to or (from) Earmarked Reserves	(17)	17	0	0	0
Increase or (decrease) in the Year	0	17	17	51	68
Balance as at 31st March 2017	129	300	429	(515)	(86)

Movement in Reserves Statement for the Period ended 31st March 2018

	General Reserves	Earmarked Reserves	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000
<i>Notes:</i>	14.1	14.2		15.0	
Balance as at 1st April 2017	129	300	429	(515)	(86)
Movement in reserves during 2017/18					
Total comprehensive income and expenditure	(316)	0	(316)	651	335
Adjustments between accounting basis and funding basis under regulations					
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	1,110	0	1,110	(1,110)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	(564)	0	(564)	564	0
Adjustments primarily involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	4	0	4	(4)	0
Net increase or (decrease) before transfers to Earmarked Reserves	234	0	234	101	335
Transfers to or (from) Earmarked Reserves	(227)	227	0	0	0
Increase or (decrease) in the Year	7	227	234	0	0
Balance as at 31st March 2018	136	527	663	(414)	249

**Comprehensive Income and Expenditure Statement for the
Period ended 31st March 2018**

Year ended 31/03/17 £'000		Year ended 31/03/18 £'000	Note
	Expenditure		
7,076	Employees	7,509	3.0
593	Premises	517	4.0
58	Transport	51	5.0
76,894	Supplies & Services	75,499	6.0
1,139	Third Party Payments	348	
152	Support Services	118	
85,912		84,042	
	Income		
(4,076)	Local Authority Contributions	(3,886)	
(81,561)	Grants & Other Income	(79,834)	
(85,637)		(83,720)	7.0
275	Net Cost of Services	322	
0	Interest Receivable and Similar Income	(2)	22.0
1	Interest Payable and Similar Charges	0	22.0
3	Net Interest on Net Defined Liability	(4)	16.2
279	(Surplus)/Deficit on the Provision of Services	316	
(347)	Remeasurement of the Net Defined Benefit Liability	(651)	16.2
(68)	Total Comprehensive Income and Expenditure	(335)	

Expenditure & Funding Analysis Statement at 31st March 2018

	2017/18		
	Net Expenditure Chargeable to the General Fund £'000	Adjustments Between Funding and Accounting Basis £'000	Net Expenditure in the CI&ES £'000
Employees	6,955	554	7,509
Premises	517		517
Transport	51		51
Supplies & Services	75,499		75,499
Third Party Payments	348		348
Support Services	118		118
Income	(83,493)	(227)	(83,720)
Cost of Services	(5)	327	322
Other Income and Expenditure	(2)	(4)	(6)
(Surplus) or Deficit	(7)	323	316
Opening General Fund at 31 st March 2017	129	0	0
Add Surplus on General Fund in Year	7		
Closing General Fund at 31st March 2018	136		

The comparative figures for 2016-17 are shown in the following table:

Expenditure & Funding Analysis Statement at 31st March 2017

	2016/17		
	Net Expenditure Chargeable to the General Fund £'000	Adjustments Between Funding and Accounting Basis £'000	Net Expenditure in the CI&ES £'000
Employees	6,782	294	7,076
Premises	593		593
Transport	58		58
Supplies & Services	76,894		76,894
Third Party Payments	1,139		1,139
Support Services	152		152
Income	(85,619)	(18)	(85,637)
Cost of Services	(1)	276	275
Other Income and Expenditure	1	3	4
(Surplus) or Deficit	0	279	279
Opening General Fund at 31 st March 2016	129	0	0
Less Deficit on General Fund in Year	0		
Closing General Fund at 31st March 2017	129		

Balance Sheet at 31st March 2018

31/03/17 £'000		31/03/18 £'000	Note
837	Long Term Assets Debtors	737	11.0
1	Current Assets Inventories	1	10.0
17,031	Debtors	23,328	12.0
17,032	Total Current Assets	23,329	
(17,504)	Current Liabilities Creditors	(23,471)	13.0
(472)	Net Current Assets	(142)	
365	Total Assets Less Current Liabilities	595	
(451)	Long-Term Liabilities Defined Benefit Pension Scheme Liability	(346)	16.5
(86)	Net Assets/(Liabilities)	249	
	Represented by:		
	Usable Reserves		
129	General Reserves	136	14.1
300	Earmarked Reserves	527	14.2
	Unusable Reserves		
(451)	Pensions Reserve	(346)	16.5
(64)	Short-Term Accumulating Compensated Absence Account	(68)	
(86)	Total Reserves	249	

Cash Flow Statement for the Period ended 31st March 2018

Year ended 31/03/17 £'000		Year ended 31/03/18 £'000	Note
	Operating Activities		
	Cash Outflows		
6,886	Cash Paid to and on Behalf of Employees	6,955	
87,643	Other Operating Cash Payments	70,571	
1	Interest Paid	0	
94,530	Total Cash Outflows	77,526	
	Cash Inflows		
(78,551)	Cash Received for Goods & Services	(83,795)	
0	Interest Received	(2)	
(78,551)	Total Cash Inflows	(83,797)	
15,979		(6,271)	
15,979	Net (Increase) or Decrease in Cash and Cash Equivalents	(6,271)	19.0
	Analysis of Changes in Cash and Cash Equivalents		
(21,983)	Balance as at 1 st April	(6,004)	
15,979	Net Cash (Inflows)/Outflows	(6,271)	
(6,004)	Cash Balance Owed To/(From) Host Authority	(12,275)	

All cash transactions are administered by Rhondda Cynon Taf CBC as the Central South Consortium does not operate its own bank account. The cash balance due to/from the host authority is included in creditors/debtors at 31st March.

Notes to the Core Financial Statements

1.0 Accounting Policies

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2017/18 based on International Financial Reporting Standards (IFRS).

The accounts have been prepared using historic cost basis, except for certain assets and liabilities that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

1.1 Accruals of Expenditure and Income

The accounts of the Joint Committee have been prepared on an accrual of income and expenditure basis in accordance with the Code of Practice on Local Authority Accounting. This ensures activity is accounted for in the year that it takes place not when cash payments are made or received.

Revenue from the sale of goods or services is recognised when the Joint Committee transfers the significant risks and rewards of goods, or provides the services to the purchaser, and it is probable that economic benefits or service potential associated with the transaction will flow to the Joint Committee.

Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date material supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure in the Comprehensive Income and Expenditure Statement on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows determined by the contract. Statutory adjustments relating to interest are reflected in the Movement in Reserves Statement.

1.2 Cash and Cash Equivalents

All cash transactions are administered by Rhondda Cynon Taf CBC as the Central South Consortium does not operate its own bank account.

1.3 Inventories

Inventories of stock are measured at the lower of cost and net realisable value. When such inventories are sold, exchanged or distributed, the carrying amount shall be recognised as an expense when the income (if any) is recognised.

1.4 Value Added Tax (VAT)

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to Her Majesty's Revenue and Customs and all VAT paid is recoverable from them.

1.5 Reserves

The Joint Committee sets aside specific amounts as reserves for future policy purposes or to cover contingencies. These are deemed Earmarked Reserves. Earmarked Reserves are created by appropriating amounts out of the General Reserves 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 ensure this is not a charge against General Reserves, the expenditure is funded via an adjustment in the Movement in Reserves Statement.

Certain reserves are kept to manage the accounting processes for retirement and employee benefits and do not represent usable resources for the Joint Committee.

1.6 Income

Income is credited to the year of account to which it relates, regardless of when that income was actually received.

1.7 Cost of Support Services

The costs of support services have been charged to the Consortium in line with agreed Service Level Agreements.

1.8 Employee Benefits

All costs relating to employee benefits are accounted for on an accruals basis.

Pensions

The Joint Committee participates in two separate pension schemes.

Staff on Teachers Terms & Conditions - This is an unfunded scheme administered by the Teachers' Pension Agency. The Agency sets

contribution rates on the basis of a notional fund. Whilst this is a defined benefit scheme, the Teachers Pensions Agency is unable to identify the Joint Committee's share of the underlying assets and liabilities and accordingly, the Joint Committee has accounted for its contributions to the scheme as if it were a defined contribution scheme.

Other employees - Rhondda Cynon Taf CBC administer a fund on behalf of employees under the Local Government Pension Scheme Regulations 1997 (as amended), under which contribution rates are set by the Fund's actuary based on triennial actuarial valuations. Under the regulations, contribution rates are set in order to lead to full funding of the overall liability of the Fund over time. The Local Government Pension Scheme is accounted for as a Defined Benefit Scheme.

- The liabilities of the Rhondda Cynon Taf Pension Fund attributable to the Joint Committee are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (2.6% in 2016/17).
- The Rhondda Cynon Taf Pension fund is a multi-employer scheme. The assets of the Fund are not formally allocated to any employer within the Fund and are not the legal property of any employer within the Fund. For the purpose of completing the calculations for each triennial valuation of the Fund, the actuary calculates a notional allocation of assets for each employer. The assets of the pension fund notionally attributed to the Joint Committee are included in the Balance Sheet at their fair value:

Quoted Securities	–	Current Bid Price
Unlisted Securities	–	Current Bid Price
Property	–	Market Value

- The change in the net pensions liability is analysed into the following components:
 - Current Service Cost – the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked plus administration expenses.
 - Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years debited to the Surplus or Deficit on the Provision of

Services in the Comprehensive Income and Expenditure Statement.

- Net Interest – interest on the present value of liabilities and interest on the net changes in those liabilities over the period, calculated using the discount rate at the start of the period, offset by interest applied to assets and the net changes in the assets over the period using the discount rate at the start of the period – represented in the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.
- Gains or Losses on Settlements and Curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their financial / demographic or experience assumptions – debited or credited to the Pensions Reserve.
- Contributions Paid to the Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense in the Comprehensive Income and Expenditure Statement.

In relation to retirement benefits, statutory provisions require the Joint Committee Fund Balance to be charged with the amount payable by the Joint Committee to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Reserves of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Joint Committee is able to make discretionary awards of retirement benefits in the event of early retirements. Any such liabilities arising are accrued in the year of decision to make the award in line with the Local Government Pension Scheme rules.

Accumulated Absences

The Joint Committee accrues for staff holidays earned but not taken at each year-end. The Welsh Government has issued regulations to mitigate the

impact of this charge. This Joint Committee has taken advantage of the regulations and charged the additional costs to the Short-Term Accumulating Compensated Absences Account in Unusable Reserves.

1.9 Government Grants and Other Contributions

Grants and other contributions relating to capital and revenue expenditure shall be accounted for on an accruals basis and recognised in the Comprehensive Income and Expenditure Statement when there is reasonable assurance that:

- the conditions for their receipt have been/will be complied with; and
- the grant or contribution will be received.

Monies advanced, where there is no reasonable assurance of the above two criteria, are held as creditors in the Balance Sheet.

Where a revenue grant has been recognised in the Comprehensive Income and Expenditure Statement but not yet used to fund expenditure, it is set aside as an Earmarked Reserve.

Where a claim has yet to be signed off by the Wales Audit Office, Balance Sheet values in relation to grants are included on an unaudited draft claim basis.

1.10 Leases

Whether a lease is a finance or operating lease depends upon the substance of the transaction rather than the legal form. Leases are reviewed at inception and classed as finance or operating by reviewing arrangements such as:

- Transfer of ownership at the end of lease contract.
- Option to purchase asset at a price lower than fair value.
- Lease term is for major part of economic life of asset.
- Present value of minimum lease payments amounts to at least substantially all of the fair value of leased asset.
- Leased assets are specialist and only the lessee can use them without major modifications.

Finance Leases

A finance lease is one which transfers substantially all the risks and rewards incidental to ownership of an asset.

Where the Joint Committee is lessee, an asset and liability is recognised at lease inception. The asset is subsequently depreciated and valued as though it were the legal property of the Joint Committee. The liability reduces as lease payments are made.

Operating Leases

An operating lease is deemed to be any lease other than a Finance Lease.

Where the Joint Committee is lessee, lease payments are recognised as an expense in the Comprehensive Income and Expenditure Statement on a straight-line basis unless another systematic basis is more representative of the benefits received.

1.11 Events after the Balance Sheet Date

Events after the reporting period are those both favourable and unfavourable that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

The financial statements are authorised for issue in accordance with the Accounts and Audit (Wales) Regulations 2014 (as amended). The Regulations state that the Statement of Accounts shall be authorised for issue when certified by the Responsible Finance Officer. Certification of unaudited accounts takes place by 30th June following financial year-end.

Regulations require the audited Statement of Accounts to be published by 30th September. The published Statement of Accounts shall reflect events after the reporting period up to the date the accounts were authorised for issue. This is the date the Responsible Finance Officer re-certifies the accounts.

Two types of events can be identified:

- a) those that provide evidence of conditions existing at the end of the reporting period (adjusting events that shall be recognised in the financial statements); and
- b) those that are indicative of conditions that arose after the reporting period (non-adjusting events that are not reflected in accounting statements but where material, disclosure is made in the Notes to the Core Financial Statements).

2.0 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

This Statement of Accounts contains estimated figures that are based on assumptions made by the Joint Committee about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because assets and liabilities cannot always be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Joint Committee's Balance Sheet at 31st March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

2.1 Pensions Liability

- Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. AON Hewitt is engaged to provide the Joint Committee with advice about the assumptions to be applied.
- The effects on the net pensions liability of changes in individual assumptions can be measured, however, the assumptions interact in complex ways.

3.0 Employees Costs

2016/17 £'000	Salaries & Wages	2017/18 £'000
4,945	Advisors	4,956
915	Administration	971
344	Management	466
218	Finance Team	253
50	Catering Staff	50
41	Site Staff	41
14	Cleaning Staff	15
26	Agency	2
164	Employee Redundancy	162
35	Employee Insurance	35
30	Employee Advertising	4
6,782	Sub Total	6,955
18	Short-Term Accumulating Compensated Absences Account adjustment	4
276	IAS 19 adjustments	550
7,076	Total	7,509

4.0 Premises Costs

2016/17 £'000		2017/18 £'000
335	Rent	312
36	Repair and Maintenance	17
39	Electricity and Gas	45
11	Cleaning Materials	8
172	Rates and Water Charges	135
593	Total	517

5.0 Transport

2016/17 £'000		2017/18 £'000
58	Car Allowances	51
58	Total	51

6.0 Supplies and Services

2016/17 £'000		2017/18 £'000
341	Office Expenses	100
475	Consultants Fees	231
0	Grants & Subscriptions	0
6	Office Equipment	17
140	Computer Costs	151
28	Catering Costs	34
49	Photocopying	46
3	Subscriptions	8
51	Marketing	4
20	Audit Fees	17
3	Clothing	2
21	Telephones	20
3	Postage	2
1,058	Training	1,025
	Grants paid to local authorities & schools:	
38,202	Education Improvement Grant (EIG)	39,738
0	Raising Schools Standards Grant (RSSG)	1,681
29,439	Pupil Development Grant (PDG)	29,966
1,549	New Deal	0
0	Pioneer – Block Grant	1,926
583	GCSE	0
4,155	Schools Challenge Cymru (SCC)	0
768	Other	531
76,894	Total	75,499

7.0 Income

2016/17 £'000		2017/18 £'000
	Contributions	
(1,462)	The City of Cardiff Council	(1,400)
(1,117)	Rhondda Cynon Taf CBC	(1,060)
(635)	Bridgend CBC	(606)
(598)	Vale of Glamorgan Council	(572)
(264)	Merthyr Tydfil CBC	(248)
(4,076)	Total Contributions	(3,886)
	Other Income	
(257)	School Income	(67)
(328)	Other	(289)
(80,765)	Grants	(79,240)
(211)	Catering	(238)
(81,561)	Total Other Income	(79,834)
(85,637)	Total Income	(83,720)

7.1 Grant Income

2016/17 £'000		2017/18 £'000
	Grant Programme	
(42,143)	Education Improvement Grant (EIG)	(42,616)
(29,507)	Pupil Development Grant (PDG)	(30,517)
0	Raising Schools Standards Grant (RSSG)	(2,967)
(4,715)	Schools Challenge Cymru (SCC)	(79)
(2,125)	New Deal	0
0	Pioneers – Block Grant	(2,081)
(943)	GCSE	0
(1,332)	Other	(980)
(80,765)	Total Grant Income	(79,240)
	Allocation	
(74,696)	Paid to local authorities and schools (Note 6.0)	(73,842)
(6,069)	Retained by Central South Consortium	(5,398)
(80,765)	Total Grant Income	(79,240)

8.0 Related Party Transactions

In accordance with IAS 24, the Joint Committee has a duty to disclose any material transactions with a “related party”. This is to ensure that financial statements contain disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them.

The Joint Committee transacts with the Local Authorities and its Schools within the Consortium, distributes funding, and provides advisory and inspection services for which it receives income. During the year, material transactions with these related parties arose as follows:

2016/17		Local Authority	2017/18	
Exp. £'000	Inc. £'000		Exp. £'000	Inc. £'000
30,259	(1,609)	The City of Cardiff Council	30,426	(1,539)
19,666	(1,257)	Rhondda Cynon Taf CBC	19,232	(1,149)
10,377	(674)	Bridgend CBC	10,581	(625)
8,937	(606)	Vale of Glamorgan Council	9,403	(584)
5,167	(306)	Merthyr Tydfil CBC	4,639	(259)

Welsh Government exerts significant influence through legislation and grant funding. The main grants received are shown in Note 7.1.

All cash transactions are administered by the host authority, Rhondda Cynon Taf CBC, as the Consortium does not operate its own bank account. At 31st March 2018, the RCT owed the Consortium £12,275k relating to these cash transactions (RCT owed the Consortium £6,004k as at 31st March 2017). During 2017/18, Central South Consortium was charged £118k by Rhondda Cynon Taf CBC in respect of Central Establishment Charges (included in the table above, £116k in 2016/17).

Pension contributions are made to both the Rhondda Cynon Taf CBC Pension Fund and the Teachers' Pension Agency, in respect of Joint Committee employees. See notes 16.0 and 17.0 for further information.

Interests of elected Members of the Joint Committee are maintained in a register held by their own Local Authority. Interests of Senior Officers are monitored by the Consortium. The following transactions occurred with related parties (by virtue of elected Member interest in them) with whom the Joint Committee has had dealings:

Organisation	2016/17 £'000	2017/18 £'000
Welsh Joint Education Committee	50	0
Coleg Morgannwg	1	0
The College, Merthyr Tydfil	0	1
Cardiff University	0	70
Total	51	71

The table above does not include payments to/from the Local Authorities or schools within the Consortium, as they are included elsewhere within the notes.

9.0 Audit Fees

2016/17 £'000		2017/18 £'000
20	Fees payable to the Auditor General for Wales in respect of external audit	17

10.0 Inventories

Inventories consist of food stock in respect of the restaurant.

2016/17 £'000		2017/18 £'000
1	Balance as at 1st April	1
28	Purchases	33
(26)	Recognised as an Expense in the Year	(32)
(2)	Written Off	(1)
1	Balance as at 31st March	1

11.0 Long Term Debtors

The Joint Committee has incurred redundancy costs that are being paid off from the Local Authorities' annual contributions at £100k a year until 2025/26. A debtor has been recognised for the amount outstanding at the year-end: £737k in Long Term Debtors at 31st March 2018 (£837k at 31st March 2017) and £100k in Short Term Debtors (£100k at 31st March 2017). £100k is included in the Host Authority balance for short term debtor in relation to redundancy costs. If any additional surplus balances are identified in year this will be increased.

12.0 Short Term Debtors

31/03/17 £'000		31/03/18 £'000
6,171	Host Authority	12,275
0	Local Authorities and Schools	8
10,863	Central Government Bodies	10,985
1	Other Entities and Individuals	61
17,035		23,329
(4)	Provision for Bad Debt	(1)
17,031	Balance as at 31st March	23,328

All cash transactions are administered by Rhondda Cynon Taf CBC as the Central South Consortium does not operate its own bank account. The host authority debtor includes the 'cash' balance owed to the Consortium by Rhondda Cynon Taf CBC.

13.0 Creditors

31/03/17 £'000		31/03/18 £'000
(3)	Host Authority	0
(16,951)	Local Authorities and Schools	(22,693)
(128)	Central Government Bodies	(91)
(359)	Other	(619)
(63)	Employee Absences Accrual	(68)
(17,504)	Balance as at 31st March	(23,471)

14.0 Movement on Usable Reserves

	General Reserves £'000	Earmarked Reserves £'000	Total £'000
Balance as at 1 st April 2017	129	300	429
Increase/(Decrease)	7	227	234
Balance as at 31st March 2018	136	527	663

14.1 CSEC General Reserves

The Fund Balance is a distributable revenue reserve, which consists of the accumulated surpluses of the Consortium's operations.

	Total £'000
Balance as at 1 st April 2017	129
Increase/(Decrease) 2017/18	7
Balance as at 31st March 2018	136

14.2 Earmarked Reserves

This note sets out the amounts set aside from the General Reserves balance in earmarked reserves to provide financing for future expenditure. All earmarked reserves are deemed to be revenue reserves.

	Balance at 31/03/17 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31/03/18 £'000
Revenue Grant Reserves	256	256	397	397
Funding for Specific Projects	44	44	130	130
Total	300	300	527	527

15.0 Movements on Unusable Reserves

Reserve	Pension Reserve	Short-Term Acc Comp Absence Account	Total
	£'000	£'000	£'000
Balance as at 1 st April 2017	(451)	(64)	(515)
Increase / (Decrease)	105	(4)	101
Balance as at 31st March 2018	(346)	(68)	(414)

15.1 Pension Reserve

The Pension Reserve is the balancing account to offset the inclusion of Pension Liability in the Balance Sheet as required by IAS 19 "Employee Benefits". See note 17.0 for further information.

15.2 Short-Term Accumulating Compensated Absences Account

The Short-Term Accumulating Compensated Absences Account absorbs the differences that would otherwise arise on the Consortium's Reserves from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31st March 2018.

16.0 Retirement Benefits – Defined Benefit Schemes

16.1 Participation in Pension Schemes

As part of their terms and conditions, the employees of Central South Consortium are offered retirement benefits by the Joint Committee. Although these benefits will not be payable until retirement, the Joint Committee has a commitment to make these payments. The liability for these payments needs to be accounted for at the time future entitlement is earned.

The Joint Committee participates in two pension schemes:

- Teachers – Please refer to note 17.0.
- Other employees – The Local Government Pension Scheme administered by Rhondda Cynon Taf CBC. This is a funded defined benefit salary scheme, meaning that the Joint Committee and participants pay contributions into the Fund calculated at a level intended to balance the pensions liabilities with investment assets. The pension costs that are charged to the Joint Committee's accounts are defined by IAS 19 "Employee Benefits".

16.2 Transactions Relating to Post-Employment Benefits

The cost of retirement benefits is recognised in the Comprehensive Income and Expenditure Account when earned by employees, rather than when benefits are actually paid as pensions. However, the charge required to be made to the general reserves is based on the cash payable in the year. The difference is reversed out in the Movement in Reserves Statement. The following transactions have been posted in the year:

Comprehensive Income and Expenditure Account	2016/17 £'000	2017/18 £'000
Cost of Services:		
Current Service Cost	738	985
Past Service Cost	2	129
Settlements and curtailments	0	0
<i>Financing and Investment Income and Expenditure</i>		
Net Interest Expense	3	(4)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	743	1,110
<i>Remeasurement of the Net Defined Benefit Liability Comprising:</i>		
Return on Plan Assets (Excluding the Amount included in the Net Interest Expense)	(3,484)	(530)
Actuarial (Gains) and Losses Arising on Liabilities – Demographic Assumptions	(517)	0
Actuarial (Gains) and Losses Arising on Liabilities – Financial Assumptions	4,102	448
Actuarial (Gains) and Losses Arising on Liabilities – Experience	(243)	114
	(205)	(683)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	396	459
<i>Movement in Reserves Statement</i>		
Reversal of Net Charges Made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in Accordance with the Code	(743)	(1,110)
<i>Actual Amount Charged Against the General Fund Balance for Pensions in the Year:</i>		
Employers' Contributions Payable to Scheme	465	564

The total remeasurement of the Net Defined Benefit Liability recognised in Other Comprehensive Income and Expenditure to the 31st March 2018 is a gain of £651k (£347k gain in 2016/17).

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure statement to the year ending 31st March 2018 is a gain of £330k (£362k gain in 2016/17).

The figures above do not include allowance for any membership (or associated assets) relating to members who have joined the employer but have not yet exercised their option to link their past service rights to their current employment.

16.3 Reconciliation of Present Value of the Scheme Liabilities

	2016/17 £'000	2017/18 £'000
Opening balance at 1 st April	11,523	22,399
Current Service Cost	738	985
Interest Cost on Defined Obligation	631	572
Contributions by Scheme Participants	277	289
<i>Remeasurement Gains and (Losses):</i>		
Actuarial Gains and (Losses) Arising on Liabilities – Demographic Assumptions	(517)	0
Actuarial Gains and (Losses) Arising on Liabilities – Financial Assumptions	4,102	448
Actuarial Gains and (Losses) Arising on Liabilities – Experience	(243)	114
Benefits Paid	(981)	(1,096)
Past Service Costs	2	129
Net increase in liabilities from disposals/acquisitions	6,867	0
Entity combinations	0	0
Curtailments	0	0
Settlements	0	0
Carried Forward at 31st March	22,399	23,840

16.4 Reconciliation of Fair Value of the Scheme Assets

	2016/17 £'000	2017/18 £'000
Opening balance at as at 1 st April	11,003	21,948
Interest Income	628	576
<i>Remeasurement Gains and (Losses)</i>		
The Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	3,484	530
Other	0	0
Employer Contributions	465	564
Contributions by Scheme Participants	277	289
Benefits paid	(981)	(1,096)
Net increase in assets from disposals/acquisitions	7,072	683
Entity Combinations	0	0
Settlements	0	0
Carried Forward as at 31st March	21,948	23,494

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was a gain of £1,106k (£4,112k gain in 2016/17).

16.5 Scheme History

	2016/17 £'000	2017/18 £'000
Present Value of Defined Obligation	(22,399)	(23,840)
Fair Value of Plan Assets	21,948	23,494
Surplus / (Deficit)	(451)	(346)

The liabilities show the underlying commitments that the Joint Committee has in the long run to pay retirement benefits. The total liability of £346k has a substantial impact on the net worth of the Joint Committee as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Joint Committee remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

16.6 Local Government Pension Scheme Assets

Local Government Pension Scheme Assets investments as at 31st December 2017 (full scheme not Central South Consortium element) are comprised as follows:

	Fair Value of Scheme Assets	
	2016/17	2017/18
	£'000	£'000
UK Equities	595,905	657,668
Overseas Equities	1,459,349	1,775,137
UK Fixed Interest Gilts	259,370	274,407
UK Index Linked Gilts	0	0
UK Corporate Bonds	255,419	276,825
Overseas Government Bonds	8,326	2,735
Overseas Corporate Bonds	28,693	29,407
Property	167,239	175,043
Cash and net current assets	60,748	62,774
Total	2,835,049	3,253,996

16.7 Basis for Estimating Assets & Liabilities

The Rhondda Cynon Taf Pension Fund employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund as at 31st March 2018.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Council Fund liabilities have been assessed by AON Hewitt, an independent firm of actuaries, with estimates for the Council Fund being based on the latest full valuation of the scheme based on funded benefits as at 31st March 2016.

The full valuation was based on funded benefits and the principal assumptions used by the actuary have been:

	31/03/17	31/03/18
Long-Term Expected Rate of Return on Assets in the Scheme (in line with the discount rate)	4.5%	4.5%
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
Men	22.8	22.9
Women	24.9	25.0
Longevity at 65 for future pensioners:		
Men	25.0	25.1
Women	27.2	27.3
RPI Inflation	3.1%	3.2%
CPI Inflation	2.0%	2.1%
Rate of Increase in Salaries	3.25%	3.35%
Rate of Increase in Pensions	2.0%	2.1%
Rate for discounting scheme liabilities	2.6%	2.6%
Take-up of Option to Convert Annual Pension into Retirement Lump Sum:		
Post-2010 Service	80%	80%
Pre-2010 Service	80%	80%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the 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, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (Increase or Decrease in 1 Year)	718	(712)
Rate of Increase in Salaries (increase or decrease by 0.1%)	109	(108)
Rate of Increase in Pensions (increase or decrease by 0.1%)	364	(358)
Rate for Discounting Scheme Liabilities (increase or decrease by 0.1%)	465	(474)

16.8 Contributions for the Accounting Period ending 31st March 2019

The Employer's regular contributions to the Fund for the accounting period ending 31st March 2019 are estimated to be £449k.

17.0 Retirement Benefits – Defined Contribution Scheme

Staff employed on Teachers terms and conditions are members of the Teachers' Pension Scheme. The scheme provides teachers with specified benefits upon their retirement and the Joint Committee contributes towards the costs by making contributions based upon a percentage of members' pensionable salary.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employer's contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2017/18, the Joint Committee paid £66k to the Teachers' Pension Fund in respect of teachers' retirement benefits, representing 14.1% of pensionable pay (£66k was paid in 2016/17 representing 14.1% of pensionable pay). There were no contributions remaining payable at the year-end.

18.0 Events after the Balance Sheet Date

The draft, unaudited Statement of Accounts will be authorised for issue by the Group Director Corporate & Frontline Services, as Chief Finance Officer, by 30th June 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31st March 2018, the figures in the financial statements and notes have been adjusted in all materials respects to reflect the impact of this information. There are no events that took place after 31st March 2018 requiring disclosure providing information that is relevant to an understanding of the Central South Consortium's financial position.

19.0 Reconciliation of Comprehensive Income and Expenditure Account to Cash flow

2016/17 £'000		2017/18 £'000
279	(Surplus)/Deficit on the Provision of Services	316
8,893	(Increase)/Decrease in Creditors	(5,966)
7,085	Increase/(Decrease) in Debtors	(75)
0	Increase/(Decrease) in Inventories	0
(278)	IAS 19 Transactions	(546)
15,979	Cash (Inflow)/Outflow from Revenue Items	(6,271)

20.0 Officers' Remuneration

During 2017/18, the Consortium paid 103 employees on average every month (106 in 2016/17). Over the year, salary payments totalled £4,310k (excluding employer's national insurance and pension contributions) (£4,365k in 2016/17).

Under the Accounts and Audit (Wales) Regulations 2014, the Joint Committee must disclose in their accounts the number of employees (excluding specific senior employees who are shown in Note 20.1) whose remuneration in the year fell in each bracket of a scale in multiples of £5,000 commencing at £60,000 (excluding pension contributions). The disclosure includes redundancy payments.

The following salary payments were made within the categories specified:

Remuneration Band	2016/17	2017/18		
	No. of Employees	No. of Employees		
	Total	At 31/03/18	Left in Year	Total
£60,000 - £64,999	8	11	0	11
£65,000 - £69,999	1	4	0	4
£70,000 - £74,999	0	1	0	1
£75,000 - £79,999	1	0	0	0
£80,000 - £84,999	1	1	0	1
£85,000 - £89,999	1	0	0	0
£90,000 - £94,999	0	1	0	1
£95,000 - £99,999	0	0	0	0
£100,000 - £104,999	1	0	0	0
£105,000 - £109,999	0	0	0	0
£110,000 - £114,999	1	0	0	0
£115,000+	0	0	1	1
Total	14	18	1	19

20.1 Senior Officers

The following table sets out the remuneration for specific Senior Officers whose salary is less than £150k but greater than £60k. There are no Senior Officers whose salary is greater than £150k. Employer pension contributions are included.

Post Holder Information	2017/18				
	Salary	Taxable Benefits in Kind	Total Remuneration	Total Employer's Pension Contributions	Total Remuneration Including Employer's Pension Contributions
	£'000	£'000	£'000	£'000	£'000
Managing Director	104		104	13	117
Senior Officer – Business & Operations	66		66	8	74
Senior Officer – Strategy, Leadership & Workforce Reform	64		64	7	71
Senior Officer – Teaching & Learning Experiences	114		114	0	114

The salary for the Group Director – Corporate and Frontline Services, who signs the accounts on page 14, is not included in this note as he is a senior officer of the Host Authority rather than the Consortium itself.

The comparative figures for 2016/17 are shown in the following table:

Post Holder Information	2016/17				
	Salary	Taxable Benefits in Kind	Total Remuneration	Total Employer's Pension Contributions	Total Remuneration Including Employer's Pension Contributions
	£'000	£'000	£'000	£'000	£'000
Managing Director	98	0	98	13	111
Assistant Director	66	0	66	9	75
CSW Challenge	106	0	106	17	123
Business Manager	65	0	65	9	74

21.0 Severance Costs

Severance Cost Band	Number of Compulsory Terminations		Number of Other Terminations		Total Number of Terminations		Total Severance Cost	
							£000s	
	16/17	17/18	16/17	17/18	16/17	17/18	16/17	17/18
£0 - £20,000	0	0	3	0	3	0	15	0
£20,001 - £40,000	0	0	3	0	3	0	72	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	1	0	1	0	77	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	1	0	1	0	162
Total	0	0	7	1	7	1	164	162

22.0 Interest

Interest is paid daily on the personal account balance due from Rhondda Cynon Taf CBC.

2016/17 £'000	2016/17 Interest rate %		2017/18 £'000	2017/18 Interest rate %
0	0.21	Interest on Personal Account Balance (Received) & Similar	(2)	0.20
1	0.21	Interest on Personal Account Balance Paid & Similar Charges	0	0.20
1			(2)	

CENTRAL SOUTH CONSORTIUM

DRAFT ANNUAL GOVERNANCE STATEMENT 2017/18

1. **SCOPE OF RESPONSIBILITY**

1.1 The Central South Consortium (CSC) is a Joint Education Service commissioned by five Local Authorities namely:

- Bridgend CBC;
- The City of Cardiff Council;
- Merthyr Tydfil CBC;
- Rhondda Cynon Taf CBC; and
- Vale of Glamorgan Council.

The responsibilities of the CSC combined, cover the needs of 396 schools and approximately 146,928¹ pupils in the region.

1.2 In January 2014, Central South Wales Challenge was launched with the aim of raising standards across all schools within the Region and to stimulate the sharing of expertise amongst schools and joint efforts to innovate to:

- Improve the performance of every school;
- Increase the numbers of good and excellent schools;
- Reduce the gap between high and low performing groups of learners; and
- Improve outcomes for vulnerable groups of pupils.

Subsequently the Central South Wales Challenge has developed and is summarised by the following strategies:

- School Improvement Groups (SIGs);
- Pathfinder Programme;
- Hubs and Pioneer Schools Programme; and
- Leadership & Peer Enquiry.

1.3 Rhondda Cynon Taf County Borough Council is responsible for ensuring that its business and that of the Joint Education Committee, for which it has administrative responsibility, is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

1.4 In discharging this overall responsibility, the CSC is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes the arrangements for the management of risk.

¹ Pupil Level Annual School Census (PLASC) - January 2017

- 1.5 The Annual Governance Statement of the CSC aims to provide an accurate representation of the governance arrangements in place for financial year ending 31st March 2018.

2. **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

- 2.1 The governance framework comprises the systems, processes and cultural values by which the CSC is directed and controlled, and the activities through which it accounts to and engages with stakeholders. It enables the CSC to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage the risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.3 The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the CSC's priorities, to evaluate the likelihood and impact of those risks materialising, and to manage them efficiently, effectively and economically.
- 2.4 The CSC has responsibility for conducting, at least annually, an assessment of its governance framework including the system of internal control. The assessment is informed by the work conducted by external agencies and internal arrangements, including performance management arrangements.
- 2.5 The following paragraphs summarise the overall governance framework and the system of internal control, which have been in place for the CSC for the year ended 31st March 2018 (and up to the date of approval of the 2017/18 Statement of Accounts).

3. **THE GOVERNANCE FRAMEWORK**

- 3.1 The CSC has used the *Delivering Good Governance in Local Government: Framework (2016)* in compiling its Annual Governance Statement. The Framework comprises two Core Principles and five Supporting Principles:

Core principles

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law; and
- Ensuring openness and comprehensive stakeholder engagement.

Supporting Principles

- Defining outcomes in terms of sustainable economic, social and environmental benefits;

- Determining the interventions necessary to optimise the achievement of the intended outcomes;
 - Developing the entity’s capacity, including the capability of its leadership and the individuals within it;
 - Managing risks and performance through robust internal control and strong public financial management; and
 - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.
- 3.2 The Core Principles permeate implementation of the Supporting Principles with the need for the CSC to be committed to improving governance on a continual basis through a process of evaluation and review.
- 3.3 The CSC has applied these principles to structure its Annual Governance Statement for financial year ending 31st March 2018 and to assess the arrangements in place.
- 3.4 The CSC has a range of governance arrangements in place, in line with the ‘Delivering Good Governance in Local Government: framework (2016)’, many of which are set out in the CSC’s Legal Agreement. Table 1 provides examples of the key systems, processes and documents in place within the CSC during 2017/18.

Good Governance Principles	Examples of key systems, processes and documents in place within the CSC
Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	<ul style="list-style-type: none"> • Rules of Procedure – covering Council / CSC, Open Government, Access to Information, Budget and Policy Framework, Executive, Overview and Scrutiny, Officer Employment and Contract and Financial Procedure Rules. The rules set out arrangements to be followed by elected Councillors and Officers when conducting the Council’s / CSC’s business with the aim of publicly demonstrating accountability and openness. • Whistle-blowing Policy – promoting the highest possible standards of service and setting out how workers can bring information about a wrongdoing to the attention of the Council / CSC. • Anti-fraud, Bribery & Corruption Strategy. • Gifts and hospitality Policy. • Comments, Compliments and Complaints – setting out how the Council / CSC handles and responds to the feedback (complaints, compliments and comments). • HR Charter

Good Governance Principles	Examples of key systems, processes and documents in place within the CSC
Defining outcomes in terms of sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> • Performance Management Framework. • Business Plan and Operational Delivery Plans. • Quarterly Performance Reports to Joint Committee (including Risk Register up dates). • Risk Management Strategy. • Annual Revenue Budget Strategy. • Medium Term Financial Plan. • Scrutiny Committees Meetings • Challenge and Review sessions with Welsh Government
Determining the interventions necessary to optimise the achievement of the intended outcomes	
Developing the entity's capacity, including the capability of its leadership and the individuals within it	<ul style="list-style-type: none"> • Business Plan. • HR Charter. • Schemes of Delegation.
Managing risks and performance through robust internal control and strong public financial management	<ul style="list-style-type: none"> • Risk Management Strategy. • Quarterly Performance Report (including Risk Register up dates). • Audit Committee and an Internal Audit function. • Budget and Policy Framework Procedure Rules and Contract and Financial Procedure Rules. • Medium Term Financial Plan.

3.5 Legal Agreement

On the 20th April 2015 all parties entered into and signed a revised legal agreement which superseded all previous legal agreements between the Partners. This agreement consolidated the legal arrangements relevant to the CSC into one Agreement. From this point forward within the Annual Governance Statement, reference will be made to the 'Legal Agreement'.

3.6 The Legal Agreement for the Joint Education Service provides the governance framework within which the Service operates and allocates responsibility and accountability, as follows:

- The Host Authority;
- The Directors' Steering Group;
- The Advisory Board;
- Operational Management Group;

- CSC Joint Education Committee; and
- Financial Management.

3.7 The Host Authority

The Legal Agreement formally assigns Rhondda Cynon Taf County Borough Council as the Host Authority for the CSC. Rhondda Cynon Taf County Borough Council provides all support services (save for the day to day administration undertaken by staff in accordance with their duties) required, including but not limited to:

- Financial (Section 151 Officer as defined by section 151 of the Local Government Act 1972, Accounts, Payroll, Creditors, Debtors, Insurance);
- Human Resources;
- Legal;
- ICT;
- Estates;
- ICT;
- Internal Audit; and
- Procurement.

The costs of which are charged to the CSC Joint Education Service Joint Committee through Service Level Agreements.

3.8 The Constitution of Rhondda Cynon Taf County Borough Council, which has the financial stewardship of the CSC, allocates functions and responsibility within the Authority. It also regulates the behaviour of individuals (Members & Officers) and groups through codes of conduct, protocols and rules of procedure. All functions undertaken by the CSC should be done so in accordance with all relevant Policies and Procedure Rules of Rhondda Cynon Taf County Borough Council.

3.9 Officer Conduct

To ensure a consistent approach to working practices and processes, all officers are subject to the terms and conditions of employment (which are based on Rhondda Cynon Taf County Borough Council's operating terms and conditions) as follows:

- Staff appointed to undertake responsibilities on behalf of the CSC since October 2012, are employed / contracted on the standard terms and conditions of employment of the Host.
- Staff appointed who were previously employed by any of the five partner local authorities prior to October 2012, were upon appointment transferred onto the standard terms and conditions of the Host or if matched to a role, given the option if they so wished to retain the terms and conditions of their home authority.

Regardless of which terms and conditions officers are employed upon, all officers are subject to a common set of operating Employment Policies based on the Host's operating policies and procedures.

4. **ASSESSING THE CSC'S GOVERNANCE ARRANGEMENTS**

4.1 In line with the Core and Supporting Principles of the Framework, the approach taken to assess the CSC's arrangements has been to:

- Set out a brief description of the arrangements and procedures in place together with the key outcomes the CSC is aiming to achieve;
- Examine and document the main activities that have taken place around these areas, taking account of supporting evidence from the CSC's internal processes and Wales Audit Office reports published on the CSC;
- Form a view on the extent to which the activities comply with the procedures in place; and
- Make proposals for improvement, where appropriate, together with recommended timescales for implementation and responsible officers.

4.2 The assessment of the CSC's governance arrangements is set out in Section 5.

5. **ASSESSMENT OF GOVERNANCE ARRANGEMENTS**

5.1 **PROGRESS MADE TO IMPLEMENT RECOMMENDATIONS REPORTED IN THE 2016/17 ANNUAL GOVERNANCE STATEMENT**

5.1.1 The 2016/17 Annual Governance Statement made 7 recommendations. An update on progress was reported to the CSC's Joint Committee on 5 December 2017 and following consideration of the Committee RESOLVED: to note the progress that has been made to date in implementing the proposals for improvement.

As at 31st March 2018, progress made to implement the recommendations included within the 2016/17 Annual Governance Statement was as follows (7 recommendations in total):

- 4 recommendations fully completed;
- 1 recommendation partly completed with further work required during 2018/19; and
- Work on-going for 2 recommendations in respect of continuing to support Officer and elected Member training; these recommendations are scheduled to be implemented by June 2018.

5.1.2 It is considered that sufficient progress has been made in delivering the 2016/17 proposals for improvement with the requirement for further work to be completed in 2018/19. A detailed position statement is set out at Appendix A.

5.2 **BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES, AND RESPECTING THE RULE OF LAW**

Behaving with integrity

5.2.1 The CSC follows the Host Authority Constitution which sets out how it should operate, how decisions need to be made and the procedures to be followed to ensure they are efficient, transparent and available to local people. Within the Constitution there are a number of [Rules](#)² and [Protocols](#)³ that aim to ensure both elected Councillors and employees behave with integrity.

5.2.2 The CSC has put in place procedures to be followed by the Joint Education Committee when conducting meetings and making decisions during the year to publicly demonstrate an accountable, open and honest approach. This has included considering the accuracy of 'meeting minutes'⁴; recording declarations of personal interest; publishing reports on RCT's website five working days prior to meetings taking place; making decisions based on evidenced based reports; and publishing the minutes of meetings. A review of a sample of Joint Education Committee meetings during the year revealed that the above mentioned procedures had been followed.

CSC employees

5.2.3 The CSC Legal Agreement outlines the role of Rhondda Cynon Taf Council (RCT) as the host authority. As part of this agreement, CSC adopts the policies of RCT including an Officer Code of Conduct that has been used to create an easy to understand 'Basic Rules – A Guide for Employees' and includes information in relation to, amongst other things, expected behaviour, use of social media, appearance and attendance. The guide is available on-line for all employees.

Policies and Registers

5.2.4 A review of Policies and Registers in place during 2017/18 identified the following:

- [Whistle-blowing arrangement](#) - the Council included a payslip insert to all employees in May 2017 providing information on how Council employees

² Rules – for example, Financial and Contract Procedure Rules

³ Protocols – for example, Gifts and Hospitality Policy

⁴ Meeting minutes – a formal and agreed record of the events that took place at each meeting.

could access the Whistle-blowing Policy. The CSC adopted the RCT Whistle-blowing Policy but no referrals were made during 2017/18.

- The CSC adopted the host authority's 'Anti-Fraud, Bribery and Corruption Policy and Procedure' and is based on a series of procedures designed to deter and frustrate, and take effective action against any attempted fraudulent or corrupt acts affecting the CSC. The RCT Audit Committee also supported the requirement to raise awareness, at its meeting on 30th April 2018, and a payroll insert was electronically provided to all employees in May 2018.
- The host authority 'Home web-page' provides instructions for those who wish to raise anti-fraud, bribery or corruption concerns under the [Report It](#) section.
- The CSC adopted the host authority [Complaints & Concerns Policy](#) that sets out a commitment to effectively deal with any complaints or concerns about services provided.
- The CSC adopted the host authority [Gifts and Hospitality Policy](#) and arrangements were in place, via registers, to record gifts and hospitality in line with the Policy.
- The CSC adopts all host authority Policies. Where new policies are revised or introduced they are discussed with the senior leadership team and staff are advised of the policies through staff bulletins.
- Progress has been made in raising awareness and understanding of Council Policies and Strategies. This level of awareness and understanding should also be included within induction arrangements for new staff.

Proposal for Improvement

- 5.2.5 Policies and Strategies – Review the HR Charter and other CSC specific documentation to ensure this includes the references to the Whistle-blowing Policy, Anti-fraud, Bribery and Corruption Strategy, Gifts and Hospitality Policy and induction arrangements.

Demonstrating strong commitment to ethical values

- 5.2.6 Ethical Values: CSC employees - the CSC has described what excellent behaviour looks like for each type of job, for example, '*always treat people with respect*', and this information is used to test candidates suitability for jobs at interview and is used to inform discussions managers have with their staff as part of their development.

Respecting the rule of law

- 5.2.7 The Managing Director leads the CSC's officers and chairs the Senior Leadership Team. The Senior Leadership Team comprises, in addition to other key posts, Senior Officer – Strategy, Leadership and Workforce Reform, Senior Lead – Teaching and Learning Experiences, Senior Lead – Standards and Improvements and Senior Lead - Business and Operations.

5.3 ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

Openness

- 5.3.1 Members of the Joint Education Committee are governed by the Code of Conduct of their relevant Council. The Codes of Conduct for councillors and employees within the Constitution of the Host Authority are built on the principles of openness, transparency and honesty.

During 2017/18, the CSC received 4 Freedom of Information (FOI) requests. However, there is no formal process for reporting these requests to the Joint Committee.

Planning ahead

- 5.3.2 The CSC consulted with stakeholders on its vision and priorities for 2018/19 and set these out in a document called 'Business Plan 2018/19'; this Plan was agreed by Joint Education Committee Council on 15th March 2018.

- 5.3.3 Looking ahead, it is likely that public sector austerity will continue to result in on-going reductions to core funding from the five local authorities. In recent years, the CSC has had a 5% cut to its core funding in 2017/18 with a further 2% cut in 2018/19. It is likely that on-going reductions in core funding will necessitate the CSC to consider the sustainability of the current operating module.

Decision making and scrutiny of decisions made

- 5.3.4 The Joint Education Committee agreed the CSC Business Plan, including the core budget and the budget for the Education Improvement Grant, following scrutiny of the CSC's self-evaluation and identification of improvement priorities.

- 5.3.5 The Joint Education Committee is one of the main decision making bodies within the CSC and throughout 2017/18 received 32 reports, all of which were made publicly available prior to the meetings and no report was excluded from the press / public on the grounds that the items of business involved the likely disclosure of exempt information.

- 5.3.6 Key decisions were also taken by the Directors of Education from each of the local authorities at the Director Steering Group meetings.

- 5.3.7 Based on the above information it is considered that the decision making arrangements that operated during 2017/18 were open and transparent, and compliant with the Council's Constitution.

- 5.3.8 Finally, a review of a sample of Joint Education Committee Reports for 2017/18 has confirmed that a consistent format was used.

Engagement with stakeholders

5.3.9 **The Advisory Board** - The purpose of the Advisory Board is to support the Managing Director in ensuring that the strategies of the CSC align themselves with the needs of all Parties to raise educational standards.

The membership, decision making process, meetings and the terms of reference for the Advisory Board are documented within Schedule 2 of each Legal Agreement.

Directors' Steering Group – The Directors' Steering Group comprises the Directors of Education from each of the five local authorities comprising the CSC. This group is responsible for delegated decision making on behalf of each local authority.

The membership, decision making process, meetings and the terms of reference for the Director's Steering Group are documented within Schedule 2 of each Legal Agreement.

Directors and Headteacher representatives from the Central South Wales Strategy Group identified during 2016/17 the need to include Headteachers within the overall governance model of the CSC as part of a school-led self-improving system. Although some progress has been made in this area, the CSC is awaiting the outcomes of the review of the National Model to ensure any recommended revisions to the governance model align with the requirements of the Revised National Model.

Senior Leadership Group - The Group comprises the senior management team of the CSC as well as Senior Challenge Advisers for each local authority. Senior officers with strategic responsibilities are also part of the leadership group. The objective of the group is to deliver school improvement activities with the aim of raising educational standards.

The membership, decision making process, meetings and the terms of reference for all groups are documented within Schedule 3 of the Legal Agreement.

CSC Joint Education Service Joint Committee

The CSC Joint Education Service Joint Committee (hereinafter called the 'Joint Education Committee') comprises of one elected Member from each Council and one officer representative with responsibility for Education from each Council.

The Joint Education Committee has the powers of each Council with reference to the provision of a Joint Education Service and its performance as set out in the Legal Agreement and guided by the Welsh Government's 'National Model for Regional working'.

The purpose of the Joint Education Committee is to be responsible for the decision making, approval of the business plan, monitoring and accountability and financial reporting of the CSC arrangements in line with its own business plan.

The membership, decision making process, meetings and the terms of reference for the Joint Education Committee are documented within Schedule 4 of the Legal Agreement.

- 5.3.10 There were a broad range of communication methods on offer to encourage stakeholders to express their views. This included social media, focus group discussions with strategy groups as well as an annual survey of schools. An updated CSC Communications Strategy was presented to Directors during 2017/18.

Proposal for improvement

- 5.3.11 Review the overall governance structure for the CSC to ensure increased engagement in the decision making process from headteachers across the region in line with the requirements of the revised National Model for Regional Working when this is published.
- 5.3.12 Develop a systematic process whereby Freedom of Information requests are reported to Joint Committee.

5.4 DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL, AND ENVIRONMENTAL BENEFITS

Defining outcomes

- 5.4.1 The CSC's 'Business Plan – 2017-2020, as approved by Joint Education Committee on the 14th March 2017, set out the vision, purpose and priorities it aims to deliver:

- The CSC's aim is to *"Improve educational outcomes for all pupils, and the outcomes for vulnerable learners fastest. The success of schools in this region is key to the future economic and social success of Wales. We are improving. We need to do more"*.
- The CSC's priorities are to:
 - *Improve outcomes for vulnerable learners;*
 - *Develop school-to- school working to deliver curriculum reform;*
 - *Develop leadership, governance and workforce reform;*
 - *Deliver rapid and sustainable intervention; and*
 - *Develop effectiveness and efficiency in CSC.*

- 5.4.2 The Joint Education Committee approved the 2017/18 Revenue Budget at its meeting on 8th December 2016 and reaffirmed that resources would be targeted in line with the Business Plan priorities.
- 5.4.3 Following approval of the Business Plan and Revenue Budget, Action Plans were put in place for each priority, in line with resources available, that detailed what outcomes were being aimed for, the actions to be delivered with timescales for delivery and performance indicators.
- 5.4.4 A review of performance indicator targets included within the Business Plan identified that there is a clear ambition for the CSC to improve in its priority areas, and where performance is comparable with others, the ambition is for the CSC to be either as good as or better than the Welsh average by 2020.
- 5.4.5 Throughout 2017/18 action plan progress updates have been made public through Joint Education Committee meetings that also contain information on financial performance, strategic risks and investment linked to Business Plan priorities. Monitoring arrangements have been reviewed and simplified with impact reviews embedded into the monitoring cycle.
- 5.4.6 The Outcomes Framework and progress with the Business Plan are also monitored by Welsh Government during the programme of Challenge and Review Sessions. During 2017/18, 97% of the CSC's Business Plan was funded from Welsh Government Awards of Funding. The CSC's first medium term financial forecast, covering financial years 2018/19 to 2020/21, was presented to the Joint Committee on 15th March 2018.

Proposal for Improvement

- 5.4.7 Further develop medium term financial planning during 2018/19 to ensure resources are allocated / categorised over Business Plan priorities to demonstrate or otherwise the prioritisation of resources. Proposals for revisions to service delivery will be discussed with Chief Executives and Directors in light of any published revisions to the National Model for Regional Working.

5.5 DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES

Determining and planning interventions

- 5.5.1 The CSC's Legal Agreement lays down the key requirements to be followed when setting its priorities, reporting the extent of progress made in priority areas and also the financial planning and management arrangements that support this. These include the requirement to:
- Agree the draft School Improvement Service annual revenue budget by the 31st December prior to the start of the financial year and submit to

each of the Parties for approval with the business plan to be agreed by the 1st February; and

- Publish financial and performance progress updates on a termly basis during the year, which will include explanations of any variances against the profiled budget.

5.5.2 When the above requirements were reviewed for the 2017/18 financial year:

- Performance Reports were presented to Joint Education Committee and the Local Authority Scrutiny Committees during the year, with performance reports also presented to the Minister as part of the Challenge and Review meetings. A review of information reported during the year identified that at each Joint Education Committee meeting, Members were provided with updates on financial performance; progress against Business Plan priorities; and strategic risks. With specific regard to financial performance, Business Plan priority and strategic risk up dates, exceptions were highlighted, explained and the corrective action to be taken included within reports.
- Performance reports were also presented to each Local Authority scrutiny committee.

5.5.3 Based on the above, it is considered that the information published during the year would provide opportunity for stakeholders to understand the CSC's performance and hold it to account.

Optimising achievement of intended outcomes

5.5.4 The CSC's Business Plan sets out how the 5% cut to the core budget was managed.

5.5.5 With this context in mind, the CSC took steps to plan the allocation of resources and put in place arrangements to maximise its impact.

The allocation of resources

5.5.6 The CSC's 2017/18 Revenue Budget Setting Report (8th December 2016) set out how the total saving requirement of 5% would be delivered.

Maximising impact

5.5.7 In 2017-2018⁵, Foundation Phase saw continued improvement for most indicators at the expected level for the CSC, but the performance at local authority level was more variable. Only Bridgend CBC saw improvements for all indicators at the expected level; however, at the expected level +1, improvements were seen in nearly all indicators for nearly all local authorities. The improvement at CSC level was either lower or in-line with the

⁵ All performance measures are as reported in the Summer Term 2017. (Academic Year 2016/17)

improvement seen nationally for all performance measures at Foundation Phase for the expected outcomes but was above the improvement seen nationally for nearly all indicators for the above expected outcomes.

For key stage 2, the CSC improved at both the expected level, and above expected level for all indicators with the exception of Welsh 1st Language at the expected level. The improvement for the CSC is less than the improvement seen nationally at the expected level, however, at the above expected level the improvement for the consortium is above the National improvement for all measures except Welsh 1st Language. Improvements were made by nearly all local authorities for nearly all performance measures at the expected outcome. At the above expected level, only the Vale of Glamorgan Council saw a fall in performance in Welsh 1st Language.

For key stage 3, the CSC continued to improve at both the expected level and the expected level +1 for all areas, with the only exception being Welsh 1st Language at the expected level +1. The improvements for the CSC exceed the improvements seen nationally for all core subjects at the expected level with the only exception being Mathematics. Nearly all local authorities have continued to improve in the most recent year for all performance measures at both the expected and expected level +1, with the exceptions being seen in Welsh 1st Language and Science at the expected level in the Vale of Glamorgan Council, Mathematics expected level in both Merthyr Tydfil and Cardiff Councils, English expected level +1 in Science and Welsh 1st Language at the expected level +1 in both the Vale of Glamorgan and Rhondda Cynon Taf Councils.

Please note: Welsh Government have introduced key changes to the performance measures data for reporting in 2016/17, which affects any possible comparisons that may be made against previous data.

The main changes are:

- the introduction of a cap of 40% on non-GCSEs that contribute to threshold measures;
- the removal of literature from the literacy elements in the Capped 9 points score and the Level 2 Threshold including English/Welsh and Mathematics;
- the introduction of new specifications for English, Welsh 1st Language, Mathematics and Mathematics-Numeracy; and
- a new Capped 9 Points Score Measure.

Therefore, caution should be used when comparing 2016/17 data with previous years data.

The only performance measures that saw improvements in the most recent year are 5A*-A and Level 2 Welsh First Language. All other indicators fell in the most recent year, with the biggest fall being seen in Level 2 Threshold, which fell by 19.5pp. The L2+ for the CSC decreased by 6.4pp in the most recent year, which has seen the region fall below the national average for the

first time in the last three years by 0.1pp. However, the region has improved for this performance measure by 0.4pp since 2014, which is against a national decrease of 0.8pp over the same time-period. All 5 local authorities in the region saw performance drop in the most recent year, with decreases ranging between 4.1pp and 11.5pp.

The gap in performance at KS4 between eFSM and non eFSM pupils in the region has increased for all performance measures, with the exception of Level 2 Welsh First Language, in the most recent year. Level 2 Threshold inc EWM has seen an increase in the gap in performance in the most recent year, but this is still smaller than the gap seen in both 2014 and 2015, however, the performance of eFSM pupils for this measure is the lowest seen over the last three years.

There is a significant increase in the number of schools where less than 40% and less than 50% of pupils achieve the level 2+ threshold. The region has not yet achieved its ambition of reducing this to zero (40% or less).

5.5.8 The individual Local Authority scrutiny committees have provided review and challenge on performance results during the year, either through their own work programming arrangements or as a result of in-year performance exceptions being scrutinised in more detail.

5.6 **DEVELOPING THE ENTITY'S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT**

Developing the entity's capacity

5.6.1 The CSC aims to ensure that staff have the skills, knowledge and capacity they need to discharge their responsibilities and recognises the value of well-trained and competent people in effective service delivery.

5.6.2 Effectively managing the workforce – the CSC has been required to manage reductions in staff numbers over the past few years as a result of on-going reductions in funding and at the same time:

- Continued to deliver improved performance results in priority areas (see section 5.5.7);
- More closely managed and supported staff absence through the production of the performance dashboard; and
- Is operating a system of agile working arrangements that aims to take advantage of digital technology to help the CSC to work in new and different ways to meet school needs, reduce costs and increase productivity. During 2017/18 the CSC invested in further digitisation to further support improvement in productivity, work life balance and utilisation of space within the CSC.

5.7 **Developing the capability of the entity's leadership and other individuals**

5.7.1 The CSC's Legal Agreement sets out the responsibilities of the Managing Director, the Joint Education Committee and the Advisory Group (Schedule 2). A review of a sample of delegated decisions made during the year confirmed that decisions were approved by the designated Joint Education Committee members and employees.

Developing the capabilities of councillors

5.7.2 During 2017/18 there was evidence to confirm that Councillor development needs were supported through the provision of local authority training; it was noted that the training provided related primarily to the roles of Councillors within their host authorities rather than specifically in relation to the CSC.

Developing the capabilities of employees

5.7.3 The CSC is also committed to staff development, in line with business needs, to help ensure it has a 'fit for purpose' workforce. During the year this has included staff induction sessions, Leadership and Middle Management Development Programmes, Staff Briefings and a range of operational training such as Curriculum for Wales, National Mission and Professional Teaching and Learning Standards.

Proposal for Improvement

5.7.4 Design and contribute to a national training programme for newly elected members in relation to their role overseeing the CSC.

5.8 **MANAGING RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT**

Managing risk

5.8.1 During 2017/18, the CSC up dated its Risk Policy and presented this to the senior leadership team for approval in readiness for the new academic year. This included the establishment of a risk change template to improve the process and transparency of recording risks experienced by the CSC.

5.8.2 This risk change template is updated by all risk owners and then presented for review by the senior leadership team. This is included within the CSC dashboard on a half termly basis. Following on from this it is issued to both Directors and Joint Committee meetings for final review. Once this process is completed the risk register is finalised.

Proposal for Improvement

- 5.8.3 The CSC's risk policy will need to be reviewed with respect to the ownership of risks for the CSC. At present the majority of risks are owned by the Managing Director. Where risks are associated with drive team priorities these will need to be aligned with the respective leads to ensure strategic alignment with priority plans.

Managing performance

- 5.8.4 The 'Determining and Planning Interventions' section (5.5.1) of this Annual Governance Statement provides an overview of the CSC's Performance Management arrangements. Performance at a strategic level is driven and measured through the CSC's drive teams. Four drive teams have been established to ensure the effective delivery and impact of the four priority plans aligned to the 2017/18 CSC business plan. Each Drive Team is managed by the Senior Leads within the CSC.

Robust internal control

- 5.8.5 The membership and meeting frequency of the CSC's Joint Education Committee during 2017/18 was in line with the CSC's Legal Agreement.

Managing data

- 5.8.6 An Information Management Plan is in place that sets out the framework, including legal requirements, for information management within the CSC. This work has been reviewed to ensure compliance with new GDPR regulations.

- 5.8.7 A review of arrangements in place during 2017/18 identified that they were in line with laid down requirements because:

- Key responsibilities were formally designated within the CSC: The CSC's designated Senior Information Management Risk Officer (SIRO) is the Managing Director, there was a Information Management & Data Protection Act Officer within the host authority who reports to the Head of Information Technology;
- Information was available on the RCT Council website in respect of Data Protection and Freedom of Information, and it had in place a [Publication Scheme](#) (which has been adopted by the CSC) in accordance with the Council's responsibilities under the Freedom of Information Act 2000;
- Information Sharing Protocols were in place for the safe and appropriate sharing of personal information between the CSC and other organisations although these will require review during 2018/19; and
- The Host Authority continued to secure its annual accreditation to the Public Service Network (PSN) in September 2017 i.e. The 'PSN' is the Council's connection to the wider public sector network (Council to Council, Council to Government e.g. Department for Work and Pensions)

to enable the Council to communicate and share data securely across all public bodies.

5.8.8 General Data Protection Regulation (GDPR)

In addition to the normal business of the Information Management requirements placed upon the CSC, the General Data Protection Regulation (Regulation (EU) 2016/679) comes into effect on 25th May 2018.

The GDPR is a regulation intended to strengthen and unify data protection for all individuals within the European Union (EU). The primary objectives of the GDPR are to give individuals greater control of their personal data and to simplify the regulatory environment. When the GDPR takes effect, it will replace the Data Protection Directive 1995 (under which the UK Data Protection Act 1998 was made).

A Report was presented to Senior Leadership Team at the meeting held on 14th May 2018 providing an overview of the preparatory work being undertaken in readiness for the 25th May 2018.

Proposal for Improvement

- 5.8.9 The CSC should report on a periodic basis, for example annually, its work and performance around Information Management and provide opportunity for review and scrutiny by the Joint Education Committee.

A calendar and programme of work should be agreed for future SIRO meetings.

Strong public financial management

- 5.8.10 Schedule 5 of the Legal Agreement provides the framework within which the finances of the Joint Education Service operate. The Financial Protocol provides the financial framework and relationship between the Parties (the Councils), the Host and the CSC. The following areas of business are documented in the Legal Agreement

- General Principles
- Contributions and charging mechanisms;
- Payment arrangements;
- Budgetary control & monitoring;
- Capital Expenditure & long term contracts;
- Annual Accounts & Audit; and
- Financial insolvency.

- 5.8.11 The Legal Agreement requires the Joint Education Committee to hold at least termly meetings throughout the year. Standard agenda items include a report from the Treasurer.

5.8.12 Rhondda Cynon Taf County Borough Council's Financial Procedure Rules provide guidance in relation to all financial matters. The CSC has adopted Rhondda Cynon Taf Council's Financial & Contract Procedure Rules – as confirmed in Section 17 (Schedule 4) of the Legal Agreement:

“Rules and Procedure

For the avoidance of doubt the CSC Joint Education Committee shall, where relevant and subject to the provisions of this Agreement, operate in accordance with the Host's schemes of delegation, Rules of Procedure and policies from time to time.”

5.8.13 The Wales Audit Office audits the CSC's annual statement of accounts.

5.8.14 The CSC's financial and operational performance is monitored and scrutinised by the Joint Education Committee. The Joint Education Committee receives reports from:

- The Treasurer;
- The Managing Director; and
- Officers relevant to the operations and governance of the organisation.

5.8.15 During 2017/18 the role of the Chief Financial Officer at Rhondda Cynon Taf County Borough Council was compliant with the principles of the CIPFA Statement – Role of the Chief Financial Officer in Local Government 2010.

5.8.16 **Internal Audit**

During 2017/18 Internal Audit reviewed the core financial systems of the CSC Joint Education Service and the findings reported to the Joint Education Committee on 15th March 2018. At this meeting, the Joint Education Committee concluded that there were no matters of governance or of an internal control nature that require further action or attention.

5.8.17 **External Audit**

The 2016/17 statement of accounts were audited by the WAO (the WAO issuing an unqualified audit report on the financial statements) and were approved at the meeting of the Joint Education Committee on 15th September 2017.

5.8.18 The CSC has publicly demonstrated its commitment to strong and responsible financial planning and management, and has supported this through the delivery of sound financial performance during a period of reducing budgets. This is because:

- The CSC has adopted a suite of protocols supporting strong financial planning and management, for example, 'Financial Procedure Rules' and 'Contract Procedure Rules', that were complied with during the year;
- The CSC set a Gross Revenue Budget in December 2016 for the financial year 2017/18 of £4,607,779, representing a 5% cut from the previous year.

- Financial performance results were publicly reported every term during the year and scrutinised by the Joint Education Committee. The latest financial performance results, for the period April 2017 to March 2018, forecast that the CSC will deliver a £132,926 under spend on its revenue budget against a total budget of £4,492,736.
- The CSC has kept its finances under on-going review throughout 2017/18.
- The CSC is financially stable as a result of it maintaining an adequate General Reserve balance; having a track record over a number of years of setting and delivering balanced revenue budgets; and having 'clean bills of health' on its year end accounts when audited by the Wales Audit Office.

5.8.19 The latest Wales Audit Office report 'Audit of Financial Statements Report and Management Letter' reported to Joint Education Committee on 15th September 2017 concluded that the accounting statements and related notes:

- *Give a true and fair view of the financial position of the CSC Joint Education Service as at 31 March 2017; and*
- *Have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.*

5.8.20 The 15th September 2017 Wales Audit Office report also made a number of recommendations and it is noted that these have been addressed by the CSC and the Host Authority. The recommendations were:

- look for methods of decreasing the payback period of the original redundancies (pre-April 2016), for example by increasing the annual repayment of the debtor from £100,000, or even agreeing a lump sum from constituent authorities.
- fund any new redundancies in year, but where that is not possible, ensure the payback period is no longer than 2 to 3 years. This will require recording each additional case individually.

5.9 **IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY, REPORTING, AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY**

Implementing good practice in transparency and reporting

5.9.1 The CSC has implemented an open and consistent approach to reporting its business, as set out in sections 5.4 and 5.5 of this Annual Governance Statement, with the aim of helping to ensure information is understandable to stakeholders and that they have the opportunity to challenge the CSC's performance, plans and decisions.

5.9.2 A review of a sample of information reported to the Joint Education Committee and Local Authority Scrutiny Committees has revealed that:

- Annual Reports and Plans are reported publicly, providing an overview of performance, for example, the Council's audited Statement of Accounts 2016/17 reported and approved by Joint Education Committee on 15th September 2017 in line with the statutory timeframe;
- Use is made of electronic links within reports to provide the reader with more detailed information should they require it; and
- The minutes of meetings confirm that designated officers attend each meeting to orally present reports and answer questions, and a number of occasions were noted where updates were delivered via presentations, for example, using slides.

Proposal for Improvement

5.9.3 As part of the above review, it was noted that the CSC's Annual Governance Statement was incorporated within the Statement of Accounts and was not a standalone document. To increase the prominence / awareness of the Annual Governance Statement, this should be a standalone document on the CSC's website.

Assurance and effective accountability

Internal Audit

5.9.4 The CSC has an SLA with the Host Authority to provide Internal Audit Services. The Council's Internal Audit Service was subject to an external assessment during 2016/17 to determine conformance or otherwise with the Public Sector Internal Audit Standards. The external assessment concluded that the service '*complies with the Standards in all significant areas, the impact of the non-conformances identified is not considered to be significant*'. The outcome of the external assessment was presented in full to the RCT Audit Committee held on [20th March 2017](#) (Appendixes 3A and B).

5.9.5 RCT CBC Internal Audit Service undertake a series of audit reviews within CSC each year to independently assess the adequacy of this area from a financial administrative perspective. This work is undertaken in line with the Legal Agreement for the CSC. In 2017/18 four audit reviews of core financial systems were carried out and findings reported to the Joint Committee on 15th March 2018. The Joint Committee were requested to determine whether there are any matters of governance or of an internal control nature that require further action or attention and concluded that no further action(s) were required.

5.9.6 During 2017/18 the host authority continued to develop the section on its internet site that set out all regulatory reports received by the Council since December 2015.

6. **OVERALL ASSESSMENT OF THE CSC'S ARRANGEMENTS**

6.1 Based on the assessment undertaken, it is considered that the CSC's governance arrangements were fit for purpose and publicly demonstrated how they contributed to the delivery of better outcomes for the area as set out in the Business Plan.

6.2 The overall conclusion has been based upon:

- An open approach to engaging with stakeholders, planning and delivering services, and reporting and scrutiny of the CSC's performance;
- Clear arrangements for decision making that were supported by robust service management and financial management arrangements;
- The reporting of understandable priorities and ambition, as set out in the CSC's Business Plan, with progress reports demonstrating improvement in outcomes and performance at the same time as maintaining financial stability.
- Sound arrangements to support elected Councillors and Officers in the effective discharge of their responsibilities and also in maintaining high standards of conduct when undertaking business on behalf of the CSC;
- Processes in place to update governance related documents, such as the 'Anti-fraud, Bribery and Corruption Strategy' and 'Whistle-blowing' arrangements, raise awareness of these documents and also publicly reporting on performance in such areas;
- Developing medium term financial planning arrangements that can be built upon further in 2018/19; and
- The CSC having a track record of implementing Annual Governance Statement recommendations in previous years.

6.3 Notwithstanding this overall position, the assessment has identified areas where improvements are deemed necessary to further reinforce the effectiveness of the Council's current arrangements. These are set out in Section 7.

7. RECOMMENDATIONS

7.1 Further to completing the assessment of the CSC's governance arrangements, Table 1 sets out recommendations for improvement.

Table 1 – Recommendations for Improvement

Core Principle	Paragraph No.	Issue Identified	Recommendation	Timescale for Implementation	Resp Officer
Ensuring our Policies and Strategies are up to date and relevant	5.2.5	The HR Charter was last up dated in 2016.	The HR Charter and other CSC specific documentation requires reviewing in order to ensure they include references to the Whistle-blowing Policy, Anti-fraud, Bribery and Corruption Strategy, Gifts and Hospitality Policy and induction arrangements.	September 2018	Senior Lead – Business & Operations
Ensuring openness and comprehensive stakeholder engagement	5.3.11	There is a need to increase the level of headteacher engagement in the governance of the organisation.	The Governance structure requires review to ensure increased engagement in the decision making process from headteachers across the region in line with the requirements of the revised National Model for Regional Working when this is published.	September 2018	Senior Lead – Business & Operations
		The need to include FOI updates on the agenda to Joint Committee.	Develop a systematic process whereby Freedom of information Requests are reported to Joint Committee.	September 2018	Managing Director

Core Principle	Paragraph No.	Issue Identified	Recommendation	Timescale for Implementation	Resp Officer
Medium Term Financial Plan	5.4.7	The need to further develop the medium term financial plan.	Further develop the Medium Term Financial Plan during 2018/19, to ensure resources are allocated / categorised over Business Plan priorities to demonstrate or otherwise the prioritisation of resources. Proposals for revisions to service delivery will be discussed with Chief Executives and Directors in light of any published revisions to the National Model for Regional Working.	December 2018	Senior Lead – Business & Operations
Elected Members Training Programme	5.7.4	Newly Elected members may require further training on the work of the CSC.	Design and contribute to a national training programme for newly elected members in relation to their role overseeing the CSC.	June 2018	Senior Lead – Strategy, Leadership & Workforce Reform
Risk Management	5.8.3	During 2017/18, the CSC up dated its Risk Policy and presented this to the senior leadership team for approval in readiness for the new academic year. However, the majority of risks are owned by the Managing Director.	The CSC's risk policy will need to be improved with respect to the ownership of risks for the CSC. At present the majority of risks are owned by the managing Director. Where risks are associated with drive team priorities these will need to be aligned with the respective leads to ensure strategic alignment with priority plans.	December 2018	Managing Director

Core Principle	Paragraph No.	Issue Identified	Recommendation	Timescale for Implementation	Resp Officer
Information Management	5.8.9	Information Management – no update is reported setting out the CSC's work and performance in this area.	The CSC should report on a periodic basis, for example annually, its work and performance around Information Management and provide opportunity for review and scrutiny by the Joint Education Committee. A calendar and programme of work should be agreed for future SIRO meetings.	December 2018	Senior Lead – Business & Operations
Implementing good practice in transparency and reporting	5.9.3	The Annual Governance Statement is incorporated within the Statement of Accounts but is not a stand alone document e.g. on the CSC's website.	To increase the prominence / awareness of the Annual Governance Statement, this should be a standalone document on the CSC's website.	Autumn 2018	Senior Lead – Business & Operations

7.2 The CSC's Senior Management Team has accepted the recommendations and is committed to their implementation during 2018/19. The Senior Management Team has also confirmed that an update on progress will be reported to the CSC's Joint Education Committee during the year to enable Councillors to review and scrutinise the extent of progress being made.

Managing Director:  Section 151 Officer: 

Chair, Joint Education Committee 

APPENDIX A

POSITION STATEMENT ON PROGRESS MADE TO IMPLEMENT 2016/17 RECOMMENDATIONS

Core Principle	Issue Identified	Recommendation	Timescale for Implementation	Resp Officer	Progress
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	The 'Anti-Fraud, Bribery and Corruption Policy and Procedure' was last up dated in 2013.	The host authority has identified that the Anti-Fraud, Bribery and Corruption Policy and Procedure should be reviewed and up dated, where relevant, and reported to the appropriate Committee for scrutiny and sign-off. This update should then be used to inform a refreshed programme of awareness raising across the Council and will include officers at the CSC.	January 2018	Managing Director	Completed Reported to RCT Audit Committee 27 th November 2017.
	There is a need for a systematic process for the adoption of host authority policies.	Develop a systematic process whereby updates to policies provided by the host authority are discussed at the operational senior leadership team meeting for approval and shared with staff on Cronfa.	September 2017	Senior Lead –Business & Operations	Completed When notified of updated policies from RCT, these are reviewed by SMT and presented to SLT for discussion / comment. Once agreed, they are uploaded to the staff area on Cronfa.

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Core Principle	Issue Identified	Recommendation	Timescale for Implementation	Resp Officer	Progress
Ensuring openness and comprehensive stakeholder engagement	There is a need to increase the level of headteacher engagement in the governance of the organisation.	Review the overall governance structure for the CSC to ensure increased engagement in the decision making process from headteachers across the region as part of a continued drive to a school led self improving system.	September 2017	Managing Director	<p>Partly Completed</p> <p>Meetings have taken place with Directors on the future role of Headteachers regarding governance of the CSC. CSC is awaiting the outcomes of a review of the National Model.</p>
Defining outcomes in terms of sustainable economic, social, and environmental benefits	The need to develop a medium term financial plan	Develop a MTFP in 2017/18, ensuring resources be allocated / categorised over Business Plan priorities to demonstrate or otherwise the prioritisation of resources.	December 2017	Senior Lead –Business & Operations	<p>Completed</p> <p>Medium Term Financial Plan regarding the core budget presented to Joint Committee in December 2017. Due to the uncertainty of Welsh Government grant funding, it has not currently been possible to profile grant funding over the medium term.</p>

Core Principle	Issue Identified	Recommendation	Timescale for Implementation	Resp Officer	Progress
Developing the capability of the entity's leadership and other individuals	Councillor / employee development / training – where operational training is delivered, its impact is not always captured	Where Councillor and employee development / training activity takes place, information should be collected on an on-going basis to help inform future activity and assess the impact on attendees.	September 2017	Senior Lead –Standards & Improvement Planning	Scheduled to be completed during 2018/19 Training programme agreed with WLGA for Summer 2018.
	Newly Elected members may require further training on the work of the CSC	Design and contribute to a national training programme for newly elected members.	September 2017	Senior Lead –Strategy, Leadership & Workforce Reform	Scheduled to be completed during 2018/19 Training programme agreed with WLGA for Summer 2018.
Managing risks and performance through robust internal control and strong public financial management	Information Management – no update is reported setting out the CSC's work and performance in this area.	The CSC should report on a periodic basis, for example annually, its work and performance around Information Management and provide opportunity for review and scrutiny by the Joint Education Committee.	June 2018	Head of Data, Quality & Intelligence Unit	Completed CSC report to the March 2018 Joint Committee in respect of the Information Management Policy.

The independent auditor's report of the Auditor General for Wales to the members of Central South Consortium Joint Education Service Joint Committee

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Central South Consortium Joint Education Service Joint Committee for the year ended 31st March 2018 under the Public Audit (Wales) Act 2004.

The Central South Consortium Joint Education Service Joint Committee 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 and the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Central South Consortium Joint Education Service Joint Committee as at 31st March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Central South Consortium Joint Education Service Joint Committee 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

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Central South Consortium Joint Education Service Joint Committee ability to continue to adopt the

going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual 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 the group] and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

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

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

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Central South Consortium Joint Education Service Joint Committee in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Responsibilities

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 13, the responsible financial officer is responsible for the preparation of the statement of accounts, Central South Consortium Joint Education Service Joint Committee, which give a true and fair view, and for such internal control 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.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Central South Consortium Joint Education Service Joint Committee ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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.

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

Anthony J Barrett
For and on behalf of the Auditor General for Wales
XX September 2018

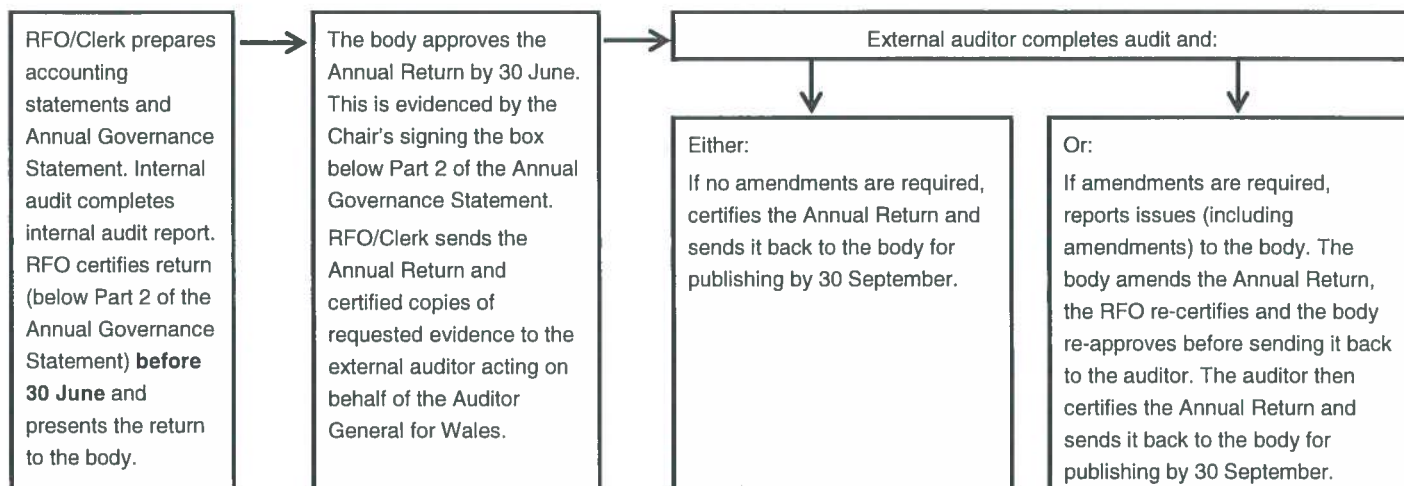
24 Cathedral Road
Cardiff
CF11 9LJ

Smaller local government bodies in Wales Annual Return for the Year Ended 31 March 2018

Smaller local government bodies in Wales must prepare annual accounts following proper practices as set out in the One Voice Wales/SLCC publication **Governance and accountability for local councils in Wales – A Practitioners' Guide** (the Practitioners' Guide). The Practitioners' Guide states that bodies may prepare their accounts in the form of an annual return prepared by the Wales Audit Office.

The accounts and audit process

The accounts and audit arrangements follow the process as set out below.



Please read the guidance on completing this Annual Return and complete all sections highlighted in red including both sections of the Annual Governance Statement.

PLEASE PRINT THIS DOCUMENT FOR SIGNATURE AND SEND IT TO YOUR AUDITOR

Incomplete or incorrect returns may require additional external audit work and incur additional costs. Send the **original** Annual Return, together with all additional information requested, to the external auditor acting on behalf of the Auditor General for Wales. Unless requested, please **do not** send any original financial or other records to the external auditor.

Audited and certified returns are sent back to the body for publication or display of the accounting statements, Annual Governance Statement and the Auditor General for Wales' certificate and report.

Completion checklist

'No' answers mean that you may not have met requirements		Done?	
Initial submission to the external auditor		Yes	No
Accounts	Has the RFO certified the accounting statements and the body approved the Annual Return (as evidenced by the relevant signatures), no later than 30 June 2018?	✓	<input type="checkbox"/>
	Do the accounts add up and does the balance carried forward from last year equal the opening balance this year?	✓	<input type="checkbox"/>
	Do the papers to be sent to the external auditor include an explanation of significant variations, including a quantified analysis of the changes from last year to this year?	✓	<input type="checkbox"/>
	Does the bank reconciliation as at 31 March 2018 agree to line 9?	✓	<input type="checkbox"/>
All sections	Have all red boxes been completed and explanations provided where needed?	✓	<input type="checkbox"/>
Evidence	Has all the information requested by the external auditor been included?	✓	<input type="checkbox"/>

Accounting statements 2017-18 for:

Name of body: LLWYDCOED CREMATORIUM JOINT COMMITTEE

	Year ending		Notes and guidance for compilers
	31 March 2017 (£)	31 March 2018 (£)	

Please round all figures to nearest £.
Do not leave any boxes blank and report £0 or nil balances.
All figures must agree to the underlying financial records for the relevant year.

Statement of income and expenditure/receipts and payments

1. Balances brought forward	809,778	1,131,293	Total balances and reserves at the beginning of the year as recorded in the financial records. Must agree to line 7 of the previous year.
2. (+) Income from local taxation/levy	0	0	Total amount of income received/receivable in the year from local taxation (precept) or levy/contribution from principal bodies.
3. (+) Total other receipts	1,030,913	1,140,937	Total income or receipts recorded in the cashbook minus amounts included in line 2. Includes support, discretionary and revenue grants.
4. (-) Staff costs	-171,017	-191,673	Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and related expenses eg termination costs.
5. (-) Loan interest/capital repayments	0	0	Total expenditure or payments of capital and interest made during the year on external borrowing (if any).
6. (-) Total other payments	-538,381	-410,850	Total expenditure or payments as recorded in the cashbook minus staff costs (line 4) and loan interest/capital repayments (line 5).
7. (=) Balances carried forward	1,131,293	1,669,707	Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6).

Statement of balances

8. (+) Debtors and stock balances	77,825	89,161	Income and expenditure accounts only: Enter the value of debts owed to the body and stock balances held at the year-end.
9. (+) Total cash and investments	1,072,093	1,585,602	All accounts: The sum of all current and deposit bank accounts, cash holdings and investments held at 31 March. This must agree with the reconciled cashbook balance as per the bank reconciliation.
10. (-) Creditors	-18,625	-5,056	Income and expenditure accounts only: Enter the value of monies owed by the body (except borrowing) at the year-end.
11. (=) Balances carried forward	1,131,293	1,669,707	Total balances should equal line 7 above: Enter the total of (8+9-10).
12. Total fixed assets and long-term assets	2,199,648	2,093,286	The original asset and investment register value of all fixed assets and any other long-term assets held as at 31 March.
13. Total borrowing	0	0	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).

14. Trust funds disclosure note	Yes	No	N/A	Yes	No	N/A	The body acts as sole trustee for and is responsible for managing (a) trust fund(s)/assets (readers should note that the figures above do not include any trust transactions).
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

Annual Governance Statement (Part 1)

We acknowledge as the members of the Llwydcoed Crematorium Joint Committee, our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2018, that:

	Agreed?		'YES' means that the Council/Board/Committee:	PG Ref	
	Yes	No*			
<p>1. We have put in place arrangements for:</p> <ul style="list-style-type: none"> effective financial management during the year; and the preparation and approval of the accounting statements. 	✓	<input type="checkbox"/>	Properly sets its budget and manages its money and prepares and approves its accounting statements as prescribed by law.	6, 12	
2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness.	✓	<input type="checkbox"/>	Made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.	6, 7	
3. We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the Llwydcoed Crematorium Joint Committee to conduct its business or on its finances.	✓	<input type="checkbox"/>	Has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so.	6	
4. We have provided proper opportunity for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014.	✓	<input type="checkbox"/>	Has given all persons interested the opportunity to inspect and to ask questions about the body's accounts.	6, 23	
5. We have carried out an assessment of the risks facing the Llwydcoed Crematorium Joint Committee and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	✓	<input type="checkbox"/>	Considered the financial and other risks it faces in the operation of the body and has dealt with them properly.	6, 9	
6. We have maintained an adequate and effective system of internal audit of the accounting records and control systems throughout the year and have received a report from the internal auditor.	✓	<input type="checkbox"/>	Arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether these meet the needs of the body.	6, 8	
7. We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the Llwydcoed Crematorium Joint Committee and, where appropriate, have included them on the accounting statements.	✓	<input type="checkbox"/>	Disclosed everything it should have about its business during the year including events taking place after the year-end if relevant.	6	
8. We have taken appropriate action on all matters raised in previous reports from internal and external audit.	✓	<input type="checkbox"/>	Considered and taken appropriate action to address issues/weaknesses brought to its attention by both the internal and external auditors.	6, 8, 23	
<p>9. Trust funds – in our capacity as trustee, we have:</p> <ul style="list-style-type: none"> discharged our responsibility in relation to the accountability for the fund(s) including financial reporting and, if required, independent examination or audit. 	<input type="checkbox"/>	<input type="checkbox"/>	N/A ✓	Has met all of its responsibilities where it is a sole managing trustee of a local trust or trusts.	3, 6

* Please provide explanations to the external auditor on a separate sheet for each 'no' response given; and describe what action is being taken to address the weaknesses identified.


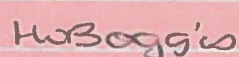
Annual Governance Statement (Part 2)

	Agreed?		'YES' means that the Council/Board/ Committee:
	Yes	No*	
1. We have considered the adequacy of reserves held by the body in setting the budget for 2017-18 and 2018-19 and have appropriate plans in place for the use of these reserves.	✓	<input type="checkbox"/>	Has met the requirements of the Local Government Finance Act 1989 in setting the budget requirement and precept for the financial years.
2. When awarding grants under section 137 of the Local Government Act 1972, we have kept a separate account of such grants and considered whether or not the benefits arising from such payments are commensurate with the sums paid.	✓	<input type="checkbox"/>	Has kept and appropriate record of grants awarded and ensured that the expenditure is commensurate with the benefit to the community.
3. The council has ensured that it has a lawful obligation to pay a service gratuity to employees* or The council has no obligation or intention to pay a gratuity to employees.*	✓	<input type="checkbox"/>	Has ensured that where it has an arrangement to provide a gratuity to staff, it has ensured that there is a legal obligation to provide the gratuity.

* Please delete as appropriate.

Llwydcoed Crematorium Joint Committee approval and certification

The Llwydcoed Crematorium Joint Committee is responsible for the preparation of the accounting statements in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 and for the preparation of the Annual Governance Statement.

<p>Certification by the RFO</p> <p>I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Llwydcoed Crematorium Joint Committee, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2018.</p>	<p>Approval by the Llwydcoed Crematorium Joint Committee</p> <p>I confirm that these accounting statements and Annual Governance Statement were approved by the Llwydcoed Crematorium Joint Committee under minute reference:</p>
	Insert minute reference and date of meeting
RFO signature: 	Chair signature: 
Name: CHRISTOPHER LEE	Name: Helen Boggis
Date: 17/5/18	Date: 19-6-18

Llwydcoed Crematorium Joint Committee re-approval and re-certification (only required if the annual return has been amended at audit)

<p>Certification by the RFO</p> <p>I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Llwydcoed Crematorium Joint Committee, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2018.</p>	<p>Approval by the Llwydcoed Crematorium Joint Committee</p> <p>I confirm that these accounting statements and Annual Governance Statement were approved by the Llwydcoed Crematorium Joint Committee under minute reference:</p>
	Insert minute reference and date of meeting
RFO signature: signature required	Chair signature: signature required
Name: name required	Name: name required
Date: dd/mm/yyyy	Date: dd/mm/yyyy

Auditor General for Wales' Audit Certificate and report

The external auditor conducts the audit on behalf of, and in accordance with, guidance issued by the Auditor General for Wales. On the basis of their review of the Annual Return and supporting information, they report whether any matters that come to their attention give cause for concern that relevant legislation and regulatory requirements have not been met.

We certify that we have completed the audit of the Annual Return for the year ended 31 March 2018 of:

LLWYDCOED CREMATORIUM JOINT COMMITTEE

External auditor's report

[Except for the matters reported below]* On the basis of our review, in our opinion, the information contained in the Annual Return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

[[These matters along with]* Other matters not affecting our opinion which we draw to the attention of the body and our recommendations for improvement are included in our report to the body dated _____.]

Other matters and recommendations

On the basis of our review, we draw the body's attention to the following matters and recommendations which do not affect our audit opinion but should be addressed by the body.

(Continue on a separate sheet if required.)

External auditor's name:

External auditor's signature:

Date:

For and on behalf of the Auditor General for Wales

* Delete as appropriate.

Annual internal audit report to:

Name of body: LLWYDCOED CREMATORIUM JOINT COMMITTEE

The Llwydcoed Crematorium Joint Committee's internal audit, acting independently and on the basis of an assessment of risk, has included carrying out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ending 31 March 2018.

The internal audit has been carried out in accordance with the Llwydcoed Crematorium Joint Committee's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and the internal audit conclusions on whether, in all significant respects, the following control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the Llwydcoed Crematorium Joint Committee.

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
1. Appropriate books of account have been properly kept throughout the year.	✓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Detailed internal audit report presented to body
2. Financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	✓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Detailed internal audit report presented to body
3. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	✓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Detailed internal audit report presented to body
4. The annual precept/levy/resource demand requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored, and reserves were appropriate.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✓	Central function and regular treasurers reports presented to Joint Committee
5. Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for.	✓	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Detailed internal audit report presented to body
6. Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.	<input type="checkbox"/>	<input type="checkbox"/>	✓	<input type="checkbox"/>	Llwydcoed Crematorium does not operate a petty cash account
7. Salaries to employees and allowances to members were paid in accordance with minuted approvals, and PAYE and NI requirements were properly applied.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✓	Central function administered by Council's payroll service
8. Asset and investment registers were complete, accurate, and properly maintained.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	✓	Central Function

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
9. Periodic and year-end bank account reconciliations were properly carried out.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Central Function
10. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments/income and expenditure), agreed with the cashbook, were supported by an adequate audit trail from underlying records, and where appropriate, debtors and creditors were properly recorded.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Central Function
11. Trust funds (including charitable trusts). The Council/Board/Committee has met its responsibilities as a trustee.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	N/A

For any risk areas identified by the Llwydcoed Crematorium Joint Committee (list any other risk areas below or on separate sheets if needed) adequate controls existed:

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
12. Insert risk area	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Insert text
13. Insert risk area	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Insert text
14. Insert risk area	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Insert text


* If the response is 'no', please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

** If the response is 'not covered', please state when the most recent internal audit work was done in this area and when it is next planned, or if coverage is not required, internal audit must explain why not.

My detailed findings and recommendations which I draw to the attention of the Llwydcoed Crematorium Joint Committee are included in my detailed report to the Council/Board/Committee dated 25th September 2017.

Internal audit confirmation

I confirm that as the Council's internal auditor, I have not been involved in a management or administrative role within the body or as a member of the body during the financial years 2016-17 and 2017-18. I also confirm that there are no conflicts of interest surrounding my appointment.

Name of person who carried out the internal audit: MARC CRUMBIE
Signature of person who carried out the internal audit: 
Date: 14/03/2018

Guidance notes on completing the Annual Return

1. You must apply proper practices when preparing this annual return. For guidance, please read the Practitioners' Guide (**Governance and accountability for local councils: A Practitioners' Guide (Wales)**) – available from One Voice Wales and SLCC. It contains everything you need for the financial year-end and the statutory audit.
2. The Wales Audit Office Good Practice Exchange (www.audit.wales/good-practice/finance/community-council-money) provides further information on the accounts and audit process along with guidance on governance matters.
3. Make sure that the Annual Return is fully completed ie, no empty red boxes. Please avoid making any amendments to the completed return. If this is unavoidable, cross out the incorrect entries, make sure the amendments are drawn to the attention of the body, properly initialled and an explanation for them is provided to the external auditor. **Please do not use correction fluid.** Annual returns that are incomplete or contain unapproved and/or unexplained amendments or correction fluid will be returned unaudited and may incur additional costs.
4. **There are now two boxes for certification and approval by the body. The second box is only required if the annual return has to be amended as a result of the audit. You should only complete the top box before sending the form to the auditor.**
5. Use a second pair of eyes, perhaps the Chair or a member, to review your Annual Return for completeness before sending the original form to the auditor.
6. Make sure that your accounting statements add up, that the balance carried forward from the previous year (line 7 of 2017) equals the balance brought forward in the current year (line 1 of 2018). Explain any differences between the 2017 figures on this annual return and the amounts recorded in last year's annual return.
7. Explain fully any significant variances in the accounting statements. Do not just send in a copy of your detailed accounting records instead of this explanation. The external auditor wants to know that you understand the reasons for all variances. Include a detailed analysis to support your explanation and be specific about the values of individual elements making up the variances.
8. Make sure that the copy of the bank reconciliation you send to your auditor with the Annual Return covers **all** your bank accounts and cash balances. If there are no reconciling items, please state this and provide evidence of the bank balances. If your Council holds any short-term investments, please note their value on the bank reconciliation. The auditor should also be able to agree your bank reconciliation to line 9 in the accounting statements. More help on bank reconciliation is available in the Practitioners' Guide*.
9. **Every** small body is now required to send to the external auditor, information to support the assertions made in the Annual Governance Statement. Your auditor will tell you what information you need to provide. Please read the audit notice carefully to ensure you include all the information the auditor has asked for. You should send **copies** of the original records (certified by the Clerk and Chair as accurate copies) to the external auditor and not the original documents themselves.
10. Please do not send the auditor any information that you are not specifically asked for. Doing so is not helpful.
11. If the auditor has to review unsolicited information, repeat a request for information, receives an incomplete bank reconciliation or explanation of variances or receives original documents that must be returned, the auditor will incur additional costs for which they are entitled to charge additional fees.
12. **Do not complete the Auditor General for Wales' Audit Certificate and report.** The external auditor completes this on behalf of the Auditor General for Wales on completion of the audit.
13. **Please deal with all correspondence with the external auditor promptly.** This will help you to meet your statutory obligations and will minimise the cost of the audit.
14. **Please note that if completing the electronic form, you must print the form for it to be certified by the RFO and signed by the Chair before it is sent to the auditor.**

Section 5 – Financial reporting and regulatory matters

Compliance with the law and regulations governing local authorities

Changes in legislation occur regularly within the sector and it is imperative that the authority establishes a mechanism to ensure that its audit committee members are aware of relevant topical legal issues.

To keep the audit committee up to date, it is worth considering including the following on the audit committee's agenda:

- an update of relevant circulars and correspondence from government departments etc
- relevant minutes and papers from council meetings (these are especially helpful for co-opted members)
- relevant reports from the Audit Commission, National Audit Office and other relevant regulators

Financial Statements

The Audit Committee should review the Financial Statements before submission to the full Council, focusing particularly on:

- the outcome of reviews of the effectiveness of the internal control arrangements including internal audit
- the wording in the Statement on Internal Control and other disclosures relevant to the Terms of Reference of the Committee
- changes in, and compliance with, accounting policies and practices
- unadjusted mis-statements in the financial statements
- major judgemental areas
- significant adjustments resulting from the audit
- any relevant issues raised in the external auditor's report to those charged with governance

The Committee should also ensure that the systems for financial reporting to the full Council, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the full Council and its committees.

The timetable for preparing the financial statements is normally tight. If the audit committee is to play an effective role in the process, it needs to hold a meeting before the financial statements are formally approved. The role of the audit

committee in the approval, and the purpose of the meeting should be made absolutely clear. If there are any delays in preparing and auditing the financial statements the audit committee should find out why, as they may be due to underlying problems within the finance department or audit process.

However, the audit committee needs to ensure it does not become involved in any details that should be dealt with more properly by the director of finance, designated office holder or other relevant committee.

QUESTIONS FOR AUDIT COMMITTEE MEMBERS – REVIEW OF THE FINANCIAL STATEMENTS

- Which significant items in the accounts are based on accounting estimates? Which accounting policies followed by the authority required an element of judgment in their application? How does the approach taken this year to these items and policies compare with the previous year?
- Have there been any developments in accounting standards or generally accepted accounting practice of relevance to the authority since the audit committee last reviewed the authority's accounting policies and practices?
- Do the financial statements satisfy all statutory and other regulatory disclosure requirements to which the authority is subject?

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RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2018/19

AUDIT COMMITTEE 12 th July 2018	AGENDA ITEM NO. 6
REPORT OF THE GROUP DIRECTOR, CORPORATE & FRONTLINE SERVICES	REGIONAL INTERNAL AUDIT SHARED SERVICE

**Author(s): Chris Lee – Group Director, Corporate & Frontline Services
(01443 424026)**

1. PURPOSE OF THE REPORT

- 1.1 To introduce the Regional Internal Audit Shared Service report presented to and agreed by Cabinet on 21st June 2018.

2. RECOMMENDATIONS

It is recommended that Members:

- 2.1 Consider the information set out in the Cabinet Report 'Regional Internal Audit Shared Service' (included as Appendix 1).
- 2.2 Agree that Audit Committee oversee the required implementation arrangements during 2018/19.

3. REASONS FOR RECOMMENDATIONS

- 3.1 To ensure the effective transition of the Council's Internal Audit Service to the Regional Internal Audit Shared Service during 2018/19 to enable the new service to become operational from 1st April 2019.

4. BACKGROUND

- 4.1 Cabinet at its meeting on 21st June 2018 agreed for the Council's Internal Audit Service to become part of an existing Regional Internal Audit Shared Service and for Audit Committee to oversee the required implementation arrangements during 2018/19.

- 4.2 The 21st June 2018 Cabinet Report is included as Appendix 1 and sets out background information and the way forward to enable the transition to take place during 2018/19 in readiness for a new service to become operational from 1st April 2019.

5. EQUALITY AND DIVERSITY IMPLICATIONS

- 5.1 Equality and diversity implications are set out in Appendix 1 of this report.

6. CONSULTATION

- 6.1 Consultation requirements are set out in Appendix 1 of this report.

7. FINANCIAL IMPLICATION(S)

- 7.1 Financial implications are set out in Appendix 1 of this report.

8. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED

- 8.1 Legal implications are set out in Appendix 1 of this report.

9. LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT.

- 9.1 Links to Corporate and national priorities and the Well-being of Future Generations Act are set out in Appendix 1 of this report.

10. CONCLUSION

- 10.1 The Cabinet Report (included as Appendix 1) sets out the way forward to enable the Council's Internal Audit Service to become part of a Regional Internal Audit Shared Service, with Audit Committee having a key role in overseeing implementation arrangements.

Other Information:-

Relevant Scrutiny Committee
Not applicable.

Contact Officer – Chris Lee.

LOCAL GOVERNMENT ACT 1972

AS AMENDED BY

THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

AUDIT COMMITTEE

12th July 2018

REGIONAL INTERNAL AUDIT SHARED SERVICE

REPORT OF GROUP DIRECTOR, CORPORATE & FRONTLINE SERVICES
Author(s): Chris Lee – Group Director, Corporate & Frontline Services
(01443 424026)

Item: 6

Background Papers

None.

Officer to contact: Chris Lee.

**APPENDIX 1
RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

CABINET

21ST JUNE 2018

**PROPOSAL TO INCORPORATE THE INTERNAL AUDIT SERVICE INTO
AN EXISTING SHARED SERVICE HOSTED BY THE VALE OF
GLAMORGAN COUNCIL**

**REPORT OF THE GROUP DIRECTOR, CORPORATE & FRONTLINE
SERVICES IN DISCUSSION WITH THE CABINET MEMBER FOR
CORPORATE SERVICES, CLLR M. NORRIS**

**Author(s): Chris Lee – Group Director, Corporate & Frontline Services
(01443 424026)**

1. PURPOSE OF THE REPORT

- 1.1 The purpose of the report is to set out a proposal for the Council's Internal Audit Service to join an existing Regional Internal Audit Shared Service (RIASS) hosted by the Vale of Glamorgan Council.

2. RECOMMENDATIONS

It is recommended that Cabinet:

- 2.1 Approves the proposal for the Council's Internal Audit Service to join the existing RIASS in place between the Vale of Glamorgan Council and Bridgend County Borough Council.
- 2.2 Authorises the Group Director, Corporate & Frontline Services, in consultation with the Director of Legal and Democratic Services and the appropriate Cabinet Member, to make the necessary arrangements under delegated authority for Rhondda Cynon Taf County Borough Council to become part of the RIASS, including up dating the existing Partnership Agreement in accordance with Section 101 / 102 of the Local Government Act 1972.
- 2.3 Refers this report to Audit Committee and for Audit Committee to oversee the required implementation arrangements during 2018/19.

3. REASON FOR RECOMMENDATIONS

- 3.1 To enable the Council's Internal Audit Service to become part of an existing RIASS that will reinforce business resilience, further enhance the range of audit expertise available to the Council and support the delivery of a more efficient service.

4. BACKGROUND INFORMATION

- 4.1 All local authorities in Wales have a legal duty to maintain appropriate and effective internal audit arrangements as set out in the Accounts and Audit (Wales) Regulations 2018 (and prior to this, the Accounts and Audit (Wales) Regulations 2014).
- 4.2 The Council has a consistent track record of meeting this legal duty through the delivery of annual internal audit plans; forming evidence based opinions on the standard of internal control across the Council; ensuring recommendations to improve the standard of internal control have been implemented; and supporting the Council's Audit Committee to deliver its Terms of Reference.
- 4.3 As Members will be aware, the Council has a proactive approach to exploring opportunities to develop and improve service provision, including collaborative working, where it is in the Authority's best interest to do so. In line with this approach, the Group Director, Corporate and Frontline Services (the Council's Section 151 officer) along with counterparts within Bridgend, Merthyr Tydfil and the Vale of Glamorgan Councils have undertaken a business case review to consider extending the RIASS currently in place for Bridgend and the Vale of Glamorgan Councils to include Rhondda Cynon Taf and Merthyr Tydfil County Borough Councils.
- 4.4 The current RIASS in place between Bridgend and the Vale of Glamorgan Councils has been fully operational under a formal partnership agreement since February 2013. During this time, both Councils report that:
- The RIASS has delivered consistently against the approved annual risk based plans and achieved the necessary coverage in order to issue a robust, evidence based audit opinion at the end of each year; and
 - Benefits have been realised by bringing the sections together, some of which included the effective use of the total audit resource, knowledge sharing and harmonising working practices and systems.

4.5 Following on, Management at both Councils indicate that the RIASS has and is achieving the following objectives:

- The service is affordable and is delivering efficiencies and economies of scale;
- The service enhances the professionalism and quality of audit services provided to both Councils through shared knowledge and best practice;
- The service is flexible and can respond to changing service requirements and priorities;
- The service can extend access to specialist audit services and other related disciplines to both Councils; and
- The service conforms with the Public Sector Internal Audit Standards, with no significant deviations noted.

4.6 The current arrangements set out above provide assurance that the internal audit functions in place for both Rhondda Cynon Taf and the RIASS are sound. Furthermore, based on the outcomes delivered by the RIASS to date, it is considered that there would be business benefits for Rhondda Cynon Taf if it were to become part of a regional service. This includes providing opportunities:

- To further improve the resilience of the service by creating a larger team of staff compared to the current set up of smaller separate teams across a number of local authorities;
- To develop in-house specialist audit skills not currently in place, such as contract and computer auditing, that will add value to key areas of the Council's business and provide development opportunities for team members;
- To further modernise the service by applying consistent working practices and optimising the use of information technology and agile working; and
- To take advantage of the economies of scale and in-house specialist audit skills to develop a more commercial approach whilst ensuring the Service's core business is maintained.

5. **AN EXPANDED REGIONAL INTERNAL AUDIT SHARED SERVICE – THE PROPOSED WAY FORWARD**

- 5.1 As set out in Section 4, there are clear business benefits for Rhondda Cynon Taf in joining the current RIASS. A proposed way forward is set out below.

Partnership Agreement

- 5.2.1 The existing RIASS Partnership Agreement should be up dated to reflect Rhondda Cynon Taf County Borough Council becoming a partner local authority based on Section 101 / 102 of the Local Government Act 1972 (that delegates the function and formalises the provision of services and basis for cost apportionment).
- 5.2.2 All partner local authorities will be required to 'sign-up' to the up dated Partnership Agreement for a period of no less than three years from the date of 'sign-up'.
- 5.2.3 The Vale of Glamorgan Council will be designated as the single employing authority and the Council's staff currently employed within its Internal Audit Service will be subject to TUPE (Transfer of Undertakings - Protection of Employment Regulations) and transferred to the Vale of Glamorgan Council.
- 5.2.4 Subject to Cabinet approval and consideration of appropriate implementation arrangements, it is envisaged that the new RIASS would become operational during this financial year, that is, 2018/19.

Governance Arrangements

- 5.3.1 Oversight of the RIASS will be in the form of a Joint Partnership Board and would comprise of Section 151 Officers (or their nominees) from each Council. The Board will monitor the performance of the Shared Service to ensure that it delivers the standards and expectations set out in the Partnership Agreement.
- 5.3.2 Whilst the Board will jointly oversee the performance of the Shared Service, the responsibility for the adequacy of the Council's whole system of internal audit will continue to remain with the Council and cover, amongst other things, being responsible for approving audit plans and monitoring delivery via Audit Committee. This will be fully compliant with the Terms of Reference for Audit Committee and ensure the requirements of the Accounts and Audit (Wales) Regulations 2018 and Public Sector Internal Audit Standards are met.

- 5.3.3 The Council will also continue to be responsible, via Audit Committee, for overseeing the effectiveness of the internal audit function, governance, risk management and control arrangements and holding the Head of Internal Audit to account for delivery of the approved Audit Plan. In addition, the existing arrangements in place to hold managers to account to implement recommendations made by Internal Audit will remain unchanged.

Annual Audit Planning

- 5.4.1 The annual Audit Plan for 2018/19, as agreed by Audit Committee on 30th April 2018, to be delivered and the draft 2019/20 Audit Plan compiled by the RIASS and reported to Audit Committee for consideration and if deemed appropriate, approval. Subject to an annual Audit Plan being approved for 2019/20, this being delivered by the RIASS.
- 5.4.2 As part of the annual audit planning process for 2019/20, the Head of the Regional Internal Audit Service will undertake an assessment of risk and 'audit need' across all partner local authorities to ensure audit coverage is appropriate and optimum use is made of available resources. This approach is in line with existing arrangements and will also take into account the new business benefits a RIASS will provide as set out in paragraph 4.6.

Staffing Arrangements

- 5.5.1 A key principle underpinning the proposal is that all existing employees will be transferred to the new RIASS on current grades and terms and conditions. As part of the transfer process, engagement with staff, Trade Unions and Human Resources would take place, in line with agreed arrangements.
- 5.5.2 Following the transfer process, a proposed staffing structure for a new RIASS would be consulted upon with staff and Trade Unions, with the proposed staffing structure having sufficient posts for all existing employees to be recruited into. As such there will be no requirement to consider compulsory redundancies.

Audit Committee

- 5.6.1 Subject to Cabinet's determination of the way forward, an up date would be provided to Audit Committee along with the requirement for Audit Committee to oversee implementation arrangements during 2018/19.

6. EQUALITY AND DIVERSITY IMPLICATIONS

- 6.1 In developing the proposal, an Equality Impact Assessment screening has been undertaken to ensure that:
- The Council meets the requirements of the Public Sector Equality Duties, and
 - Due regard has been taken of the likely impact of the decision in terms of equality and discrimination.

7. CONSULTATION

- 7.1 Should Cabinet approve the proposal, engagement with Trade Unions and staff would be undertaken as part of the Council's Internal Audit Service joining the RIASS.

8. FINANCIAL IMPLICATION(S)

- 8.1 In line with the review work undertaken, it is estimated that budget savings to the Council of approximately £25k would be delivered in the first full year of operation. Following the first year and subject to developing a more commercial emphasis, it is anticipated that additional income generation will reduce the net cost of the service to all partner local authorities.

9. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED

- 9.1 The proposal, should it be approved, requires that an up dated Partnership Agreement is put in place, in accordance with Section 101 / 102 of the Local Government Act 1972, to underpin the delivery of the RIASS.

10. LINKS TO THE CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT

- 10.1 The proposal is aligned to the Council's Corporate Plan cross cutting theme of 'living within our means' and supports the Well-being of Future Generations Act in the following ways:

- The well-being goal of ‘a prosperous Wales’ through the efficient use of resources and developing skills and employment opportunities; and
- The sustainable development principle of ‘collaboration’ through working with others to help achieve common objectives.

11. **CONCLUSION**

- 11.1 This report sets out a proposal for the Council’s Internal Audit Service to join an existing RIASS to create a more resilient and efficient service and enable better workforce development and broadening of staff expertise.
- 11.2 Should Cabinet approve the way forward, engagement with Trade Unions and staff would be undertaken as part of joining the RIASS, and support provided by the Council’s Legal Services to up date the Partnership Agreement to underpin the delivery of the RIASS.



LOCAL GOVERNMENT ACT 1972

AS AMENDED BY

THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

CABINET

21st June 2018

REPORT OF THE GROUP DIRECTOR, CORPORATE & FRONTLINE SERVICES IN DISCUSSION WITH THE CABINET MEMBER FOR CORPORATE SERVICES, CLLR M. NORRIS

Author(s): Chris Lee – Group Director, Corporate & Frontline Services (01443 424026)

ITEM: PROPOSAL TO INCORPORATE THE INTERNAL AUDIT SERVICE INTO AN EXISTING SHARED SERVICE HOSTED BY THE VALE OF GLAMORGAN COUNCIL

Background Papers

None.

Officer to contact: Chris Lee

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RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2018/19

<p>AUDIT COMMITTEE</p> <p>12th July 2018</p>	<p>AGENDA ITEM NO. 7</p>
<p>REPORT OF THE GROUP DIRECTOR, CORPORATE & FRONTLINE SERVICES</p>	<p>INTERNAL AUDIT PERFORMANCE 2018/19</p>

Author: Marc Crumbie (Head of Internal Audit & Procurement Development Programmes)

1. PURPOSE OF THE REPORT

- 1.1 This report provides the performance information in respect of the Internal Audit Service between 1st April 2018 and 30th June 2018.

2. RECOMMENDATIONS

It is recommended that Members:

- 2.1 Review the information contained within the report and identify whether there are any areas where specific issues are of concern.
- 2.2 Consider what comments and recommendations, if any, they wish to make.

3. REASONS FOR RECOMMENDATIONS

- 3.1 To help ensure that Audit Committee monitors the performance of the Council's Internal Audit Service, in accordance with its Terms of Reference.

4. BACKGROUND

- 4.1 The Audit Committee Terms of Reference (Point F) requires it *'To receive reports on the performance of the Internal Audit Service throughout the year particularly in relation to matters of financial probity and corporate governance'*.

- 4.2 In line with this requirement Appendix 1 sets out the Internal Audit Plan for 2018/19 and includes the status of each audit, the quarter in which the audit is/was planned to commence and incorporates the detailed performance information for each audit.
- 4.3 The Internal Audit Plan currently includes 79 individual audit assignments and, as at 30th June 2018, 13% of the Plan had been completed to report stage. The detailed breakdown of the status of each review is provided in **Appendix 1** and is summarised as follows:

Status	No. Of Audits
Final Reports Issued	2
Draft Reports Issued	8
Fieldwork Complete	5
Audits In Progress	8
Audits Not Yet Started ('Planned')	56
Total:	79

- 4.4 **Appendix 2** provides a summary of the status of all recommendations made by the Internal Audit Service, grouped under the relevant service of the Council. A verbal update in respect of the status of the outstanding recommendations shown in Appendix 2 will be provided at the meeting.

5. EQUALITY AND DIVERSITY IMPLICATIONS

There are no equality and diversity implications as a result of the recommendations set out in the report.

6. CONSULTATION

There are no consultation implications as a result of the recommendations set out in the report.

7. FINANCIAL IMPLICATION(S)

There are no financial implications as a result of the recommendations set out in the report.

8. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED

- 8.1 The provision of regular information in respect of the Council's Internal Audit Service supports the Council in demonstrating compliance with the Accounts and Audit (Wales) (Amendment) Regulations 2018.

8.2 Regulation 7 (Internal Audit) of Part 3 directs that: “A *relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.*”

9. **LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT.**

THE COUNCIL’S CORPORATE PLAN PRIORITIES

9.1 The work of Internal Audit aims to support the delivery of the priorities contained within the Council’s Corporate Plan – *The Way Ahead*, in particular ‘Living Within Our Means’ through ensuring that appropriate internal controls are in place to effectively manage resources.

WELL-BEING OF FUTURE GENERATIONS ACT

9.2 The Sustainable Development Principles, in particular Prevention, can be applied to the systematic reviews undertaken in order to provide assurance that risks to the achievement of objectives are being managed.

10. **CONCLUSION**

10.1 Monitoring the performance of Internal Audit is a key responsibility for Audit Committee. This report provides Audit Committee with detailed information with which the performance of the Service can be reviewed and scrutinised.

Other Information:-

Relevant Scrutiny Committee
Not applicable.

Contact Officer – Marc Crumbie

LOCAL GOVERNMENT ACT 1972

AS AMENDED BY

THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

AUDIT COMMITTEE

12th July 2018

INTERNAL AUDIT PERFORMANCE 2018/19

REPORT OF THE GROUP DIRECTOR, CORPORATE & FRONTLINE SERVICES

Author: Marc Crumbie (Head of Internal Audit & Procurement Development Programmes)

Item: 7

Background Papers

None.

Officer to contact: Marc Crumbie

Appendix 1 - Monitoring the Internal Audit Plan 2018/19

	PRIORITY	PLANNED QTR	STATUS	Start Fieldwork	Finish Fieldwork	Draft Report Issued	Days between ending fieldwork & issuing draft report	Management Responses	Timeliness of Management Response	Final Report	Timeliness of issuing final report
CHIEF EXECUTIVE											
HUMAN RESOURCES											
RECRUITMENT - PRE EMPLOYMENT CHECKS	High	QTR 2	Planned				0		0		0
SICKNESS ABSENCE MANAGEMENT - SCHOOLS	High	QTR 3	Planned				0		0		0
LEGAL AND DEMOCRATIC SERVICES											
CASE MANAGEMENT	Medium	QTR 3	Planned				0		0		0
REGENERATION & PLANNING											
HOUSING GRANTS	High	QTR 2	Planned				0		0		0
COMMUNITY INFRASTRUCTURE LEVY	High	QTR 2	Planned				0		0		0
HOMELESSNESS GRANT	High	QTR 1	In Progress	04/06/2018			0		0		0
COMMUNITY & CHILDREN'S SERVICES											
CHILDREN'S SERVICES											
16+ PAYMENTS	Medium	QTR 1	In Progress	15/06/2018			0		0		0

	PRIORITY	PLANNED QTR	STATUS	Start Fieldwork	Finish Fieldwork	Draft Report Issued	Days between ending fieldwork & issuing draft report	Management Responses	Timeliness of Management Response	Final Report	Timeliness of issuing final report
CONTACT SERVICE	Medium	QTR 2	Planned				0		0		0
ADOPTION SUPPORT PAYMENTS	High	QTR 1	Draft Report	04/12/2017	22/06/2018	29/06/2018	7		0		0
YOUTH OFFENDING SERVICE	Medium	QTR 3	Planned				0		0		0
CONTRACT MANAGEMENT - PLACEMENTS	High	QTR 4	Planned				0		0		0
ADULT SERVICES											
DIRECT PAYMENTS	High	QTR 1	Fieldwork Complete				0		0		0
THE REVIEW TEAM	Medium	QTR 4	Planned				0		0		0
THE PANEL PROCESS	High	QTR 2	In Progress	26/04/2018			0		0		0
SUPPORTED LIVING	High	QTR 2	Planned				0		0		0
PUBLIC HEALTH, PROTECTION & COMMUNITY SERVICES											
REGISTRATION SERVICES	Low	QTR 3	Planned				0		0		0
LLWYDCOED CREMATORIUM	Low	QTR 2	Planned				0		0		0
BEREAVEMENT SERVICES SELF ASSESSMENT REPORT	Low	QTR 2	Planned				0		0		0

	PRIORITY	PLANNED QTR	STATUS	Start Fieldwork	Finish Fieldwork	Draft Report Issued	Days between ending fieldwork & issuing draft report	Management Responses	Timeliness of Management Response	Final Report	Timeliness of issuing final report
ENGAGEMENT, INTERVENTION & PREVENTION	High	QTR 2	Planned				0		0		0
BROKER SERVICE	High	QTR 2	Planned				0		0		0
CORPORATE & FRONTLINE SERVICES											
IT											
DISASTER RECOVERY - FOLLOW UP	High	QTR 2	Planned				0		0		0
CORPORATE ESTATES & PROCUREMENT											
LEGIONELLA MANAGEMENT	High	QTR 1	In Progress	09/05/2018			0		0		0
21 ST CENTURY SCHOOLS - CAPITAL PROJECT	High	QTR 3	Planned				0		0		0
ENERGY MANAGEMENT	High	QTR 2	Planned				0		0		0
FINANCIAL SERVICES											
GENERAL LEDGER	High	QTR 3	Planned				0		0		0
TAXATION	High	QTR 3	Planned				0		0		0
ADMINISTRATION OF TRUST FUNDS	Low	QTR 3	Planned				0		0		0

	PRIORITY	PLANNED QTR	STATUS	Start Fieldwork	Finish Fieldwork	Draft Report Issued	Days between ending fieldwork & issuing draft report	Management Responses	Timeliness of Management Response	Final Report	Timeliness of issuing final report
TREASURY MANAGEMENT	High	QTR 3	Planned				0		0		0
CREDITORS IR35	High	QTR 1	Final Report	16/02/2018	30/03/2018	16/05/2018	47	22/06/2018	37	29/06/2018	7
PENSIONS	High	QTR 1	In Progress	14/05/2018			0		0		0
INCOME, DEBTORS & DEBT RECOVERY	High	QTR 1	Draft Report	15/03/2018	31/05/2018	29/06/2018	29		0		0
HIGHWAYS & STREETCARE											
WASTE SERVICES	High	QTR 4	Planned				0		0		0
HIGHWAYS - CAPITAL PROGRAMME	High	QTR 2	Planned				0		0		0
EDUCATION & LIFELONG LEARNING											
MIDDLE SCHOOLS											
YSGOL LLANHARI FOLLOW UP	High	QTR 3	Planned				0		0		0
SECONDARY SCHOOLS											
MOUNTAIN ASH COMPREHENSIVE SCHOOL	High	QTR 1	In Progress	02/07/2018			0		0		0
TREORCHY COMPREHENSIVE SCHOOL	High	QTR 1	Fieldwork Complete	11/06/2018	15/06/2018		0		0		0

	PRIORITY	PLANNED QTR	STATUS	Start Fieldwork	Finish Fieldwork	Draft Report Issued	Days between ending fieldwork & issuing draft report	Management Responses	Timeliness of Management Response	Final Report	Timeliness of issuing final report
Y PANT FOLLOW UP	High	QTR 1	Draft Report	05/03/2018	26/03/2018	11/05/2018	46		0		0
ABERDARE COMMUNITY SCHOOL	High	QTR 3	Planned				0		0		0
YSGOL GYFUN GARTH OLWG FOLLOW UP	High	QTR 1	Final Report	27/03/2018	11/04/2018	23/04/2018	12	30/04/2018	7	15/05/2018	15
HAWTHORN HIGH SCHOOL FOLLOW UP	High	QTR 1	Draft Report	26/02/2018	20/03/2018	06/06/2018	78		0		0
YSGOL GYFUN CWM RHONDDA	High	QTR 1	In Progress	25/06/2018			0		0		0
TONYPANDY COMMUNITY COLLEGE	High	QTR 3	Planned				0		0		0
PRIMARY SCHOOLS											
CWMBACH COMMUNITY PRIMARY SCHOOL	Medium	QTR 1	Draft Report	07/06/2018	21/06/2018	27/06/2018	6		0		0
CAEGARW PRIMARY SCHOOL	Medium	QTR 1	Planned	05/07/2018			0		0		0
CAPCOCH PRIMARY SCHOOL	Medium	QTR 1	Planned				0		0		0
CARADOG PRIMARY SCHOOL	Medium	QTR 1	Draft Report	07/06/2018	08/06/2018	29/06/2018	21		0		0
CWMDAR PRIMARY SCHOOL	Medium	QTR 1	Planned	03/07/2018			0		0		0

	PRIORITY	PLANNED QTR	STATUS	Start Fieldwork	Finish Fieldwork	Draft Report Issued	Days between ending fieldwork & issuing draft report	Management Responses	Timeliness of Management Response	Final Report	Timeliness of issuing final report
CWMLAI PRIMARY SCHOOL	Medium	QTR 1	Planned				0		0		0
DARRENLAS PRIMARY SCHOOL	Medium	QTR 1	Planned				0		0		0
GELLI PRIMARY SCHOOL	Medium	QTR 1	Planned				0		0		0
HAWTHORN PRIMARY SCHOOL	Medium	QTR 1	Fieldwork Complete	12/06/2018	14/06/2018		0		0		0
HIRWAUN PRIMARY SCHOOL	Medium	QTR 1	Fieldwork Complete	20/06/2018	21/06/2018		0		0		0
LLWYNCRWN PRIMARY SCHOOL	Medium	QTR 2	Planned				0		0		0
MISKIN PRIMARY SCHOOL	Medium	QTR 2	Planned				0		0		0
PARC PRIMARY SCHOOL	Medium	QTR 2	Planned				0		0		0
PARCLEWIS PRIMARY SCHOOL	Medium	QTR 2	Planned				0		0		0
PRIMARY SCHOOL SELF ASSESSMENT REPORT 17/18	Medium	QTR 1	Fieldwork Complete	10/04/2018	11/04/2018		0		0		0
YGG LLWYNCELYN	Medium	QTR 2	Planned				0		0		0
GLYNHAFOD JUNIOR	Medium	QTR 1	Planned				0		0		0

	PRIORITY	PLANNED QTR	STATUS	Start Fieldwork	Finish Fieldwork	Draft Report Issued	Days between ending fieldwork & issuing draft report	Management Responses	Timeliness of Management Response	Final Report	Timeliness of issuing final report
PRIMARY SCHOOL SELF ASSESSMENT REPORT 18/19	Medium	QTR 4	Planned				0		0		0
SCHOOLS & COMMUNITY											
DCELLS 2017/18	High	QTR 1	Draft Report	06/11/2017	04/05/2018	21/05/2018	17		0		0
DCELLS 2018/19	High	QTR 3	Planned				0		0		0
POST 16 GRANT	High	QTR 4	Planned				0		0		0
EARLY YEARS PROVISION	High	QTR 1	Planned				0		0		0
EDUCATION IMPROVEMENT GRANT	High	QTR 3	Planned				0		0		0
ACCESS & ENGAGEMENT & INCLUSION											
IN YEAR TRANSFER PROTOCOLS	High	QTR 2	In Progress	29/05/2018			0		0		0
THEMATIC REVIEWS - COMPREHENSIVE SCHOOLS											
SCHOOL PRIVATE FUNDS	High	QTR 3	Planned				0		0		0
PURCHASE CARDS	High	QTR 3	Planned				0		0		0
SAFEGUARDING ARRANGEMENTS	High	QTR 3	Planned				0		0		0

	PRIORITY	PLANNED QTR	STATUS	Start Fieldwork	Finish Fieldwork	Draft Report Issued	Days between ending fieldwork & issuing draft report	Management Responses	Timeliness of Management Response	Final Report	Timeliness of issuing final report
GOVERNANCE ARRANGEMENTS	High	QTR 3	Planned				0		0		0
WHOLE AUTHORITY ARRANGEMENTS											
WHOLE AUTHORITY ARRANGEMENTS											
PERFORMANCE INDICATORS	High	QTR 1	Planned				0		0		0
OPERATIONAL RISK MANAGEMENT	High	QTR 2	Planned				0		0		0
ORGANISED CRIME REVIEW	High	QTR 1	Draft Report	13/12/2017	11/06/2018	29/06/2018	18		0		0
DIGITALISATION	High	QTR 3	Planned				0		0		0
COMMERCIALISATION	High	QTR 2	Planned				0		0		0
INDEPENDENCE	High	QTR 2	Planned				0		0		0
EARLY INTERVENTION & PREVENTION	High	QTR 3	Planned				0		0		0
EFFICIENT & EFFECTIVE ORGANISATION	High	QTR 3	Planned				0		0		0
ANTI-FRAUD, BRIBERY & CORRUPTION	High	QTR 3	Planned				0		0		0

Appendix 2 - The Status of Recommendations

CHIEF EXECUTIVE

Number of HIGH Recs	STATUS		
11	Implemented	Overdue / Outstanding	Target Date in the Future
	11	0	0
Number of MEDIUM Recs	STATUS		
67	Implemented	Overdue / Outstanding	Target Date in the Future
	60	0	7
Number of LOW Recs	STATUS		
48	Implemented	Overdue / Outstanding	Target Date in the Future
	48	0	0

COMMUNITY & CHILDREN'S SERVICES

Number of HIGH Recs	STATUS		
20	Implemented	Overdue / Outstanding	Target Date in the Future
	20	0	0
Number of MEDIUM Recs	STATUS		
135	Implemented	Overdue / Outstanding	Target Date in the Future
	132	3	0
Number of LOW Recs	STATUS		
87	Implemented	Overdue / Outstanding	Target Date in the Future
	87	0	0

CORPORATE & FRONTLINE SERVICES

Number of HIGH Recs	STATUS		
29	Implemented	Overdue / Outstanding	Target Date in the Future
	26	0	3
Number of MEDIUM Recs	STATUS		
89	Implemented	Overdue /	Target Date in the

		Outstanding	Future
	87	0	2
Number of LOW Recs	STATUS		
41	Implemented	Overdue / Outstanding	Target Date in the Future
	41	0	0

EDUCATION & LIFELONG LEARNING

Number of HIGH Recs	STATUS		
243	Implemented	Overdue / Outstanding	Target Date in the Future
	239	1	3
Number of MEDIUM Recs	STATUS		
693	Implemented	Overdue / Outstanding	Target Date in the Future
	676	1	16
Number of LOW Recs	STATUS		
557	Implemented	Overdue / Outstanding	Target Date in the Future
	548	0	9

WHOLE AUTHORITY ARRANGEMENTS

Number of HIGH Recs	STATUS		
6	Implemented	Overdue / Outstanding	Target Date in the Future
	4	0	2
Number of MEDIUM Recs	STATUS		
9	Implemented	Overdue / Outstanding	Target Date in the Future
	8	0	1
Number of LOW Recs	STATUS		
0	Implemented	Overdue / Outstanding	Target Date in the Future
	0	0	0

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2018/19

<p>AUDIT COMMITTEE</p> <p>12th JULY 2018</p>	<p>AGENDA ITEM NO. 8</p>
<p>REPORT OF THE GROUP DIRECTOR, CORPORATE & FRONTLINE SERVICES</p>	<p>FINALISED AUDIT ASSIGNMENTS</p>

Author: Marc Crumbie (Head of Internal Audit & Procurement Development Programmes)

1. PURPOSE OF THE REPORT

- 1.1 This report provides Members with a summary of audit assignments completed between 18th April 2018 and 30th June 2018.

2. RECOMMENDATIONS

It is recommended that Members:

- 2.1 Seek clarity and explanation where there are areas of concern.
- 2.2 Identify further action to be taken where deemed necessary.

3. REASONS FOR RECOMMENDATIONS

- 3.1 To help ensure that Audit Committee discharges its responsibilities in respect of reviewing and forming an opinion on the overall control environment in place across the Council.

4. BACKGROUND

- 4.1 The Audit Committee Terms of Reference (Point D) requires it to '*Review, scrutinise and issue reports and recommendations in relation to the Authority's financial affairs, and providing the opportunity for direct discussion with the auditor(s) on these*'.

- 4.2 In line with this requirement Appendix 1 provides a summary of the audit assignments completed between 18th April 2018 and 30th June 2018. Members will note that the summary provides for each assignment: the Introduction, Scope & Objectives, Auditor’s stated opinion along with a summary of all recommendations made for each audit review completed to final report stage within the stated period.
- 4.3 To help ensure Audit Committee effectively discharges the responsibility as set out in its Terms of Reference (and replicated at point 4.1 above), Members may wish to consider the principles noted below in addition to their own lines of enquiry:
- Is the overall conclusion made by Internal Audit for each audit assignment reasonable / backed up by the findings reported?
 - Are the recommendations made by Internal Audit likely to support the necessary improvement in internal control?
- 4.4 Members will note that 13 audit assignments have been finalised in the period and are set out in Table 1 below. Members will also note that the update incorporates finalised assignments from the 2017/18 audit plan

Table 1 – finalised audit assignments

	<u>Overall Conclusion</u>
EDUCATION & LIFELONG LEARNING	
TY GWYN (FOLLOW UP)	Effective, with opportunity for improvement
GWAUNCELYN PRIMARY SCHOOL	Effective, with opportunity for improvement
PENPYCH COMMUNITY PRIMARY (FOLLOW UP)	Effective, with opportunity for improvement
PONTYPRIDD HIGH SCHOOL (FOLLOW-UP)	Effective, with opportunity for improvement
PORTH COMMUNITY SCHOOL (FOLLOW-UP)	Effective, with opportunity for improvement
TYLORSTOWN PRIMARY SCHOOL	Effective, with opportunity for improvement
YG RHYDYWAUN	Effective, with opportunity for improvement
YSGOL GYFUN GARTH OLWG (FOLLOW UP)	Effective, with opportunity for improvement
CHIEF EXECUTIVE	
WELSH CHURCH ACT FUND	Effective, with opportunity for improvement
COMMUNITY & CHILDREN'S SERVICES	
SINGLE POINT OF ACCESS	Effective, with opportunity for improvement
CORPORATE & FRONTLINE SERVICES	

TAXATION	Effective, with opportunity for improvement
CREDITORS IR35	Effective, with opportunity for improvement
WHOLE AUTHORITY ARRANGEMENTS	
PERFORMANCE INDICATORS	Effective, with opportunity for improvement

5. EQUALITY AND DIVERSITY IMPLICATIONS

There are no equality and diversity implications as a result of the recommendations set out in the report.

6. CONSULTATION

There are no consultation implications as a result of the recommendations set out in the report.

7. FINANCIAL IMPLICATION(S)

There are no financial implications as a result of the recommendations set out in the report.

8. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED

8.1 The provision of regular information in respect of the Council's Internal Audit Service supports the Council in demonstrating compliance with the Accounts and Audit (Wales) (Amendment) Regulations 2018.

8.2 Regulation 7 (Internal Audit) of Part 3 directs that: "*A relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.*"

9. LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT.

THE COUNCIL'S CORPORATE PLAN PRIORITIES

9.1 The work of Internal Audit aims to support the delivery of the priorities contained within the Council's Corporate Plan – *The Way Ahead*, in particular 'Living Within Our Means' through ensuring that appropriate internal controls are in place to effectively manage resources.

WELL-BEING OF FUTURE GENERATIONS ACT

9.2 The Sustainable Development Principles, in particular Prevention, can be applied to the systematic reviews undertaken in order to provide assurance that risks to the achievement of objectives are being managed.

10. CONCLUSION

- 10.1 The regular provision of all summarised audit assignments to Audit Committee throughout the year is aimed at assisting Members in evaluating the effectiveness of Internal Audit work across all Council systems and services.
- 10.2 In doing so, it enables Members to form an opinion on the overall control environment of the Council at the end of the financial year.

Other Information:-

Relevant Scrutiny Committee
Not applicable.

Contact Officer – Marc Crumbie



LOCAL GOVERNMENT ACT 1972

AS AMENDED BY

THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

AUDIT COMMITTEE

12th July 2018

FINALISED AUDIT ASSIGNMENTS

REPORT OF THE GROUP DIRECTOR, CORPORATE & FRONTLINE SERVICES

Author: Marc Crumbie (Head of Internal Audit & Procurement Development Programmes)

Item: 8

Background Papers

None.

Officer to contact: Marc Crumbie

EDUCATION & LIFELONG LEARNING**AUDIT NAME: TY GWYN FOLLOW UP****DATE FINAL REPORT WAS ISSUED: 14/05/2018****INTRODUCTION**

Ty Gwyn Education Centre was last subject to a routine Internal Audit in January 2017. The overall control environment at this time was considered to be 'insufficient and requires improvement'.

Following the presentation of the final report to Audit Committee, a follow-up review was requested, to ascertain whether recommendations made at the time have been successfully implemented.

- This follow-up audit provides the outcome of the review requested by Audit Committee.
- The Executive Headteacher has confirmed that this report will be presented to the Management Committee by 20th July 2018.

SCOPE & OBJECTIVES

Having given sufficient time for Management to implement the previous recommendations, the objective of this review was to:

- Establish the status of all recommendations raised within the previous report.

AUDIT OPINION

This follow up review now concludes that the overall control environment in relation to the centre's financial and governance arrangements is considered to be effective with opportunity for improvement.

Safeguarding

The Child Protection and Staff Disciplinary Policies held by the Centre have now been reviewed and presented to the Management Committee in July 2017. Restrictive Physical Interventions are used at the Centre and the use of reasonable force to control or restrain pupils must be recorded on the incident record sheet, with a copy of the sheet sent to the Behaviour Support Service within one week. It was found during this review that while a record is maintained at the Centre, 2 of the 7 incident form returns had not being submitted to the Behaviour Support Service within agreed timescales, with a further 3 being submitted on the day of the deadline.

The Centre uses the Evolve system to record details of residential / adventurous trips. The 'Planning and Approval Procedures for Educational Visits' states that residential visits / adventure activities must be 'planned and approved using the Evolve system at least 28 days before visit'. Staff should be reminded of the need to ensure that all trips/activities are entered within the correct timescales as this had not been done for any of the 5 trips examined during the review in respect of adventurous activities.

Purchasing

The Centre now has a Financial Procedures document in place. A review of the Order Book identified that orders are still only raised in the manual order book on an ad-hoc basis, with varying levels of detail completed on the orders.

Purchase Cards

There is one purchase card in use at the School. The card is used frequently and receipts/invoices were present for each transaction examined during the sample period. Whilst the transaction log is now completed as and when purchases are made, there is still no evidence of an independent review of purchases made.

A card sharing log is now in place to record details of when the card is used by other members of staff.

All recommendations raised within the previous audit report relating to School Meals, Collections & Deposits and Data Security & Inventory have been confirmed as implemented.

The implementation of the recommendations made within this report will enable the Executive Headteacher to further enhance the standard of administration at the School.

SUMMARY OF RECOMMENDATIONS:

REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.1.1 Medium	<p>Section 5.1 of the Restrictive Physical Intervention Policy (dated June 2012) states: - <i>'The use of reasonable force to control or restrain pupils must be recorded in writing using the record sheet (Appendix 3) within 24 hours. The number of the incident in the bound book should be recorded on the incident record sheet and a copy of the sheet should be sent to the Behaviour Support Service within one week'.</i></p> <p>Discussions with the Executive Headteacher identified that this was now in place.</p> <p>There have been 7 physical interventions since September 2017. However, Behaviour Support staff confirmed that whilst they had received notifications of the 7 incidents, 2 of these had been reported late, with 3 received the day of the deadline. For the remaining 2, the correct procedure was followed.</p>	Management at Ty Gwyn should ensure that where restrictive physical interventions occur, the incident records are forwarded to the Behaviour Support Service in accordance with the Policy.	Implemented
5.1.2	The 'Planning and Approval Procedures for Educational Visits' states that residential visits / adventure activities must be 'planned and	Management should ensure that all trips / activities are entered onto EVOLVE within	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
Medium	<p>approved using the Evolve system at least 28 days before visit'.</p> <p>A large number of adventurous / residential trips are run each year by the Centre. The following issues were found for a sample of 5 trips examined: -</p> <ul style="list-style-type: none"> • South Wales Karting Centre <ul style="list-style-type: none"> ○ Date of Trip - 27/10/2017 ○ Date EVC Authorised - 27/10/17 • Energi Trampoline Park <ul style="list-style-type: none"> ○ Date of Trip - 19/1/2018 ○ Date EVC Authorised - 18/1/2018 • Merthyr Fire Station <ul style="list-style-type: none"> ○ Date of Trip - 28/6/2017 ○ Date EVC Authorised - 3/7/2017 • Jump Jam Trampoline Park <ul style="list-style-type: none"> ○ Date of Trip - 19/5/2017 ○ Date EVC Authorised - 19/5/2017 • Task Force Paintballing <ul style="list-style-type: none"> ○ Date of Trip - 9/2/2018 ○ Date EVC Authorised - 9/2/2018 <p>None of these trips had been authorised in the correct manner.</p>	<p>the correct timescales and are correctly classified in order for the Outdoor Education Advisor to give the necessary assurance that the provider and trip arrangements are appropriate.</p> <p>All other trips on the system (i.e. not adventurous or residential etc) should be evidently authorised by the EVC in advance of the trip taking place.</p>	
5.2.1 Medium	<p>Examination of the official order book established that it is not completed for all purchase orders made, and when it is completed, details of what was ordered, the date ordered etc., are not always completed.</p>	<p>Where possible the School should use the Purchase Card for the purchase of goods and payment of services.</p> <p>On the occasions that it is not possible to use the Purchase Card, and where a prior request is made for goods / services is made,</p>	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
		<p>an official order should be raised in the first instance. If an order was placed via telephone, an order should be raised as soon as possible thereafter. Full details of the order should be recorded in the order book.</p> <p>Once the goods / services are received, the delivery note should be checked against the original to order to ensure that the goods received agree to what was originally ordered. The order and delivery note should demonstrate evidence of this check (e.g. items ticked) and the delivery note should be signed and dated by the person undertaking this check.</p>	
5.3.1 Medium	Examination of the Purchase Card Transaction Logs established that there was no evidence available to suggest an independent check of purchase card transactions is undertaken.	A senior member of staff should regularly review and authorise all purchase card transactions to ensure they are appropriate to the school.	Implemented

AUDIT NAME: GWAUNCELYN PRIMARY SCHOOL

DATE FINAL REPORT WAS ISSUED: 02/05/2018

INTRODUCTION

The self-evaluation process is designed to evaluate the effectiveness of a school's financial and governance arrangements. The process requires primary schools to complete a self-evaluation checklist against expected controls.

Gwauncelyn Primary School was last subject to an Internal Audit Review in April 2014 and this is the third cyclical visit made to the School, to examine progress made under the self evaluation process.

The Headteacher has confirmed that this report was presented to the 25th June 2018 Governing Body meeting.

SCOPE & OBJECTIVES

The checklist for non-chequebook primary schools comprises of 101 standards that need to be reviewed. Audit testing was carried out on a sample of standards applicable to the School, using transactions processed during financial years 2016/17 and 2017/18.

The objectives of the review were:

- To review the governance arrangements at School.
- To ensure compliance with Section 175 of the Education Act 2002, this requires Governing Bodies to have arrangements for exercising their functions with a view to safeguarding.
- To ensure that the School Private Fund is appropriately administered in accordance with the requirements of the 2016 School Private Fund Regulations.
- To ensure that the Purchase Card is being used in accordance with the guidance and procedures issued by the Procurement Service.
- To ensure that all school meals income is identified, received and collected in accordance with Council Policy, arrears regularly reported and followed up and free meals only provided where entitlement has been confirmed by the Council.
- To ensure that all orders raised by the School are appropriate and reflected in the budget, are correctly authorised and comply with Financial Regulations.
- To ensure that all Formula Funding allocations are based on up to date and correct numbers of registered pupils, and an audit trail is maintained to ensure accountability and transparency of the numbers submitted.
- To ensure that the opportunities for unauthorised use of the school's I.T equipment are restricted, that hardware and software is adequately protected and that the School and Governing Body are appropriately registered under the Data Protection Act 1998.

AUDIT OPINION

Overall, the control environment in respect of the School's financial and governance arrangements is considered to be effective with opportunity for improvement.

Safeguarding and Educational Visits

The School has a Safeguarding and Child Protection Policy which is reviewed annually. Testing identified that all staff received the appropriate clearances before commencing duties in their posts.

Details of Child Protection training undertaken by staff is maintained on a training record held at the School; however a review of this record revealed that 12 members of staff have not received the most recent training (as at the time of the fieldwork for this audit). This report recommends that the 12 members of staff receive safeguarding and child protection training as soon as possible.

This report also recommends that where staff, permanent or casual, commence / terminate employment with the School, the School's DBS list be updated to reflect this.

Although the School make use of the EVOLVE system to record details of off-site visits, care should be taken to ensure that in accordance with the document 'Planning and Approval Procedures for Educational visits', residential trips are entered onto the EVOLVE system within the 28 day timescale.

Governance

The roles and responsibilities of the Governing Body and its sub-committees have been set out in writing and membership is reviewed and agreed annually. All Governing Body minutes examined were appropriately signed by the Chair of Governors; however sub-committee meeting attendance sheets are currently not held at the School. This report recommends that attendance sheets for all sub-committee meetings not clerked by Governor Support be retained at School.

While a Register of Business Interests is in place at the School and updated annually, no declaration was present for 3 current Governors.

There are 3 Governor vacancies at present; this report recommends that every effort is made to fill the vacancies as soon as possible.

Whilst all statutory policies were in place, some had not been endorsed by the Governing Body. This report recommends that when policies and documents are reviewed, they should be presented to the Governing Body with the minutes recording the decision made.

School Private Fund

An appropriate Management Committee has been established and the Annual Certificate and Audited Accounts were submitted to Education Finance by the required date. Notwithstanding this, a copy of the Auditor's certificate could not be located at the School and neither was there evidence within the Governing Body minutes that the audited accounts for the academic year ending 31st August 2017 had been provided to Governors for information.

At the time of the audit review, the Private Fund ledger was not up to date. It was established that the Ledger is in an electronic format and is typically updated monthly rather than following each transaction. It was also established that the Ledger is not routinely printed off and retained with the bank statements following the monthly bank reconciliation exercise. This report recommends that the fund ledger is updated with details of all income and expenditure transactions on a timely basis, the ledger be printed off following each monthly bank reconciliation exercise and records be signed and dated by the member of staff undertaking the exercise.

This report also recommends that the debit card (linked to the private fund bank account) which has been issued to the School is destroyed as only cheque payments are currently permitted.

Purchase Card

There is a sufficient audit trail in respect of evidence being available that supports the expenditure; however, audit testing identified that the transaction log had not been updated with recent items of expenditure. This report recommends that the transaction log be updated following each purchase made. In

addition, although a log is maintained each time the Purchase Card is shared with other members of staff, it is not being maintained in the recommended format. This report recommends that the card sharing log be amended to include the times the card is taken and returned.

Collections & Deposits

Dinner money is updated to SIMS and banked regularly, and the School manage their arrears in line with the Catering Finance School Meal Protocol. Testing identified that free school meals are only provided to those for whom eligibility has been confirmed and retained.

Equipment & Data Security

The School is registered with the Information Commissioner and a valid copy of the registration is held at the school. Information held on the system is backed up daily and confidential data is kept securely.

Implementing the recommendations contained in the report will further enhance the current levels of control.

SUMMARY OF RECOMMENDATIONS:

REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.1.1 Low	The membership of Governing Bodies is set out in chapter 3 of The Government of Maintained Schools (Wales) Regulations 2005. There is currently 1 LEA Governor vacancy, 1 Community Governor vacancy and 1 Parent Governor vacancy.	The School should endeavour to fill the Governor vacancies as soon as possible.	Implemented
5.1.2 Low	Governor attendance sheets for Governing Body Sub-Committee meetings were not evidenced during the Audit fieldwork.	Attendance sheets for all Governing Body sub-committee meetings must be retained at School and held in a manner that makes them accessible.	Implemented
5.1.3 Medium	Section 2.9 of the Scheme for Financing Schools states that: <i>'Governing bodies are required to establish a register of business interests...which lists for each member of the governing body and the Head Teacher any business interests they or any member of their immediate family have. The register must be kept up-to-date by notification of changes from governors and the Head Teacher, and through an annual review process'</i> . Although a register has been established, no declaration was present	A declaration should be completed in respect of the three Governors identified.	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	<p>for three Governors.</p> <p>NB. It is accepted that 2 of the 3 Governors are new to the Governing Body.</p>		
5.1.4 Medium	<p>All statutory policies are in place at the School.</p> <p>Whilst some policies were endorsed with the date of the last review, some were not and some had not been endorsed by the Governing Body.</p> <ul style="list-style-type: none"> • Curriculum Policy • Data Protection Policy • Equality Policy • Health & Safety Policy <p>It was also noted that one statutory policy, which should be subject to an annual review, had not been reviewed:</p> <ul style="list-style-type: none"> • Pay Policy 	<p>Statutory policies and documents should be reviewed in line with the Governors Wales requirements.</p> <p>When policies and documents are reviewed and ratified by the Governing Body, it should be ensured that they are clearly detailed in the minutes.</p> <p>For those policies that do not require annual review, it is good practice to review them on a rolling programme every 3 years to ensure they are still relevant.</p>	Implemented
5.2.1 High	<p>Section 2.21 of Keeping Learners Safe: The role of local authorities, governing bodies and proprietors of independent schools under the Education Act 2002 (WAG circular 158/2015) states that:</p> <p><i>'Governing Bodies should ensure that all staff and volunteers who work with children undertake appropriate training to equip them with the knowledge and skills that are necessary to carry out their responsibilities for child protection effectively, which is kept up to date by refresher training.'</i></p> <p>An update on safeguarding was provided to school staff on 15th March</p>	<p>As a minimum, Level 1 safeguarding training should be arranged for the 12 members of staff as soon as possible.</p>	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	<p>2017. Whilst there is a certificate held at School to demonstrate that the staff at Gwauncelyn Primary School undertook Level 1 Safeguarding, a cross-reference exercise between the attendance sheet for that training and the School staff list identified 8 members of staff who were not present for the training.</p> <p>It has also been established that 4 new members of staff commenced employment at the School on 1st September 2017.</p>		
5.2.2 Low	<p>The school staff list detailing staff DBS reference numbers was compared to the current list of staff employed at the school as provided by VISION support.</p> <p>One member of staff was present on the School's list but is no longer employed at the School.</p> <p>There are also three members of current staff who are not included on the School list.</p>	<p>The School should ensure that where staff, permanent or casual, commence / terminate employment with the school, the school list is updated to reflect this.</p> <p>The appropriate amendments should be made in respect of the four members of staff identified.</p>	Implemented
5.2.3 Medium	<p>All trips are being manually risk assessed by the trip organiser, entered on to EVOLVE and subsequently authorised by the Headteacher.</p> <p>5 trips were selected for review and it was confirmed that none of these trips had been entered onto Evolve within the designated 28 day timescale and therefore authorised in the correct manner.</p>	<p>Care should be taken to ensure that all trips / activities are entered onto EVOLVE within the correct timescales and are correctly classified in order for the Outdoor Education Advisor to give the necessary assurance that the provider and trip arrangements are appropriate.</p>	Implemented
5.3.1 Medium	<p>Section 2.3 of the School Private Fund Regulations states that: <i>'The Headteacher must ensure that the Annual Certificate and Summary of Accounts is presented to the Governing Body as soon as possible after the end of the school year...the submission of the Annual</i></p>	<p>Care should be taken to ensure that the Statement of Accounts and Annual Certificate are prepared and presented to the Governing Body as soon as possible after the end of the academic year, and that a copy of the</p>	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	<p><i>Certificate and the Summary of Accounts must be sent to the Education Finance Team in Bronwydd House by the 31st December.'</i></p> <p>For the academic year ending 31.8.17, the fund Auditors certificate could not be located with the School Private Fund records. There is also no evidence within the Governing Body minutes that the School Private Fund Accounts for that academic year had been presented to the Governing Body.</p> <p>NB. It is accepted that the Auditors certificate and summary of accounts were provided to Education Finance within the correct timescales.</p>	documentation submitted to Education Finance is retained at the School for reference.	
5.3.2 Medium	<p>The School Private Fund Ledger is maintained on an Excel spreadsheet.</p> <p>At the time of audit testing, the School Private Fund Ledger for the current academic year had not been started, even though 2 cheques had been drawn and 2 deposits had been made with the bank.</p> <p>The School Clerk stated that the ledger is typically updated monthly rather than following each transaction.</p>	<p>A new School Private Fund Ledger should be created at the start of every academic year.</p> <p>Care should be taken to ensure that all income received and expenditure incurred is recorded on the Fund Ledger on a timely basis.</p> <p>These details may then be used to reconcile the account on receipt of the bank statements.</p>	Implemented
5.3.3 High	<p>Point 3.3 of the School Private Fund Regulations states that: <i>'All payments must be made by cheque, to be signed by at least two people, who are designated as cheque signatories.'</i></p>	Care should be taken to ensure that all payments must be made by cheque and be signed by at least two people who are designated as cheque signatories.	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	For the academic year ended 31 st August 2017, 24 instances of expenditure amounting to £1,806.98 had been made using a debit card which had been provided to the School from the Bank (where the School Private Fund account is held).	The Debit Card should be destroyed.	
5.3.4 Medium	<p>Although it was evident that all bank statements have been reconciled to the School Private Fund Ledger by the School Clerk, each bank statement has been signed by the Headteacher.</p> <p>Discussions at the School established that the Headteacher signs the bank statement, following the School Clerk's check of the School Private Fund account, even though the Headteacher has no involvement with the bank reconciliation exercise.</p> <p>While this is acceptable as a means of independent review, the bank statements should also be signed by the person completing the bank reconciliation exercise.</p> <p>Furthermore, Appendix 2 (point 1.2) of the School Private Fund Regulations provides guidance on how to maintain an electronic Ledger.</p> <p>Whilst the School Clerk maintains an electronic ledger, not all of the conditions outlined in the Regulations are being met: i.e. it is not printed monthly for reconciliation purposes and a copy retained at the School.</p>	<p>On completion of the bank reconciliation exercise, care should be taken to ensure that the bank statements are signed and dated by the person carrying out the reconciliation as evidence of when and by whom this was carried out.</p> <p>The electronic ledger should also be printed monthly for reconciliation purposes, in line with Appendix 2 (point 1.2) of the School Private Fund Regulations.</p>	Implemented
5.4.1	Point 6.1 of the Cardholder Manual for Schools states: <i>'Each Purchasing Card transaction should be recorded on your</i>	In line with the Cardholder manual, the transaction log should be updated as and	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
Medium	<p><i>transaction log as soon as the transaction is complete to ensure that no information is omitted.'</i></p> <p>Although a transaction log is in place at the School, it is not being updated as and when a purchase is made.</p>	when a purchase is made, which will enable the transactions listed on the log to be reconciled to the Barclays system.	
5.4.2 Low	<p>Although a log is maintained each time the Purchase Card is shared with other members of staff, it is not being maintained in the recommended format (as included within the notes of guidance for purchase card holders).</p> <p>Currently the log in use does not include the times the card is taken and returned.</p>	On occasions where a member of staff requires the use of the card, care should be taken to ensure that the formal signing in / out record includes the times the card is taken and returned together with the signature of the member of staff.	Implemented

AUDIT NAME: PENPYCH COMMUNITY PRIMARY FOLLOW UP

DATE FINAL REPORT WAS ISSUED: 30/04/2018

INTRODUCTION

Penpych Primary School was last subject to an Internal Audit Review in May 2017. At this time, the overall opinion in respect of the School's financial and governance arrangements was considered to be 'insufficient and requires improvement'. Particular concerns were reported in respect of unreceipted expenditure relating to the School Private Fund.

Following receipt of the final report, the Council's Audit Committee resolved:

- That a follow up review is undertaken in respect of Penpych Community Primary School along with a detailed audit of the School Private Fund.
- This follow-up audit provides the outcome of the review requested by Audit Committee.

The Headteacher has confirmed that this report was presented to the 3rd July 2018 Governing Body meeting.

SCOPE & OBJECTIVES

Having given sufficient time for Management to implement the previous recommendations, the objective of this review was to:

- Establish the status of all recommendations raised within the previous report and to undertake a detailed examination of all expenditure administered via the School Private Fund.

AUDIT OPINION

This follow-up review concludes that the overall control environment in respect of the School's financial and governance arrangements is now considered to be effective with opportunity for improvement.

Noting that the previous Internal Audit report highlighted a particular concern in respect of supporting evidence relating to Private Fund expenditure, this follow-up report confirms that Management has responded well to this area of improvement. Based upon the sample of expenditure reviewed on this occasion, assurance can be provided that all expenditure was supported with appropriate documentation.

Management has made good progress in respect of implementing the recommendations contained within the previous report:

- Audit testing has confirmed that 12 of the previous recommendations have been fully implemented.
- 4 of the previous recommendations are noted as being partially implemented and these are reflected within the main body of this report.
- In addition to the sections within this report that relate to the partial implementation of previous recommendations, a small number of additional recommendations have been made as a result of the further testing undertaken in these areas.

Once implemented, these will improve the overall control environment further.

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.1.1 Low	Governor attendance sheets for sub committee meetings were not available at the School.	Attendance sheets for all Governing Body sub-committee meetings (i.e. those meetings not attended / minute by the Governor Support Officer) must be retained at School and held in a manner that makes them accessible.	Implemented
5.1.2 Medium	All statutory policies and documents are now in place at the School and all demonstrate a regular review. Whilst all policies and documents are endorsed with the date of the last review and have been signed by the Chair of Governors, for some it was not evident within the Governing Body minutes that all had been presented to the Governing Body.	All policies and documents should be presented to the Governing Body for review and ratification (and this should be minuted). Any policies that are updated/amended need to be presented to the Governing Body for ratification with a record held of this (recorded via the minutes). Details should be captured on the document covers i.e. date reviewed, date to be reviewed, signed and dated etc.	Implemented
5.2.1 Medium	Point 3.1 of the (CTSCB) Model Safeguarding Policy (that should be adopted by schools) states: <i>'The Designated Senior Person (DSP) for Child Protection will...Ensure that all staff have signed to say that they have received, read and understood the Child Safeguarding Policy.'</i> Although the School has established relevant Safeguarding and Child Protection Policies which are provided to staff, a record was not made until the audit review to demonstrate that each member of staff has received, read and understood the Policies.	The School is reminded that following each annual review of the Safeguarding Policy, the Designated Senior Person must ensure that all members of staff sign to demonstrate that they have received, read and understood the policy. Good practice would be to introduce a proforma with all staff names included and attached to the master Safeguarding Policy and held within the safeguarding file.	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.2.2 Low	<p>Section 2.21 of Keeping Learners Safe: <i>'The role of local authorities, governing bodies and proprietors of independent schools under the Education Act 2002 (WAG circular 158/2015) states that 'Governing Bodies should ensure that all staff and volunteers who work with children undertake appropriate training to equip them with the knowledge and skills that are necessary to carry out their responsibilities for child protection effectively, which is kept up to date by refresher training'.</i></p> <p>Although Safeguarding Training was undertaken at the School on 4th and 5th September 2017, there was one member of staff who was not present for this training as the employment of this staff member did not commence at the School until 1st November 2017. It is acknowledged however that this individual did receive the required training at his previous School and evidence was in place to confirm this.</p>	As a minimum, Level 1 Safeguarding training should be arranged for the member of staff identified as soon as possible.	Implemented
5.3.1 Low	<p>Section 2.1 of the School Private Fund Regulations states that: 'The School Private Fund shall be managed by a committee formed from school staff. It must include a Chairperson, Treasurer and Secretary'.</p> <p>Although a Management Committee has been set up, the Chairperson of the Fund is the Chair of Governors who is not an employee at the School.</p> <p>In addition, currently there are only 2 cheque signatories in respect of the School Private Fund.</p>	<p>A new Chairperson for the School Private Fund should be appointed as soon as possible in accordance with the requirements of the School Private Fund Regulations. The appointments made should relate to actual duties undertaken.</p> <p>A third cheque signatory should be appointed. Once the cheque signatory has been appointed, as required, a copy of the bank mandate should be retained at the school for reference purposes.</p>	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.3.2 Low	<p>Although a Record of Daily Income has been introduced at the School, it is not updated as and when income is received. Instead, it is updated when a deposit is made with the bank.</p> <p>NB. It is accepted that income received in respect of trips is initially recorded on individual class records.</p>	<p>The Record of Daily Income should be updated as and when income is received. This should be ruled off and totalled when a banking is made and the details updated to the Private Fund Ledger in a summary format.</p>	Implemented
5.4.1 Low	<p>Although a log is maintained each time the Purchase Card is shared with other members of staff, it is not being maintained in the recommended format (as included within the notes of guidance for purchase card holders).</p> <p>Currently the log in use does not always include the times the card is taken and returned.</p>	<p>On occasions where a member of staff requires use of the card, care should be taken to ensure that the formal signing in / out record includes the times the card is taken and returned together with the signature of the member of staff.</p>	Implemented
5.4.2 Medium	<p>Although receipts were present to support all items of purchase card expenditure, for the sample period tested (June 2017 to January 2018) 18 occasions were noted whereby no appropriate VAT receipt had been obtained, although VAT had been reclaimed.</p>	<p>Every effort should be made to obtain appropriate VAT receipts where VAT is to be reclaimed. An appropriate VAT receipt should include:</p> <ul style="list-style-type: none"> • details of the sale including the tax date; • the supplier's VAT registration number; • the amount paid for the goods or services; and • the amount of VAT the supplier has charged. <p>If a VAT receipt cannot be obtained and it is</p>	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
		unknown as to whether the individual / company is VAT registered, it should be assumed that they are not, and therefore the gross amount should be treated as outside the scope.	
5.5.1 Medium	<p>A report taken from SIMS during the audit visit identified a combined total of £1,464.86 owed to the School in respect of dinner money arrears. Of significance, there are 16 pupils with individual arrears in excess of £28.00, with the highest individual balance being £216.20.</p> <p>Discussion at the School revealed that dinner money arrears are pursued by text message, phone calls, speaking to parents and by issuing standard arrears letters. However, from the 16 pupils identified with excessive arrears, evidence was only available to demonstrate that the balances owed had been pursued for 7 pupils.</p>	<p>Every effort should be made to ensure that school dinner money is paid regularly.</p> <p>Where arrears are in excess of the prescribed limits, as per recovery protocols, these should be formally referred to Catering Finance for further recovery action.</p>	Implemented
5.6.1 Low	Although it is accepted that copies of paid invoices are retained at the School in a file, payment details are not formally recorded on the official copy orders.	Photocopies of all paid invoices should either be attached to the copy order or the copy order endorsed with details of the invoice number, amount and the date passed for payment.	Implemented

AUDIT NAME: PONTYPRIDD HIGH SCHOOL – FOLLOW-UP

DATE FINAL REPORT WAS ISSUED: 23/05/2018

INTRODUCTION

Pontypridd High School was last subject to a routine Internal Audit in December 2016. At this time, the overall control environment in respect of the School's financial and governance arrangements was considered to be 'insufficient and required improvement'.

Following the presentation of the final report to Audit Committee, a follow-up review was requested to ascertain whether recommendations made at the time have been successfully implemented.

- This audit report provides the outcome of the follow-up review that has now been completed.
- The Headteacher has confirmed that this report will be presented to the Governing Body meeting scheduled for 11th July 2018.

SCOPE & OBJECTIVES

Having given sufficient time for Management to implement the previous recommendations, the objective of this review was to:

- Establish the status of all recommendations raised within the previous report.

AUDIT OPINION

This follow up review now concludes that the overall control environment in relation to the School's financial and governance arrangements is considered to be effective with opportunity for improvement.

Safeguarding

The Child Protection Policy in place at the School has now been reviewed and was presented to the Governing Body in November 2017.

During the fieldwork for this audit, it was established that Level 1 training was provided in October 2017. Whilst 28 members of staff were not in attendance, management arranged for further training sessions to be delivered as mop-up sessions.

The School use the Evolve system to record details of residential / adventurous trips. Staff should be reminded of the need to ensure that all trips/activities are entered within the correct timescales as this had not been done for 2 of the 5 trips examined during the review.

Governance

The roles and responsibilities of the Governing Body and its sub committees have been set out in writing. The Governing Body appointed a new Governor for the vacancy reported in the last audit review; however they now have one new vacancy.

Whilst all statutory Policies are in place at the School, one (i.e. the Performance Management Policy) still needs to be ratified by the Governing Body. It was also noted that the School has not adopted the latest Staff Disciplinary Policy.

Purchase Card

There are 3 Purchase Cards at the School. On the whole, there is a sufficient audit trail in respect of evidence being available that supports expenditure via the cards.

This review has again identified items of expenditure during the period April 2017 to February 2018 totalling £330.17 that are considered to be unnecessary

/ inappropriate and do not demonstrate value for money.

School Income

The School have developed a Finance Policy that contains details of how each area of administration should be managed and the roles/responsibilities of the individuals presently involved. However, it does not include the processes to be followed for the Purchase Cards and is yet to be formally presented to the Governing Body.

Income processes now have the appropriate segregation of duties in place, with bank reconciliations now undertaken on a timely basis. Additionally, school lettings are being appropriately administered and authorised by the Headteacher.

There continues to be a high number of outstanding debts owing to the School. At the time of the fieldwork, a total of £4,101.40 was owed to the School, of which 20 debtors owe £3,111 in respect of invoices in excess of 91 days old. Whilst a procedure has now been introduced to chase outstanding debts, Management need to determine the way forward with these debtors, as a number of these are long term.

School Private Fund

The School Private Fund is administered well with detailed records that provide an adequate audit trail for all income and expenditure transactions with a running account balance now maintained. Additionally, the account is now subject to regular reconciliations.

There is however still some inconsistency between teaching staff in respect of the administration of School Trips and staff should be reminded of the procedures to be followed as set out in the School Private Fund Regulations.

Petty Cash

There were no issues noted with the administration process for Petty Cash during this review.

The implementation of the recommendations made within this report will enable the Headteacher to further enhance the standard of administration at the School.

SUMMARY OF RECOMMENDATIONS:

REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.3.3 Medium	<p>Section 3.1 of the Cardholder Manual states: <i>'The card can be used by other authorised staff but they must sign the Signing Out/In sheet provided to record such use'.</i></p> <p>Whilst there were Signing Out/In sheets for each of the three Purchase Cards available at the school, examination of the sheets identified that they had very rarely been completed even though a significant number of purchases would have been made by other staff.</p>	<p>It should be ensured that the Signing Out/In sheets for each Purchase Card are always completed when the card is used by staff members other than the card holder.</p>	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.1.1 High	<p>Section 2.21 of Keeping Learners Safe: The role of local authorities, governing bodies and proprietors of independent schools under the Education Act 2002 (WAG circular 158/2015) states that: <i>'Governing Bodies should ensure that all staff and volunteers who work with children undertake appropriate training to equip them with the knowledge and skills that are necessary to carry out their responsibilities for child protection effectively, which is kept up to date by refresher training'</i>.</p> <p>Although it was established that Level 1 training was provided to the whole school on 2nd October 2017, it was noted that 28 members of staff did not receive the training.</p>	As a minimum, Level 1 Safeguarding training should be arranged for all 28 members of staff who were not present on 2 nd October 2017.	Implemented
5.1.2 Medium	<p>The 'Planning and Approval Procedures for Educational Visits' states that residential visits/adventure activities must be 'planned and approved using the Evolve system at least 28 days before the visit'.</p> <p>Three of the five trips examined had been updated onto Evolve within the timescales.</p> <p>However, in respect of the Munich 2017 trip, it was not submitted to the Outdoor Education Advisor and subsequently authorised until 10th July 2017 (with the trip taking place on 17th July 2017).</p> <p>It was also found that one trip - Introduction to Oxbridge, Ty Dysgu, had not been authorised, even though the trip took place on the 4th December 2017.</p>	Care should be taken to ensure that all trips / activities are entered onto Evolve within the correct timescales and are correctly classified in order for the Outdoor Education Advisor to give the necessary assurance that the provider and trip arrangements are appropriate.	Implemented
5.2.1	All Statutory Policies are in place at the School and are endorsed with	In line with statutory requirements, the	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
Low	<p>the date of the last review.</p> <p>However, it was noted that whilst the Performance Management Policy was reviewed in October 2017, it is yet to be endorsed by the Governing Body.</p>	<p>Performance Management Policy should be reviewed and updated where necessary and presented to the Governing Body.</p> <p>Endorsement of the policies should be minuted as confirmation of this process.</p>	
5.2.2 Low	<p>The membership of Governing Bodies is set out in chapter 3 of The Government of Maintained Schools (Wales) Regulations 2005, which specifies that the composition of the Governing Body should consist of 6 Parent Governors, 5 LEA governors, 2 Teacher Governors, 1 Staff Governor, 5 Co-opted Governors and the Headteacher.</p> <p>Examination of the Governing Body structure revealed that there is currently 1 LEA Governor vacancy.</p>	<p>The school should endeavour to fill the Governor vacancy as soon as possible.</p>	30 June 2018
5.3.1 High	<p>Examination of the expenditure incurred on the three Purchase Cards held at the school for the 2017/18 financial year identified instances on two cards whereby expenditure incurred was considered unnecessary/inappropriate. These were: -</p> <ul style="list-style-type: none"> • Card 1 <ul style="list-style-type: none"> ○ 3/7/17 - Tescos - £35.10 - Items for Volunteers (including alcohol) ○ 21/12/17 - Co-Op - £15 - Items for OAP Party (including alcohol) • Card 2 <ul style="list-style-type: none"> ○ 4/7/17 - Tesco - £90.78 - Items for Governors Lunch 	<p>All potential expenditure should be subject to challenge by the Headteacher to ensure that the school can demonstrate value for money and that funds have been utilised in a prudent manner.</p> <p>The items listed are not considered appropriate and alternative arrangements to fund these activities should be made in future.</p>	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	<ul style="list-style-type: none"> ○ 5/7/17 – Sainsbury’s - £10.45 - Items for Governors Lunch ○ 18/12/17 - Tesco - £158.84 - Items for OAP Party (including alcohol) ○ 18/12/17 - Gwilim Florist - £20 - Flowers for the school uniform supplier who passed away <p>Note: - The expenditure for the OAP party was made from fundraising activities, with the alcohol purchased being the reason why it is inappropriate.</p>		
5.3.2 Medium	<p>Section 6 of the Cardholder Manual for Schools issued by Procurement Services states that: <i>'Each Purchasing Card transaction should be recorded on the transaction log as soon as the transaction is complete to ensure that no information is omitted'</i>.</p> <p>Examination of the transaction logs available identified that whilst they are up to date, they are not being updated as and when transactions occur.</p>	All transactions should be promptly updated onto the transaction logs as and when they occur.	Implemented
5.3.4 Low	Whilst the Purchase Card bank statements show evidence that a reconciliation exercise takes place, they are not always signed and dated by the person undertaking the reconciliation.	Care should be taken to ensure that the Purchase Card bank statements are signed and dated by the person undertaking the reconciliation.	Implemented
5.4.1 Medium	Whilst the School have reviewed the Finance Policy since the last audit visit, there is no reference within the Policy regarding the processes and responsibilities around the School’s Purchase Cards.	The Finance Policy should be enhanced to include processes and the individual staff responsibilities for the School’s Purchase Cards.	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	<p>Additionally, it has not yet been presented to the Governing Body.</p> <p>Note: - The Finance and Support Services Manager confirmed that this Policy will be presented at the next Governing Body meeting on 22nd March 2018.</p>	<p>Once completed, the Policy should be presented to the Governing Body for approval and issued to all appropriate members of staff.</p>	
5.4.2 Medium	<p>Examination of the Aged Debtor report revealed that there is currently £4,101.40 owed to the School, of which 20 debtors owe £3,111 and is in respect of invoices in excess of 91 days old.</p> <p>Discussions with the Finance and Support Services Manager established that whilst the School have been chasing up these arrears, many are long term debts and may need to be written off.</p>	<p>The amounts outstanding to the School should be followed up immediately.</p> <p>The Headteacher should consider each balance outstanding to determine if any of the debtors are to be written off.</p> <p>This should be incorporated into the School's Letting Policy.</p>	Implemented
5.5.1 Medium	<p>Section 9.2C of the School Private Fund Regulations states that: <i>'The trip organiser must maintain a record of all monies received'</i>.</p> <p>The arrangements in respect of the collection and recording of school trip income is currently the responsibility of Pupil Services who record details of all income received on a Record of Daily Income Sheet. Income is then transferred to the Finance Office for updating onto the ledger and deposited with the bank. Copies of the income records are then provided to trip organisers.</p> <p>A sample of two trips were chosen for examination and the following issues were found: -</p> <ul style="list-style-type: none"> • Munich - July 2017 	<p>The School should ensure each trip has consistent documentation held on file for each trip undertaken.</p> <p>All income collected should be banked intact with any refunds to be made using the chequebook.</p>	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	<ul style="list-style-type: none"> ○ Whilst a Statement of Account and expenditure records were present, there were no copies of the RODI's sheets held within the trip organiser's file (the Finance Officer hold the original copies if required). • Cinema - December 2017 <ul style="list-style-type: none"> ○ All income collected was recorded on the RODI's and a Statement of Account was held on file. However, it was found that £10 collected on 15/12/17 had not been banked. Discussions with the Finance Officer established that 1 pupil dropped out of the trip after they had paid and Pupil Services refunded £10 to that pupil from income collected and not via a cheque refund. 		

AUDIT NAME: PORTH COMMUNITY SCHOOL – FOLLOW-UP

DATE FINAL REPORT WAS ISSUED: 16/05/2018

INTRODUCTION

Porth Community School was last subject to a routine Internal Audit during March 2017. At this time the overall control environment in respect of the School's financial and governance arrangements was considered to be 'insufficient and requires improvement'.

Following receipt of the final report the Council's Audit Committee requested a follow up review to be undertaken.

- This follow-up audit provides the outcome of the review requested by Audit Committee.
- The Headteacher has confirmed that this report was presented to the 20th June 2018 Governing Body meeting.

SCOPE & OBJECTIVES

Having given sufficient time for Management to implement the previous recommendations, the objective of this review was to:

- Establish the status of all recommendations raised within the previous report.

AUDIT OPINION

This follow up review now concludes that the overall control environment in relation to the School's financial and governance arrangements is considered to be effective with opportunity for improvement.

Of the 35 recommendations made at the time of the last review, 29 have been fully implemented and it is therefore acknowledged that the School has demonstrated a commitment to addressing the findings contained within the 2017 audit report.

Governance

The roles and responsibilities of the Governing Body and its Sub-Committees have been set out in writing and all Governing Body minutes are being signed by the Chair of Governors. Attendance sheets are now in place detailing all Governors in attendance at each Governing Body meeting.

The Acting Headteacher has a delegated financial spending limit and all statutory policies and documents are now in place and have been formally ratified by the Governing Body.

It is however noted that despite regular advertising, there are still 6 Governor vacancies on the Governing Body. Difficulty has been experienced in appointing to the posts as there is also an interim Governing Body in place for the forthcoming middle School which is scheduled to open in September 2018.

Safeguarding

A Register is now in place to record any safeguarding training received by staff. It is acknowledged that an update on Level 1 Safeguarding was provided to school staff on 5th September 2017; however there were 16 members of staff who were not present for the training. Level 1 safeguarding training should therefore be arranged for these staff as soon as possible.

The School use the EVOLVE system to record details of residential / adventurous trips. However, staff should be reminded of the need to ensure that all trips/activities are entered onto EVOLVE and within the correct timescales. For routine off-site visits such as sporting fixtures/tournaments the Headteacher

should ensure that a permanent record is made and retained, and staff made fully aware of their responsibilities for future events.

School Private Fund

A Management Committee is now in place and two independent Auditors have been appointed. There has been a vast improvement in the administration and record keeping in respect of School trips and evidence was available at the School to support all fund expenditure incurred. Notwithstanding this, there were 3 items of expenditure totalling £377.07 that were deemed to be more appropriately processed through the School Budget Account - it is acknowledged that no costs were borne by the Fund.

Purchasing

The School's Purchasing Policy has now been updated with delegated limits of spend. This was agreed at the July 2017 Governing Body meeting and a copy is available at the School. There has been a vast improvement within the purchasing system in that all purchases are authorised by the appropriate budget holder prior to a commitment being made and there is a clear trail from receipt of the goods to payment of invoice. There are however a large number of payments being processed as non-orders on the SIMS system (6 out of 10 in the sample examined) that should have been raised via the official ordering process or using the Purchase Card.

Purchase Card

The Purchase Card system is effective and there are no issues to report. There is clear evidence that the bank statements are regularly reconciled and an up to date transaction log is in use which provides details of all Purchase Card purchases. Of the purchases examined (September 2017 to March 2018) there were no occasions of inappropriate expenditure identified and VAT receipts were available to support all items of expenditure.

Assets

Despite the ongoing building works to the site, the inventory in respect of electrical items has been completed and items are now asset tagged. Audit testing established that items listed on the inventory matched the items listed in the Finance Office and there are no findings for this area contained within the report.

Implementation of the recommendations contained within this report will further enhance the current levels of control.

SUMMARY OF RECOMMENDATIONS:

REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.1.1 High	Section 2.21 of Keeping Learners Safe: The role of local authorities, governing bodies and proprietors of independent schools under the Education Act 2002 (WAG circular 158/2015) states that: <i>'Governing Bodies should ensure that all staff and volunteers who work with children undertake appropriate training to equip them with the knowledge and skills that are necessary to carry out their responsibilities for child protection effectively, which is kept up to date</i>	As a minimum, Level 1 Safeguarding training should be arranged for the 16 members of staff who were not present as soon as possible. The training record that has been introduced at the school should be used to identify gaps	30 June 2018

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	<p><i>by refresher training'.</i></p> <p>An update on Level 1 Safeguarding training was provided to school staff on 5th September 2017; however a cross-reference between the attendance sheet for the training and the School staff list identified 16 members of staff who were not present for the training.</p>	/ refresher training going forward.	
5.1.2 Low	<p>The school staff list detailing staff DBS reference numbers was compared to the current list of staff employed at the school (as provided by VISION support).</p> <p>Six members of staff were present on the School's list and were no longer employed at the School.</p>	<p>The School should ensure that where staff, permanent or casual, commence / terminate employment with the school, the school list is updated to reflect this.</p> <p>The appropriate amendments should be made in respect of the six members of staff identified.</p>	Implemented
5.1.3 Low	<p>The 'Planning and Approval Procedures for Educational Visits' states that residential visits / adventure activities must be 'planned and approved using the Evolve system at least 28 days before visit'.</p> <p>Examination of a sample of 5 school trips recorded on EVOLVE identified the following:</p> <ul style="list-style-type: none"> • Normandy 26.3.18 <ul style="list-style-type: none"> ○ Not submitted to the EVC until 12.3.18 • Ski 2018 20.1.18 <ul style="list-style-type: none"> ○ Not submitted to the EVC until 18.1.18 • Mountain Walking 22.11.17 <ul style="list-style-type: none"> ○ Not created on EVOLVE until 16.11.17 	Care should be taken to ensure that all trips / activities are entered onto EVOLVE within the correct time-scales and are correctly classified, in order for the Outdoor Education Advisor to give the necessary assurance that the provider and trip arrangements are appropriate.	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	The remaining 2 trips examined were found to be entered onto EVOLVE and authorised in accordance with the recommended procedures.		
5.1.4 Medium	<p>Although the document 'Planning and Approval Procedures for Educational Visits' states that Schools can determine their own planning and approval requirements for School trips, it also states that Schools are strongly advised to use the EVOLVE system.</p> <p>Routine off-site visits such as sporting fixtures are currently not entered onto EVOLVE.</p>	<p>EVOLVE should be used to document all off-site visits including those in relation to sporting fixtures / tournaments etc.</p> <p>All staff should be made aware of their responsibilities to avoid any confusion over future responsibilities.</p>	Implemented
5.2.1 Medium	<p>A review of the School Private Fund expenditure for the current academic year identified the following items that would have been more appropriately processed through the School budget:</p> <ul style="list-style-type: none"> • RCT Heads Association Affiliation Fee - £165.00 • Art Department - £112.07 <p>Note - It is accepted that sufficient income was received from pupils to cover the cost of the Art Department expenditure and income has been received from the School Budget Account in respect of the RCT Heads Association Affiliation Fee. Hence no costs have been borne by the Fund.</p>	The items listed would be more appropriately processed via the School budget account in future.	Implemented
5.3.1 Medium	<p>A review of a sample of 10 non-order invoice payments revealed that a prior request is likely to have been made on 6 of the 10 occasions:</p> <ul style="list-style-type: none"> • Paper house Plus – Photocopier Paper • SR Production Services - Fashion Show Lighting Hire • It's My Shout Ltd - Stage hire, make-up and 2 instructors on 	Where a prior request is known for goods / services, an order should be raised in the first instance. If an order was placed via telephone, an order should be raised as soon as possible thereafter. The subsequent copy	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	<p>22.3.17 and 29.3.17</p> <ul style="list-style-type: none">• Edwards Coaches - Bus Hire• S Frederick - To supply and install circuits as per estimate.• Event Hire - Mobile Wall Hire 11.7.17	<p>order should be signed by an appropriate (authorised) member of staff.</p> <p>To avoid additional work, invoices for non-orders e.g. utilities, should be paid via the School purchase card where possible. If the School is unable to use the purchase card, these can be processed using the non order invoice facility and no requirement for a SIMS order to be raised.</p>	

AUDIT NAME: TYLORSTOWN PRIMARY SCHOOL

DATE FINAL REPORT WAS ISSUED: 23/05/2018

INTRODUCTION

The self-evaluation process is designed to evaluate the effectiveness of a School's financial and governance arrangements. The process requires primary Schools to complete a self-evaluation checklist against expected controls.

Tylorstown Primary was last subject to an Internal Audit Review in April 2015 and this is the third cyclical visit made to the School to examine progress made under the self-evaluation process.

The Headteacher has confirmed that this report was presented to the 5th June 2018 Governing Body meeting.

SCOPE & OBJECTIVES

The checklist for non chequebook primary schools comprises of 105 standards that need to be reviewed. Audit testing was carried out on a sample of standards applicable to the School, using transactions processed during financial year 2017/18.

The objectives of the review are:

- To ensure compliance with Section 175 of the Education Act 2002, this requires Governing Bodies to have arrangements for exercising their functions with a view to Safeguarding.
- To ensure that the School Private Fund is appropriately administered in accordance with the requirements of the 2017 School Private Fund Regulations.
- To ensure that the Purchase Card is being used in accordance with the guidance and procedures issued by the Procurement Service.
- To ensure that all School meals income is identified, received and collected in accordance with Council Policy, arrears regularly reported and followed up and free meals only provided where entitlement has been confirmed by the Council.
- To ensure that all orders raised by the School are appropriate and reflected in the budget, are correctly authorised and comply with Financial Regulations.
- To ensure that all Formula Funding allocations are based on up to date and correct numbers of registered pupils, and an audit trail is maintained to ensure accountability and transparency of the numbers submitted.
- To ensure that the opportunities for unauthorised use of the School's IT equipment are restricted, that computer hardware and software is adequately protected and that the School and Governing Body are appropriately registered under the Data Protection Act 1998.
- To review the governance arrangements in place at the School.

AUDIT OPINION

Overall, the control environment in respect of the School's financial and governance arrangements is considered to be effective with opportunity for improvement.

Safeguarding & Educational Visits

The School has a Child Protection Policy in place. Whilst this was reviewed in June 2017 and presented to the Governing Body in October 2017, this was found to be an older version from 2016 and not the most recent available at that time (June 2017). It is however accepted that the current Headteacher has only been in post since May 2017.

Level 1 Safeguarding training was last undertaken by the whole School in September 2016. The Headteacher, Deputy Headteacher and a third member of staff have received Level 3 safeguarding training. Certificates for the whole School and individual staff were present. It is recommended that a central training record is introduced to show details of all staff training provided and renewal dates, and copies of all certificates retained. A record of DBS checks was in place and is up to date. The School use the Evolve system to document and authorise planned trips and those examined were found to be accurately updated.

Governance

All statutory policies and documents were present, with many of these being reviewed since the Headteacher's appointment in May 2017. These were found to have been signed and dated by the Chair of Governors and Headteacher. For many of the older policies it was unclear whether they have been reviewed and presented to the Governing Body as many did not have cover sheets with these details recorded. It was further noted that there was very little detail of policies being presented to the Governing Body contained within the Governing Body minutes.

A Register of Business Interests is in place and all current Governors have completed the necessary declarations which were all present. The School currently has 2 Governing Body vacancies for which they should continue to endeavour to fill.

Attendance sheets in respect of any meetings not clerked by the Governor Support Officer were not present at the School. For those meetings not attended, the School should introduce an appropriate record and retain this at the School.

Purchase Card

There is one Purchase Card in operation at the School. A Transaction Log is maintained to record all expenditure and a card sharing log is in place to document occasions where the card is used by other members of staff.

All purchases reviewed were supported with documentation i.e. receipts, invoices, online orders and a Record of Expenditure Without a Receipt pro-forma is in use. It was noted that transactions are not "authorised" on the Barclaycard system; this process needs to be introduced immediately as part of the reconciliation process.

Purchases have been made by the School's Family Engagement Officer using the School's Purchase Card on behalf of the PTA. Their role is to provide a link between the School and PTA, with these purchases subsequently being reimbursed by the PTA. A PayPal account has also been registered and the card details stored on this website, allowing purchases to be made without the need to physically obtain the Purchase Card.

While all transactions were accounted for and subsequently reimbursed to the School by the PTA, this practice contravenes protocol and should be discontinued. Only authorised staff should have access to the card, with all card details removed from any web-sites. School Private Fund

The Treasurer maintains detailed records and an adequate audit trail of all income and expenditure transactions was in place. Income is banked weekly and the account reconciled to the bank statements monthly. It is recommended that both the Fund Treasurer (who undertakes the reconciliation) and Headteacher (who carried out an independent review) both sign and date the statements as evidence of this process.

All expenditure within the sample was solely for the benefit of the pupils and was supported with receipts / vouchers. This report recommends that an additional cheque signatory be added to the current panel to avoid any potential difficulties in signing cheques during periods of staff absence.

School Meals

School meal income is recorded directly onto SIMS, with meal numbers provided to Catering staff daily. Income is banked weekly and returns in respect of both catering and banking are submitted accordingly.

While the School are sending reminders to parents in respect of dinner money arrears and Catering Finance provided with a ½ termly report, no arrears are referred to Catering Finance for further recovery action. While there are currently only 4 pupils with arrears in excess of the 2 week limit, there have been prior instances where the School budget has been charged in respect of the outstanding amounts where referrals for non payment have not been made.

Data Protection & Security

The School is currently registered with the Information Commissioner. School data is backed up daily by Extrascope, with this process being automated and a confirmation email sent to the School confirming back up completion.

The School's inventory is currently not up to date and ICT equipment (while asset registered) is not marked as the property of the School.

Purchasing

While most purchases are made using the Purchase Card, the School still places some orders directly with companies on-line or via telephone. Where these instances occur no official orders are completed. The School is therefore unable to demonstrate that all orders were appropriately authorised; however all invoices are checked prior to payment and forwarded to the Creditors Team for payment.

Formula Funding

Pupil numbers were reviewed and no discrepancies were noted.

Implementation of the recommendations contained within this report will enhance the control environment further.

SUMMARY OF RECOMMENDATIONS:

REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.6.1 Low	Currently the school only have 2 authorised cheque signatories as the current Headteacher has yet to be added. Discussions revealed that the School would be interested in opening a new private fund account with Barclays Bank (via the Council).	The School should update the current signatories for the School Private Fund account. The Headteacher should consider contacting the Council's Accountancy Bank Reconciliation & System Section to discuss the possibility of opening a new Private Fund	31 July 2018

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
		account through Barclays Bank.	
5.1.1 Medium	<p>It was difficult to establish when the School's Policies and Documents were reviewed and when they are due to be reviewed / ratified / presented to Governing Body due to a lack of information on the Policy document cover. This was present on some occasions but not for all policies and documents. It was also on occasion difficult to identify this from the Governor Body meeting minutes.</p> <p>It is acknowledged that the Headteacher has only been in post since May 2017.</p>	<p>The Headteacher and Governing Body should ensure that they implement a rolling programme to review all School policies. This will ensure that all policies are up to date and reflect the current practices at the School.</p> <p>Any policies that are updated/amended need to be presented to the Governing Body for ratification with a record held of this (recorded via the minutes). Details should be captured on the document covers i.e. date reviewed, date to be reviewed, signed and dated etc.</p>	30 September 2018
5.1.2 Low	<p>The membership of governing bodies is set out in chapter 3 of the Government of Maintained Schools (Wales) Regulations 2005. This specifies that the composition of the Governing Body should consist of either 13 or 17 Governors. It was confirmed in the Instrument of Government that the school's Governing Body should consist of 13 members.</p> <p>Examination of the current Governing Body structure revealed that there are currently only 11 governors in post at the time of the audit.</p>	The School should continue to endeavour to fill the Governor vacancies as soon as possible.	30 November 2018
5.1.3 Low	Discussions revealed that there is no formal, documented process in place that allows parents / members of the public access to governing body minutes and reports.	The Headteacher should liaise with the Governing Body to introduce a protocol in the event of receiving a request from a member of the public to access Governing Body	31 July 2018

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
		minutes and reports.	
5.1.4 Medium	While the School's Governor Support Officer minutes and retains the attendance lists for any Full Governing Body meetings attended, attendance sheets are not maintained by the School in respect of any sub-committee meetings held.	For those meetings not attended / minuted by the Governor Support Officer, attendance lists should be completed and retained at the school.	31 May 2018
5.2.1 Medium	<p>The School's Safeguarding / Child Protection Policy was reviewed in June 2017 and presented to and adopted by the Governing Body in October 2017.</p> <p>However, on review of the document it was noted that the version presented to the Governing Body was not consistent with the latest version as recommended by the Cwm Taf Safeguarding Children Board.</p>	<p>The Headteacher should obtain the June 2017 Policy document and represent it to the Governing Body. Thereafter it should be ensured that the most up to date version is presented for ratification.</p> <p>The Headteacher should ensure that all staff sign to demonstrate that they have received, read and understood the latest Child Safeguarding Policy.</p> <p>Good practice would be to introduce a proforma with all staff names included and attached to the master Safeguarding Policy and held within the safeguarding file.</p>	Implemented
5.3.1 High	<p>Examination of the purchases made using the School's Purchase Card identified the following issues:</p> <ul style="list-style-type: none"> The School's Family Engagement Officer (link between school and the PTA) has made 27 purchases using the school purchase card to purchase items for the PTA on behalf of the School, with these being subsequently reimbursed by the PTA. 	<p>Only authorised staff should have access to and make purchases using the School's Purchase Card.</p> <p>Additionally, access to the Purchase Card should be restricted and steps taken to ensure that the Purchase Card details are</p>	31 May 2018

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	<ul style="list-style-type: none"> 26 of these purchases have been made using a Paypal account which has been set up and the card details have been stored on this site allowing further orders to be placed without needing to have access to the Purchase Card. A further payment had been made from the Paypal account by a member of the office staff. <p>Internal Audit has reviewed all transactions and can confirm that no inappropriate transactions have taken place and the School has been reimbursed by the PTA for all expenditure incurred.</p>	removed from any web-site accounts where details have previously been stored.	
5.3.2 Medium	<p>On review of the transactions on the Barclaycard system it was noted that none of the transactions have been "authorised" on the system.</p> <p>Discussions with the clerk revealed that she was unaware of this element of the process.</p>	The School should ensure that as part of the process of updating transactions on the Barclaycard system, that all transactions are appropriately "authorised".	31 July 2018
5.4.1 Medium	<p>Review of school meal arrears revealed that at the time of the visit there were 4 pupils with arrears in excess of the 2 week limit.</p> <p>It is acknowledged that there are ongoing social issues relating to some of the current arrears. However, it was established that although the School are completing and returning their ½ termly reports to Catering Finance, no families have been referred for further recovery action (resulting in the School budget being charged for arrears which have not been referred).</p>	Where arrears are in excess of the prescribed limits, as per recovery protocols, these should be formally referred to Catering Finance for further recovery action.	31 July 2018
5.5.1	Although ICT equipment has been asset registered by the School's	Where possible, ICT equipment (over a value	31 July 2018

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
Low	Support Service (Extrascope) via a small badge/sticker with an asset number, items are currently not marked as property of the school.	determined by the Headteacher & Governing Body) should be marked as property of the school. This can be done using an ultraviolet pen for example.	
5.5.2 Medium	Discussions with staff revealed that there was some uncertainty as to when the School's inventory was last updated. The School's inventory is currently maintained on SIMS, and as the system was down at the time of audit, the exact date of the last update could not be verified.	The School should ensure that its inventory is up to date. Thereafter an annual review should be carried out. The School may wish to consider introducing a separate Disposals and Additions List which can be updated as and when old items are disposed of and new items purchased. These lists can then be used to help update the master document when reviewed annually.	31 July 2018
5.6.2 Low	The Treasurer is currently responsible for reconciling the bank statements, with a further independent review carried out by the Headteacher. On review of the Private Fund records it was noted that although there was evidence of the account being reconciled i.e. transactions ticked on bank statements, only the Headteacher has signed the bank statements.	When undertaking the reconciliation process the Fund Treasurer should also sign and date the records as evidence of when and who undertook the reconciliation. The records should then be provided to the Headteacher for review and a counter signature.	31 July 2018
5.7.1 Medium	Although the Purchase Card is frequently used at the School to order goods and services, on occasions where the Purchase Card cannot be used, the School will place an order directly with a company over the telephone. On such occasions no formal record of the order is retained at the School, with the invoice checked upon receipt and forwarded to the Creditors Team at Bronwydd for payment.	The School should ensure that where the Purchase Card cannot be used for any goods / services required, an official order is raised using the F111 order book. This will ensure that a certified copy of the order is held at the School which can be used to cross-reference a delivery check when the	31 July 2018

SUMMARY OF RECOMMENDATIONS:

REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
		goods are received and assist with any discrepancies with the order.	

AUDIT NAME: YG RHYDYWAUN

DATE FINAL REPORT WAS ISSUED: 02/05/2018

INTRODUCTION

Ysgol Gyfun Rhydywaun is a designated Welsh medium secondary school for pupils between 11 and 18 years old situated in Aberdare. Pupils are admitted to the School from the 3 Welsh medium Primary Schools in the Cynon Valley and 2 Welsh medium Schools situated in Merthyr Tydfil. There are currently 974 pupils on roll which includes 162 pupils in the sixth form. Ysgol Rhydywaun was last subject to a routine audit review in July 2014 with a follow up review undertaken in July 2015. The Headteacher has confirmed that this report is scheduled to be reported to the September 2018 meeting of the Governing Body.

SCOPE & OBJECTIVES

All financial systems in operation were considered and an assessment carried out in consultation with the Headteacher and Chair of Governors to identify those areas representing the highest potential risk to the School, and therefore necessitating review.

On the basis of this risk assessment, audit testing was carried out on the following areas of administration:

- Governance
- Safeguarding
- School Private Fund
- Purchasing
- Purchase Card
- Banking

AUDIT OPINION

The overall control environment in relation to the School's financial systems and governance arrangements is considered to be effective with opportunity for improvement.

Safeguarding

The School's Safeguarding Policy was last reviewed by the Governing Body during February 2017. However, there was no signed copy held at the School. For the Policy currently in place, good practice was noted in that there are records kept to demonstrate that each member of staff has received and read the Policy. However, audit testing identified that 7 casual members of staff had not signed to confirm that they had received, read and understood the Policy.

A record is held at the School of staff who have been DBS checked and audit testing confirmed that no staff commenced employment at the School prior to the completion of the required pre-employment checks.

Level 1 training was provided to the whole School during September 2017 although no records were available to demonstrate that 18 members of staff have received formal training.

The School use the EVOLVE system to record details of residential / adventurous trips. Care should be taken to ensure that all trips/activities are entered

within the correct timescales as this had not been done for 4 of the 5 trips examined.

For routine off-site visits such as sporting fixtures/tournaments, the Headteacher should ensure that details of these are also updated onto EVOLVE and that staff are made fully aware of their responsibilities to avoid any confusion over the recording and assessment of future events.

Governance

The roles and responsibilities of the Governing Body and its sub-committees have been set out in writing, and membership is reviewed and agreed annually. All minutes examined had been appropriately signed and the financial limits for delegated authority have been agreed and minuted.

There are 4 Governor vacancies at present.

Staff involved in the financial decision making process have these responsibilities noted in their job descriptions and regular budgetary information from SIMS is provided to the Governing Body. A Register of Business Interests is in place at the School with all current declarations in place at the time of the audit.

Although all statutory policies are in place at the School, there are a number of policies that should be subject to an annual review and ratified by the Governing Body.

School Private Fund

The School Private Fund is in need of improvement.

One of the fund Auditors is also a cheque signatory and is therefore not independent when undertaking the annual audit of the School Private Fund accounts.

However, of most significance is that the income system currently in place is not robust. There is no formal process for recording income received in respect of activities relating to the fund as the entries recorded on the Ledger could not be reconciled to the subsidiary records. This report recommends that only 1 Record of Daily Income be used to record income received in respect of the School Private Fund and that only 1 member of staff be primarily responsible for recording the income prior to handover to the Office Manager for updating onto the Ledger and subsequent deposit with the bank.

As a result of the current working practices, 2 of the 3 trips examined could not be reconciled. It was also noted that full evidence was not always available to demonstrate the expenditure from the cash floats taken on 2 of the trips examined.

Purchasing

Audit testing identified that the Non Order payment facility is being used to process payments where a commitment to expenditure would have been known. The facility has also been used to make payments to a Music Tutor although no HMRC employment status check was undertaken before the School engaged with the tutor.

Whilst all cancelled cheques are retained at the School, inconsistencies were noted in that they are not always marked as cancelled or reference made to any replacement cheque being issued. From 26 cancelled cheques, only 3 cheques were appropriately endorsed. The remainder could still be presented. Similarly, from a sample of 4 cancelled orders, whilst they have been marked as 'Cancelled' no explanation/reason for the order being cancelled had been recorded on 3.

Purchase Card

There are 5 cards in place at the School, 2 of which are not being used. For the 3 cards in use, only 1 Transaction Log is used to record the expenditure incurred on all 3 cards. This report recommends that a separate Transaction Log be maintained for each purchase card held. Also, 1 of the cards was used

to pay for a staff function totalling £220.30. Although it is accepted that staff contributions had paid for the event and no costs were incurred by the School Budget, alternative arrangements should be sought in future.

Unreceipted expenditure totalling £764.60 was identified during the sample period examined and 3 occasions noted where appropriate VAT receipts had not been obtained even though VAT had been reclaimed.

Banking

Bank statements are received regularly and demonstrate evidence of a reconciliation being undertaken. However, the bank reconciliation process is solely undertaken by the Finance Manager, who is also responsible for the recording and banking of income, and raising invoices for monies due to the School. This report recommends that a review of the responsibilities of staff currently employed within the School Office be undertaken to ensure that an adequate segregation of duties exists within the income system.

Implementing the recommendations contained within this report will improve the current levels of control.

SUMMARY OF RECOMMENDATIONS:

REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.1.1 Low	The membership of Governing Bodies is set out in chapter 3 of The Government of Maintained Schools (Wales) Regulations 2005, which specifies that the composition of the Governing Body should consist of 20 Governors. Examination of the Governing Body structure revealed that there are currently 4 vacancies, (1 LEA Governor and 3 Community Governors).	The school should endeavour to fill the Governor vacancies as soon as possible.	Implemented
5.1.2 Medium	Audit testing identified that the School does not have a rolling programme whereby policies are reviewed and presented to the Governing Body for ratification.	The Headteacher and Governing Body should ensure that they implement a rolling programme of review of all School policies. This will ensure that all policies are up to date and reflect the current practices at the School. Following the rolling programme of review, policies should be presented to the Governing Body for review and ratification	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
		(and this should be minuted). Details of review should be captured on the document covers i.e. date reviewed, date to be reviewed, signed and dated etc.	
5.2.1 Medium	The School Safeguarding Policy was last reviewed by the Governing Body in February 2017. Although there is provision on the front cover for the policy to be signed by the designated members of staff and Governors with Child Protection responsibility, there was no signed copy held at the School. Furthermore, the latest version of the Cwm Taf Child Safeguarding Policy that was provided to all Schools during June 2017 has not been received at the School.	A copy of the most recent Child Protection Policy issued by the Cwm Taf Safeguarding Children Board (CTSCB) should be obtained. The mandatory policy should be formally adopted by the School and its Governing Body, and should be signed and dated by each designated member of staff and Governor.	Implemented
5.2.2 Medium	Point 3.1 of the (CTSCB) Model Safeguarding Policy (that should be adopted by schools) states: <i>'The Designated Senior Person (DSP) for Child Protection will...Ensure that all staff have signed to say that they have received, read and understood the Child Safeguarding Policy.'</i> Audit testing identified that 7 casual members of staff have not signed to confirm that they had received, read and understood the Child Protection Policy.	Subject to implementation of recommendation 5.2.1, the Designated Senior Person should ensure that all members of staff sign to demonstrate that they have received, read and understood the most recent Child Protection Policy.	Implemented
5.2.3 High	Section 2.21 of Keeping Learners Safe: The role of local authorities, governing bodies and proprietors of independent schools under the Education Act 2002 (WAG circular 158/2015) states that:	As a minimum requirement all 18 staff identified should receive level 1 refresher training as soon as possible.	30 June 2018

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	<p><i>'Governing Bodies should ensure that all staff and volunteers who work with children undertake appropriate training to equip them with the knowledge and skills that are necessary to carry out their responsibilities for child protection effectively, which is kept up to date by refresher training'.</i></p> <p>Although it was established that Level 1 refresher training was provided to the whole school on 4th September 2017, the School were unable to demonstrate that 18 members of staff have received formal training. This includes support staff and casual members of staff.</p>	<p>A formal training record should be put in place at the School and updated as and when training is delivered / received. This will allow any gaps / refresher training needed to be identified and subsequently arranged.</p>	
5.2.5 Medium	<p>The 'Planning and Approval Procedures for Educational Visits' states that residential visits / adventure activities must be 'planned and approved using the Evolve system at least 28 days before visit'.</p> <p>Examination of a sample of five visits recorded on Evolve identified the following : -</p> <ul style="list-style-type: none"> • PGL 23.7.17 - Although the trip details were updated onto EVOLVE within the correct timescales, it was not authorised by the Headteacher until 3.7.17 – as a result, local authority approval was not obtained until 3.7.17. • Tresaith 17.3.17 – The EVOLVE form was not created until 10.3.17 and was not authorised until 16.3.17. • Llangrannog 20.9.17 – The trip was not created on EVOLVE until 12.9.17 and was not authorised until 13.9.17. • Iceland – 29.10.17 - EVOLVE form created on 20.9.17 (within the correct timescale) but was not authorised until 2.10.17 by the EVC and Headteacher and then 3.10.17 by the Outdoor Education Advisor. 	<p>Care should be taken to ensure that all trips / activities are entered onto EVOLVE within the correct timescales and are correctly classified in order for the Outdoor Education Advisor to give the necessary assurance that the provider and trip arrangements are appropriate.</p>	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	The one remaining trip examined (Washington & New York) was found to be entered onto EVOLVE and authorised in accordance with the recommended procedures.		
5.3.1 Medium	Currently, all School Budget income and all School Private Fund income is recorded on the same Record of Daily Income Sheet.	<p>Separate Record of Daily Income forms should be maintained for the School Private Fund and the School Budget Account.</p> <p>These forms should be completed as and when any income is received and (where applicable) supported by the signatures of the two persons involved.</p> <p>When income is subsequently deposited with the bank, the amounts should be totalled and ruled off.</p>	Implemented
5.3.2 High	One of the Cheque signatories for the School Private Fund is also a Fund Auditor.	The School should seek to amend the panel of signatories for the School Private Fund or alternatively identify another member of staff to perform the role of auditor.	Implemented
5.3.3 High	<p>The entries in respect of School Private Fund income / expenditure should allow for prompt reconciliation within each financial period.</p> <p>Whilst a Ledger in the form of an Excel spreadsheet has been introduced at the School and is in the correct format as included within the School Private Fund Regulations, Internal Audit were unable to reconcile the income entries on the ledger against the Record of Daily</p>	<p>Management should change its current working practices as assurance cannot be provided that the system in place is sufficiently robust.</p> <p>Only 1 member of staff should be completing the Record of Daily Income and the ledger</p>	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	<p>Income Sheets. This was due to the current system in place allowing more than 1 member of the office staff to complete separate Record of Daily income Sheets.</p> <p>Significant variances were noted between the income recorded on the RODI's and the income recorded on the ledger, and as there is also no record of the hand-over process the records are not an accurate reflection of all income received:</p> <ul style="list-style-type: none"> • Record of Daily Income: £6579.00 • Ledger Income: £20270.32 	<p>should be updated using the information which has been recorded (see also report ref. 5.3.1) on a regular basis (weekly) summarising the income received and expenditure incurred each week. The Treasurer can then use this information to ensure that the cash in hand corresponds to the ledger and the Record of Daily income Sheet.</p> <p>Furthermore, the School should also establish a standard trip procedure, with a suite of pro-formas to be used when organising and administering a trip. As part of this, care should be taken to ensure that the entries on the Record of Daily Income, the Ledger and subsequent banking slip are correct and correspond.</p>	
5.3.4 Medium	<p>On the whole, School Private Fund income is banked regularly.</p> <p>However, one occasion was noted whereby a deposit of £11,890.00 was made on the 29.6.17 for income collected between 11th May 2017 and 29th June 2017.</p> <p>Discussions at the School established that this was during the examination period, whereby the Office Manager was involved in undertaking responsibilities associated with the examinations.</p>	<p>All income received should be banked in accordance with the School Private Fund Regulations which at present require that all money is banked weekly where £50.00 or more is collected, or immediately where the amount in hand reaches £200.00.</p> <p>As the School are currently in receipt of a secure collection service 3 times per week, no further banking delays should occur.</p>	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.3.5 High	<p>The arrangements in respect of the collection and recording of School Private Fund income is currently the responsibility of the Finance Manager or the Clerical Assistant.</p> <p>Both members of staff record all income received on an Income Sheet before passing the income over to the Treasurer (Office Manager) for update onto the Ledger and deposit with the bank.</p> <p>A separate spreadsheet for payments collected in respect of trips is also maintained.</p> <p>A sample of 3 trips was chosen for examination, anomalies were noted in each, and no explanation for the anomalies could be given:</p> <ul style="list-style-type: none"> • Barcelona • Iceland • Krakow 	<p>Only one member of staff should be collecting payments in respect of the School Private Fund.</p> <p>The Trip organiser / Fund Treasurer should either keep a running balance in respect of each pupil or if responsibility for monitoring balances is to remain with the Fund Treasurer, then a regular summary of income received should be provided by the Treasurer to the Trip Organiser for retention.</p> <p>In respect of the discrepancies identified in two of the three trips examined, Management must review the trip records to establish the reason for the discrepancies and the remedial action to be taken.</p>	Implemented
5.3.6 High	<p>Whilst receipts and invoices were present to support each cheque issued in relation to the 3 trips examined, testing identified the following in respect of the cash floats taken on 2 of the trips:</p> <p>Barcelona £401.46 was exchanged into Euros, yet receipts for only €123.40 was produced.</p> <p>The Trip organiser stated that the remainder €278.60 was divided between each pupil towards food, (approx €5 each). No record of expenditure without receipts form was completed to verify this.</p>	<p>All items of expenditure should be supported by a receipt or invoice.</p> <p>In the event that a receipt cannot be obtained, a PF2 (Record of expenditure made without receipt) should be used and signed by 2 members of staff to confirm that the expenditure is appropriate and in line with the School Private Fund Regulations. A recommended format for this record is included at Appendix 8 in the School Private</p>	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	<p>Iceland £1481.34 was exchanged into 188,000 kroner and although evidence was produced for all expenditure on the trip, 61,500 kroner was unspent and brought back to school – this equated to £472.83 on conversion back into sterling for distribution to the children who attended the trip.</p>	<p>Fund Regulations.</p> <p>In respect of cash being given to pupils, this should be recorded on a record of expenditure without receipts form, and the transfer of cash should be supported by the signatures from the member of staff and the pupil to confirm the amounts involved.</p> <p>The £16.88 refunds due to the pupils who attended the Iceland trip should be given as soon as possible.</p>	
5.4.1 High	<p>Examination of a sample of non-order payments identified that payments are being made to a music tutor. No HMRC IR35 questionnaire was completed prior to appointing this individual.</p>	<p>Before a school engages with an entity for the provision of services, the HMRC IR35 employment status check should be undertaken for all individuals using the HMRC online tool.</p> <p>This should be undertaken for the music tutor immediately, with evidence of the check retained at the School.</p>	Implemented
5.4.2 High	<p>All cancelled cheques are retained at the School and were provided to Internal Audit for examination. Of the cancelled cheques examined, inconsistencies were noted in that they are not typically endorsed as expected i.e. crossed and marked as cancelled stating the reason for cancellation or reference being made to any replacement cheque being issued:</p>	<p>All cancelled cheques should be clearly marked as 'Cancelled' stating the reason for the cancellation and making reference to any replacement cheque being issued (where this is the case).</p>	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	Of the 26 cancelled cheques examined only 2 cheques stated the reason for the cancellation (213212 & 212572) and of significance is that only 3 cheques had been appropriately marked as cancelled (213090, 213091 & 213212). Therefore, the remainder could still be presented at the bank.		
5.4.3 Low	Examination of a sample of 4 cancelled orders identified that whilst they have been marked as 'Cancelled' no explanation/reason for the orders being cancelled had been recorded on 3 of the 4 orders.	All cancelled orders should clearly state the reason for the cancellation. On occasions where a replacement order is issued it should be cross referenced to the original order.	Implemented
5.4.4 Medium	Testing of a sample of 10 non orders identified that 4 payments were made whereby a prior request would have been made and the commitment to expenditure known. <ul style="list-style-type: none"> • 12.5.17 - £1700 - Various Buses between 27.2.17 - 30.3.17 • 9.6.17 - £195.00 - Piano tuning • 14.9.17 – £1635.00 - building work at School • 19.7.17 – 495.00 - workshop with children 	The Non Order Payment facility should only be used for processing payments such as utility bills, maintenance contracts etc. For the ordering of all other goods and services, an official order should be used on all occasions.	Implemented
5.5.1 Medium	Section 1.1 of the Cardholder Manual for School document issued by the Procurement Service states that: <i>'The Cardholder must maintain a log of all transactions, for reconciliation with the online Barclaycard system provided by the bank'.</i> There are three purchase cards in use at the School: one held by the	Separate Transaction Logs should be maintained for each Purchase Card held at the School and details of all purchases made should be promptly updated onto the Logs by the card holders as and when they occur.	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	<p>Finance Manager, one held by the Office Manager and one held by the Clerical Assistant.</p> <p>However, there is only one Transaction Log in place which is updated by the Clerical Assistant as and when a purchase is made using any of the cards.</p>		
5.5.2 Low	In addition to the three purchase cards used at the School, there are a further two purchase cards which have not been used since July 2016.	The School should cancel the 2 purchase cards not in use to alleviate any risks associated with holding the cards unnecessarily.	Implemented
5.5.4 High	<p>Examination of the Purchase Card expenditure identified a payment of £220.30 being made on the 11th July 2017 to 'No sign Wine Bar' in respect of a staff function.</p> <p>NB. It is accepted that income received on the 19th July 2017 was in respect of staff contributions to the event so that no costs were incurred by the School Budget.</p>	<p>Under no circumstances should the School Purchase Card be used to process staff social events.</p> <p>Alternative arrangements should be sought for processing such transactions in future.</p>	Implemented
5.5.5 Low	The Purchase Card bank statements are reconciled to the transaction log monthly and whilst the bank statements demonstrate evidence of being reconciled (i.e. transactions ticked as checked and the statements signed and dated), there is no evidence on the transaction log of a reconciliation to the bank statements.	Once the Transaction Log has been reconciled to the bank statements, in addition to the bank statements, the Transaction Log should be signed and dated by the person undertaking the reconciliation.	Implemented
5.6.1	At the time of the fieldwork for this review, the School Bursar was responsible for:	The Headteacher should ensure that an appropriate segregation of duties is put in place in respect of raising invoices, updating	Implemented

SUMMARY OF RECOMMENDATIONS:

REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
High	<ul style="list-style-type: none">• Raising all invoices• Updating income onto SIMS• Undertaking the bank reconciliation. <p>The current arrangements do not demonstrate an appropriate segregation of duties.</p>	SIMS and undertaking any subsequent bank reconciliation process.	

AUDIT NAME: YSGOL GYFUN GARTH OLWG FOLLOW UP

DATE FINAL REPORT WAS ISSUED: 15/05/2018

INTRODUCTION

Ysgol Gyfun Garth Olwg was last subject to a routine Internal Audit during July 2017.

While the overall control environment in respect of the School's financial and governance arrangements was considered to be 'effective with opportunity for improvement', there had been significant changes within the Finance Office including the retirement of the School Bursar and the report contained recommendations in respect of the financial management at the School (linked to the cessation of the PFI arrangement).

Following receipt of the final report, during November 2017, and following the presentation of the final report to Audit Committee, a follow-up review was requested by the Headteacher and Audit Committee, to ascertain whether recommendations made at the time have been successfully implemented.

- This audit report provides the outcome of the follow up review that has now been completed.
- The Headteacher has confirmed that this report is to be presented to the 5th July 2018 Governing Body meeting.

SCOPE & OBJECTIVES

Having given sufficient time for Management to implement the previous recommendations, the objective of this review was to:

- Establish the status of all recommendations raised within the previous report.

AUDIT OPINION

This follow up review concludes that the overall control environment in relation to the School's financial and governance arrangements continues to be effective with opportunity for improvement. In particular, the improvements in respect of the financial procedures having been updated and complied with are acknowledged.

Governance

The roles and responsibilities of the Governing Body and its Sub-Committees have been set out in writing and all Governing Body minutes are being signed by the Chair of Governors.

The Headteacher now has a delegated financial spending limit and whilst all statutory policies and documents are in place, there are 4 remaining policies / documents that have not had a recent review and been formally ratified by the Governing Body.

Safeguarding

A Register is now in place to record any safeguarding training received by staff and it is acknowledged that all staff have received an update on Level 1 safeguarding training since September 2017. However, audit testing has established that level 3 training certificates for 3 members of staff have now expired and this report recommends that the 3 members of staff identified undertake Level 3 training as soon as possible.

The School use the EVOLVE system to record details of residential / adventurous trips. However, staff should be reminded of the need to ensure that all trips/activities are entered onto EVOLVE within the correct timescales, as this had not been done for 1 of the 4 trips examined.

School Income

The Booking form and Charging Policy for all School hires has been reviewed and updated. The School Facilities Manager has been delegated responsibility to authorise all School lettings and invoices for payment have been raised correctly on SIMS. Notwithstanding this, for all other income due to the School the invoicing facility within SIMS is not being used; this report recommends that the SIMS invoicing facility be introduced for the collection of all other income due to the School to alleviate the need for manual invoices to be produced. In terms of income received at the School, all income was banked weekly and no delays were noted in the update onto SIMS.

School Private Fund

There has been a vast improvement in the administration and record keeping in respect of the School Private Fund. Although evidence was available to support all fund income and expenditure, it was noted that the School Private Fund is being used to process transactions in respect of the Tennis Academy, for which the School receives grant money. This type of activity falls outside the scope of the School Private Fund and therefore would be more appropriately processed through the School Budget Account.

Purchase Card

There are 4 Purchase Cards in place at the School, 1 of which is not being used, and should be cancelled with immediate effect. For the 3 cards in use, there is a sufficient audit trail in respect of evidence being available that supports the expenditure via each card; however, there are still items of expenditure being incurred which are considered to be unnecessary / inappropriate.

Furthermore, where a member of staff requires the use of a card, the card sharing log is not always completed in the recommended format.

Purchasing

The School Purchasing system requires further improvement. From a sample of 10 paid orders, only 1 order had been raised in the correct manner indicating that the intended systems are not being used.

The Headteacher should consider increasing the use of the Purchase Cards held by the School which is a more efficient use of staff time.

Budgetary Control

Cost Centre Transaction Reports are now routinely issued to Budget Holders in order for departmental budget monitoring to be undertaken effectively. Implementation of the recommendations contained within this report will further enhance the current levels of control.

SUMMARY OF RECOMMENDATIONS:

REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.1.1 Low	All Statutory Policies are in place at the school However, the following policies / documents do not appear to have been reviewed by the Governing body:	The policies identified should be reviewed and presented to the Governing Body for ratification. This should be minuted and details of the	31 July 2018

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	<ul style="list-style-type: none"> Assessment arrangements (last reviewed Dec 2012) School Prospectus Accessibility Plan Careers Education Transition Plan 	review captured on the document covers. i.e. the date reviewed, date to be reviewed and be signed and dated etc.	
5.2.1 Medium	<p>Following the previous review, all staff at the School received an update on Level 1 Safeguarding and a central record of training has been created to demonstrate the date of attainment for all members of staff.</p> <p>However, audit testing established that Level 3 Training Certificates for 3 members of staff have now expired.</p>	<p>The School is reminded that safeguarding training for all staff should be renewed timely i.e. every 3 years for Level 1 and every 2 years for Level 3.</p> <p>The newly introduced central training record will allow the school to identify any gaps in training or out of date training going forward.</p> <p>In respect of the 3 members of staff identified, Level 3 training should be undertaken as soon as possible.</p>	Implemented
5.2.2 Low	<p>The 'Planning and Approval Procedures for Educational Visits' states that residential visits / adventure activities must be 'planned and approved using the Evolve system at least 28 days before visit'.</p> <p>From a sample of 4 school trips examined, 1 had not been entered onto EVOLVE and authorised in accordance with the recommended procedures.</p> <p>Storey Arms 29.11.17 Not submitted to the EVC until 9.11.17 and as such could not be</p>	Care should be taken to ensure that all trips / activities are entered onto EVOLVE within the correct timescales and are correctly classified in order for the Strategic Lead Outdoor Learning to give the necessary assurance that the provider and trip arrangements are appropriate.	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	authorised by the Strategic Lead Outdoor Learning until 9.11.17		
5.3.1 Medium	The Facilities Manager raises Debtor invoices using SIMS for the income due to the School in respect of School facilities hire. However, the School are not using the SIMS invoicing facility when issuing requests for any other income due.	The invoicing facility within SIMS should also be used for the collection of all other income due to the School. This will alleviate the need for manual invoices to be produced and allow income received to be directly matched to the respective invoice. All invoices (including the copy retained at the School) should be authorised by the Headteacher.	Implemented
5.4.1 Low	The School Private Fund is being used to process transactions in respect of the Tennis Academy, for which the School receives grant income.	This activity falls outside the scope of the Fund and would be more appropriately administered from the School Budget Account. Arrangements should be made to transfer any Tennis Academy funds from the School Private Fund to the School Budget Account as soon as possible and all future transactions processed via the School Budget Account.	Implemented
5.4.2 Low	A central record of daily income is now maintained which can be reconciled to the income recorded on the Ledger. The records relating to the Year 7 Boulogne trip were examined. It	An extra column should be added to the current trip income record to allow for the date of receipt to be recorded.	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	was noted that while the trip records show the pupils name, amounts paid in instalments, total balance and amount outstanding, the dates of receipt are currently not recorded.		
5.5.1 Low	In addition to the three purchase cards used at the School, there is a further purchase card registered to the Finance Officer, who assumed the card had expired.	The School should contact the Purchase Card Administrator and request that the unused card be cancelled immediately. This will alleviate any risks associated with holding the card unnecessarily.	Implemented
5.5.2 Low	Although a log is maintained each time the Purchase Card is shared with other members of staff, it is not being maintained in the recommended format (as included within the notes of guidance for purchase card holders). Currently the log in use does not always include the times the card is returned.	On occasions where a member of staff requires the use of the card, care should be taken to ensure that the formal signing in / out record includes the times the card is taken and returned together with the signature of the member of staff.	Implemented
5.5.3 Medium	A review of the Purchase Card expenditure for the current academic year identified the following items of expenditure that are not in line with the Purchase Card Notes of Guidance: <ul style="list-style-type: none"> • 11.09.17 - Flowers for a member of staff who had a baby - £14.99 • 12.10.17 - Flowers for a Governor whose spouse had passed away - £11.00 • 24.11.17 - 5 x £10 vouchers - £50.00 • 06.12.17 - Gift voucher for a member of staff who is leaving - £25 	Alternative arrangements should be sought for processing this type of expenditure in future.	31 July 2018

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	Note - It is accepted that sufficient income will be transferred from the staff fund currently held within the School Private Fund to cover the cost of the expenditure; hence no costs will be borne by the School Budget Account. Notwithstanding this, the use of the Purchase Card in this way is still considered to be inappropriate.		
5.6.1 Medium	<p>The School Finance Policy is still in the process of being updated to reflect the roles and responsibilities of all staff involved in the financial arrangements of the School.</p> <p>It is accepted that updates to the Policy have been made and the document was presented to the Governing Body during February, at which time it was agreed by Governors that more detail was required in terms of the new payment by BACS initiative and the online payment facility.</p>	<p>The Finance Policy should be enhanced to define system processes and the individual staff responsibilities within them across all areas of the School's financial administration.</p> <p>Once completed, the procedures should be presented to the Governing Body for approval and issued to all appropriate members of staff.</p> <p>NB: Any revision to the Policy should take into account recommendations raised elsewhere in this report.</p>	31 July 2018
5.6.2 High	A sample of 10 paid orders were selected from SIMS for examination. Of the 10, only 1 order had been raised in the correct manner, i.e. 9 orders had been raised in retrospect.	<p>Where possible the School should use the purchase card for the purchase of goods and payment of services.</p> <p>On occasions where it is not possible to use the Purchase Card, an official order should be raised on SIMS for all committed expenditure. This should be done as soon as the commitment to expenditure is known.</p>	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
		This will ensure that the budgetary information on SIMS is as accurate as possible, has been authorised in the correct manner and there is a hard copy of the items ordered at the school which can be used to check against the subsequent delivery of goods and relevant invoice.	
5.6.3 Low	From a sample of 10 cheque payments reviewed it was noted that although a cheque authorisation slip was present for each payment, 3 had not been signed / initialled by any of the cheque signatories to demonstrate that the payment was correct before being issued.	Cheque authorisation slips should be signed by at least one of the cheque signatories to confirm that the details agree to the actual cheque payment.	Implemented

CHIEF EXECUTIVE**AUDIT NAME: WELSH CHURCH ACT FUND****DATE FINAL REPORT WAS ISSUED: 15/05/2018****INTRODUCTION**

The overall responsibility for managing the Welsh Church Act Fund lies with the Enterprise Team within the Regeneration & Planning Service (of the Chief Executive's Division), although the responsibility for managing the investments for the fund lies with the Treasury Management Team (within Corporate & Frontline Services).

The Welsh Church Act Fund provides grant assistance to organisations that have charitable or alms-giving purposes for capital expenditure only. The Grant can cover costs including repair and refurbishment to buildings, works to comply with the Equality Act, small items of equipment and other purposes which would benefit the community.

The Trust Fund is administered by Rhondda Cynon Taf County Borough Council on behalf of the borough and those of the Bridgend and Merthyr Tydfil areas. A revised guidance criteria was agreed and implemented for grants issued from the financial year 2016/2017 onwards. Applications to the fund are accepted throughout the year, with grants issued subject to meeting the award criteria.

SCOPE & OBJECTIVES

In accordance with the Internal Audit Plan for the financial year 2017/2018 as agreed by Audit Committee, a review of the key controls within the system was undertaken. Audit testing was carried out on a sample of grants awarded to establish whether the process for awarding grants from the fund is operating effectively.

The primary purpose of the audit review was to provide management with an opinion on the adequacy and effectiveness of the internal control system.

The objectives of the review were to ensure that;

- The process for awarding grants is appropriate and effective; and
- Individual grant awards are supported by an appropriate file of evidence.

AUDIT OPINION

The overall control environment in relation to the Welsh Church Act Fund is considered to be effective with opportunity for improvement.

The approval process was reviewed and found to be appropriate. All grant applications deemed eligible are forwarded to the Funding & Implementation Manager, Director of Regeneration and Cabinet Member for Enterprise Development & Housing for approval. Testing of the 7 grants identified that they were all approved appropriately with no conflict of interests identified. Discussion with the Team Manager (Enterprise) established that where there have been conflicts of interest, these have been declared and the individual 'removed' from the process.

The Service has developed Guidance Notes for applicants, which staff follow to assess an applicant's eligibility. Testing has identified that, overall, these Guidance Notes are being followed, but they are required to be updated to take into account changes implemented by Management since they were

developed. The Service did not have an up-to-date in-house procedure document.

A small number of instances where the Guidance Notes had not been followed were identified and Management has agreed to address this by speaking to staff in order to remind them of the required processes. Examples included:

- Testing identified that checklists were not completed in full and/or consistently.
- Evidence for one grant was received by email to confirm that no financial accounts had been produced for the organisation instead of a signed statement as per the guidance.
- One instance where payment had been made against an invoice which did not detail the nature of the goods/services provided.
- The Assessment Scoring Form had not been completed in full for 2 of the grants

By implementing the associated recommendations contained within this report, management will enhance further the standard of control.

SUMMARY OF RECOMMENDATIONS:

REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.1.1 Medium	<p>For both significant and standard projects, there are written guidance documents in place for applicants. However, the guidance documents are not dated (referred to as 'version 1' only). Discussion with the Team Leader (Enterprise) established that for applicants submitting an application prior to 1st April 2016 the application was processed under the old guidance, even if the funding was in 2016/2017. (This was not clear from the guidance however.).</p> <p>Moreover, the guidance issued states what is required from applicants but there is no current in-house procedure document detailing how applications are to be processed</p>	<p>Management should ensure that all guidance documents are dated so that it is clear when changes have been implemented.</p> <p>Management should create an in-house procedure document to ensure that current processes are documented.</p>	30 June 2018
5.1.2 Medium	<p>The Guidance Notes (both Significant and Standard) state that: <i>'Applications are invited from Churches, Chapels and Places of Public Worship, properly constituted Community Organisations and Charities who are able to evidence a bank account set up in the organisation's name at the address specified on the application form, and have at least three unrelated members on your governing body or Board of Directors;'</i></p>	<p>Management should revise the Application Form to include a statement (with a tick box) stating that if the condition is not met around having at least three unrelated members, this does not necessarily preclude a grant award.</p>	30 June 2018

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	<p>Discussion with the Team Leader (Enterprise) established that unless it is specified in the constitution of the organisation, it was not possible to identify if the organisations applying met this criteria. Moreover, the requirement is deemed 'good practice' rather than mandatory. It was identified during testing that the application form contains a disclaimer <i>'I can confirm that to the best of my knowledge and belief, all answers on this application form are true and accurate'</i>. However, the application form does not require the applicant to declare whether they have at least three unrelated members.</p>		
5.1.3 Medium	<p>The Guidance Notes (Significant and Standard) state that: <i>'Applications are invited from Churches, Chapels and Places of Public Worship, properly constituted Community Organisations and Charities who are able to evidence a bank account set up in the organisations name at the address specified on the application form'</i></p> <p>Testing established that for the smaller organisations the bank account address and organisation address may not always be the same, particularly if the organisation does not have a permanent location.</p> <p>For grant number XX63, the bank account address, constitution address and bank account address were all different and although evidence of challenge was identified, there was no file note to detail the rationale to support the decision to allow. For grant number XX62 the organisation's bank account address and location address also differed.</p> <p>Discussion with the Team Leader (Enterprise) established that this</p>	<p>Management should ensure that the checks/evidence required corresponds to that stipulated in the Guidance Note.</p> <p>If exceptions to the guidance are allowed in some circumstances, Management should ensure that the circumstances where flexibility to the guidance criteria can be applied should be documented in an in-house protocol and that the rationale for any exception is documented on the grant file/database.</p>	30 June 2018

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	<p>criterion is not always enforced. Testing also established that a bank statement is not requested unless the organisation is required to demonstrate evidence of match funding, instead, the applicant is only required to state the name, sort code and bank account number of the organisation's account (not the bank account address.)</p>		
5.1.4 Low	<p>For all 7 successful grant applications sampled, an Assessment of Scoring Form was found on the individual grant file. All 7 were signed by the officer completing the assessment. However, for grant numbers 2168 and 2254 the 'identified need' section of the proforma had not been completed.</p>	<p>Management should remind officers that the Assessment of Scoring Form should be completed in full.</p>	Implemented
5.1.5 Medium	<p>The Guidance Notes (Standard) state that: <i>'Applications for building works may be subject to a Quantity Surveyor's report as part of the assessment process. Payments will only be made following the Quantity Surveyor's final assessment of reasonable market value of works undertaken and may be less than the Contractor's valuation.</i> Whilst the Guidance Notes (Significant) state that <i>'If your project involves building works, we may ask our Surveyor to review your application to determine if your costs represent best value for money'</i></p> <p>For grant number XX85 an Initial Inspection Report was not requested due to time constraints; however, there was no file note documenting this.</p> <p>For grant number XX68, the incorrect company had been recorded as providing the lowest estimate. The error had been identified by the Grants Team officers, but subsequent correction had not been received from the surveyor.</p>	<p>Where a decision is made not to obtain an inspection report (i.e. no initial report due to time constraints.), the rationale for this decision should be recorded for clarity.</p> <p>Management should continue to challenge/report any further instances of reports not received and/or inaccurate wording. Wherever possible, the in-house surveyor should be chased-up to provide corrections.</p>	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	<p>For grant number XX85, the final inspection report contained some inaccuracies, which again were identified and challenged by the Enterprise Support Officer.</p> <p>Discussion with the Team Leader (Enterprise) confirmed that this was an ongoing issue and a meeting had been held recently to raise the issues and identify the information required by both parties going forward.</p>		
5.1.6 Medium	Testing established that payments were supported by original and timely invoices. There was however one exception i.e. for grant number XX54, an invoice was paid for £1,900.00 which did not detail the nature of the goods or services (although the amount and company corresponded with the original quotation).	Management should remind staff that invoices should be checked for completeness and payment only released if the invoices meet the required standard.	Implemented
5.1.7 Medium	The Grant Offer Letter states that work must be commenced within 3 months and requests that the section is informed of any delay. However, no formal check is undertaken to ensure that work has started within this timeframe.	Management should ensure that the terms of the Grant Letter are enforced, either by ensuring that a site visit is carried out and evidence that work has commenced is obtained or if the 3 month commencement date is not required to be adhered to rigidly then this should be removed from the Grant Offer Letter.	Implemented
5.1.8 Medium	<p>Projects are currently required to be undertaken within 9 months for a significant project and 6 months for a standard project. However, the 'significant project' guidance differs from the requirement stipulated on the application form and is documented erroneously as 6 months.</p> <p>Of the 7 projects selected, overruns were identified on 3 projects.</p>	<p>Project completion timescales should be reviewed for appropriateness.</p> <p>The Significant Guidance Note should be updated to reflect the correct project timescale.</p>	30 June 2018

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	Discussion with the Team Leader (Enterprise) established that there is no consistent documented protocol for chasing-up / approving extensions of time and the current timescales may not be feasible. The 3 overruns identified were chased up but not at consistent and agreed intervals.	Management should establish a formal protocol for dealing with extensions of times and apply this consistently across all projects. The subsequent rationale for the extension should also be documented along with the corresponding approval or refusal.	
5.2.1 Low	Testing identified that file checklists were not completed in full, as fields were left blank. Moreover, some fields where information was not required were crossed through and some recorded as not-applicable.	Staff should be reminded to complete checklists in full and have a consistent method of recording where the field is not-applicable i.e. either n/a or crossed through.	Implemented
5.2.2 Medium	<p>The Application Form (both standard and significant) state that: <i>'A signed copy of the latest audited annual accounts or an endorsed financial statement is required.....For organisations that are not required to produce a set of formal accounts, they must provide an endorsed financial statement. Organisations that have been recently set up and have not yet had any accounts produced, need to provide a written explanation signed by a Trustee and a bank statement in the name and address of the organisation'.</i></p> <p>For grant number XX63, an email was evidenced from one of the Trustees stating that no accounts have been produced yet; however, there was no signed statement in line with the requirements of the application form.</p> <p>For grant numbers XX 54, a set of accounts was evidenced but it had not been signed as audited.</p>	Management should ensure that the requirements stated on the application form reflect the evidence that is required to be obtained.	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.2.3 Medium	<p>The Application Form (both significant and standard) state that: <i>'Please enclose a signed and dated copy of the lease as supporting evidence with your application regardless of whether you wish to apply for physical building work or purchase of capital items. Please contact us if you do not have a lease with a minimum of 6 years remaining. Your application will be returned if you cannot evidence this requirement.'</i></p> <p>For grant number XX54, a lease was evidenced of 5 years remaining and the checklist details that this is acceptable in this scenario. There was however no in-house protocol in place detailing the circumstances in which exceptions to the guidance would be accepted.</p>	As per recommendation 5.1.1, if exceptions to the guidance are allowed in some circumstances, Management should ensure that the circumstances where flexibility to the guidance criteria can be applied should be documented in an in-house protocol.	30 June 2018
5.2.4 Medium	For grant number XX63, one of the conditions of the grant was that the item be stored in a locked cupboard. An entry on the database was evidenced to demonstrate that this was discussed with the applicant and that they confirmed that secure storage was in place; however, photographic evidence of this was not requested. It was also identified that there is no field on the checklist to document that all conditions have been met.	<p>Management should remind staff that where appropriate, photographic evidence that conditions have been met should be obtained.</p> <p>Consideration should also be given to updating the checklist with a field to complete when all conditions have been met.</p>	30 June 2018

COMMUNITY & CHILDREN'S SERVICES**AUDIT NAME: SINGLE POINT OF ACCESS****DATE FINAL REPORT WAS ISSUED: 22/05/2018****INTRODUCTION**

The overall responsibility for managing the Single Point of Access for housing-relating support lies with the Supporting People Team within the Public Health and Protection Division in Community and Children's Services.

The Single Point of Access is a gateway frontline support service which links individuals to housing support providers that provide essential help with managing a tenancy, dealing with other agencies and budgeting etc., which are integral parts of living independently. Temporary/permanent supported housing is also provided to prevent homelessness (excluding hostels/domestic violence refuges which are managed by the Housing Solutions Team and Woman's Aid respectively).

The processes now in place have been subject to significant change since the previous Supporting People Audit in 2013.

SCOPE & OBJECTIVES

In accordance with the Internal Audit Plan for the financial year 2017/2018 a review of the key controls within the system was undertaken. Audit testing was carried out on the referral process into the Single Point of Access to establish whether the process was operating effectively.

The specific objectives of the review were to ensure that:

- The referral process is operating appropriately and effectively (via a walk-through of the system);
- The Panel Approval Process is operating appropriately and effectively for the piloted scheme (with a view to rolling out to other projects); and
- Contract Monitoring is undertaken appropriately and effectively.

AUDIT OPINION

The overall control environment in relation to areas reviewed within the Single Point of Access is considered to be effective with opportunity for improvement. The processes in place have been subject to redesign and improvement since the previous audit review.

REFERRAL PROCESS

The processes and procedures for dealing with referrals were reviewed and a sample of 10 referrals selected to ensure that the process is operating appropriately and effectively.

The referrals are now recorded in a bespoke database and the process has been revised to ensure ease and accuracy of identifying need and that placements are awarded appropriately and on a timely basis.

This review identified that whilst the process for identifying those at the top of the waiting list was found to be appropriate, the waiting list was not saved at the specific point in time and as a result it may not always be easy to evidence, after the event, who was at the top of the waiting list at the time the placement was awarded.

Testing also identified 3 of the 8 referrals requiring an evaluation were not completed and 1 referral date was found to be incorrect by one day.

PANEL APPROVED PROCESS

Whereas for other provider placements, the placement is awarded to the individual who has been on the waiting list the longest, for St Martin's Close, a panel review process has been piloted whereby the suitability of individuals on the waiting list is assessed to ensure that the needs of the applicants and current residents is met.

This process is to be rolled out to other provider placements going forward. The panel consists of representatives from the provider, current placement provider if applicable, Housing Solutions and Supporting People Team.

The process was reviewed and found to be undertaken appropriately with the rationale for decisions documented and details of the decision-makers and outcome recorded. The meetings were held timely and clients housed promptly.

CONTRACT MONITORING

A review of contract monitoring processes and procedures was undertaken and reports evidenced. Monitoring is undertaken quarterly, six monthly and annually and is being refined, at present. Although reporting mechanisms were found to be robust, further consideration could be given to reviewing the format of reports to ensure that fields and format are consistent. It was also identified that void performance could be broken down into time taken to notify the Supporting Team and the subsequent time taken to fill the void.

By implementing the associated recommendations contained within this report, Management will enhance further the standard of control.

SUMMARY OF RECOMMENDATIONS:

REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.1.1 Low	Referrals are recorded on a bespoke spreadsheet formatted database. A sample of 10 referrals from 2017 was selected. For one referral the date received was 19 th April 2017 but was recorded incorrectly as 20 th April 2017. The referral was still forwarded within the requisite 7 days.	Management should correct the 'date received' in the database to reflect the actual referral date. Care should be taken to ensure that all data is input correctly at the referral stage.	Implemented
5.1.2 Medium	It was identified during the review that the database is filtered to see who is waiting for that provider, at the point of time that the vacancy has become available. It was, however, not easy to evidence who was on the waiting list, as the data is not captured at a point in time. It was identified during the review that it was possible to sort the database via date received, however, if placements are delayed due to risk or non-acceptance, then the trail may not be clear.	Management should assess whether it is feasible to capture the waiting list at a point in time and retain this electronically, as evidence of who was on the list at the time a vacancy became available.	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.1.3 Medium	<p>Provider evaluations are required to be completed to identify whether the service/placement achieved partially or in full the needs of the service user. 3 of the 8 placements requiring an evaluation did not have one completed.</p> <p>It was established during the review that exit surveys and client consultation are also undertaken on a sample basis to better understand the effectiveness of the support services.</p>	Management should ensure that evaluations are completed for all placements and returned to the Supporting People Team to collate and monitor overall effectiveness of the services provided.	Implemented
5.1.4 Medium	From a sample of 10 referrals selected, all were completed within the allotted time, with one exception, where a 2-week extension of time had been requested and granted. However, discussion with the Contract Monitoring Officer established that this would still be recorded as being completed within planned ending (i.e. originally allotted time).	Consideration should be given to recording referrals completed within an agreed extended period of time separately from those that finished within the original allotted time.	Implemented
5.2.1 Medium	<p>The panel process for St Martin's Close was reviewed to ensure that it was equitable and there was a clear trail for evidencing the rationale for who was awarded the placement.</p> <p>In all cases, where there was more than one person on the waiting list for the placement, the review process was documented appropriately, the rationale for the decision documented clearly and authorised appropriately. However as per recommendation 5.1.2, it was not easy to evidence who was on the waiting list at the time the panel convened as the data is not captured at a point in time.</p>	As per recommendation 5.1.2 Management should assess whether it is feasible to capture the waiting list at a point in time and retain this electronically, as evidence of who was on the list at the time a vacancy became available.	Implemented
5.3.1 Low	Annual, 6-monthly and 3-monthly monitoring of providers' performance is undertaken to ensure that provider performance is appropriate and effective.	The Monitoring Reports should be populated with all the standard areas to review, mandatory and optional, with scope for additional targeted monitoring. The Contract	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	Although there is a standard monitoring framework for the Contract Monitoring Reviews, a review identified that not all categories are completed for each and it is not clear if any of the fields are mandatory.	Monitoring Officer would then be required to complete the fields, as well as detailing the additional targeted monitoring feedback. Where a section is not reviewed/monitored during that quarter, then the section should still be recorded in the report and 'not reviewed' recorded in the box.	
5.3.2 Low	Within the 3-monthly/6-monthly monitoring reports, actions going forward are identified and recorded, but it is not clear if all previous actions have been implemented.	Consideration should be given to implementing a specific field/box in the reports for previous actions, so that it is clear that all previous recommendations have been checked and implemented.	Implemented
5.3.3 Medium	Within the 3-monthly and 6-monthly monitoring reports, void percentages (percentage of time that the placement is unfilled) are recorded and it is made clear that further voids over 10% may be clawed back but no optimum target has been set for benchmarking i.e. keeping voids below 5% for example. Moreover, there is no indication of whether void percentages have improved / declined as performance in previous periods is not detailed. The Void percentages are also not broken down into time taken for voids to be notified to the Supporting People Team and then the subsequent time taken to fill the void, which would provide more meaningful management information. Discussion with the Contract Monitoring Officer established that the	Consideration should be given to including a target for voids monitoring and also the performance against the target detailed for previous quarters to demonstrate whether performance has improved or not. In addition, consideration should be given to breaking down the void performance statistics into time taken for voids to be notified to the Supporting People Team and the subsequent time taken to fill the void.	Implemented

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	number of days it takes for the provider to report the void is monitored in arrears through the 4 weekly returns, but is not recorded formally for performance monitoring purposes.		
5.3.4 Medium	An element of outcome monitoring is included in the 3-monthly and 6-monthly reports but reporting centres on accuracy of outcomes with those reported rather than an assessment of how effective the support has been.	Consideration should be given to including an analysis of how effective support has been rather than just whether the data that has been provided is accurate.	Implemented
5.3.5 Medium	Annual monitoring reports contain a series of statistical data but it is not always clear how this equates to improving/declining performance in the absence of targets/benchmarking and/or subsequent analysis of the data compared to previous performance.	Management should consider setting defined targets and including a comparison with past performance into the annual report. Consideration should also be given to including analysis/interpretation of the statistical data in order to provide a more meaningful overview of performance.	Implemented

CORPORATE & FRONTLINE SERVICES**AUDIT NAME: TAXATION****DATE FINAL REPORT WAS ISSUED: 04/06/2018****INTRODUCTION**

Value Added Tax (VAT) was introduced to the UK in April 1973 and is administered by Her Majesty's Revenues and Customs (HMRC). The Council is VAT registered and, therefore, VAT is a tax chargeable on the value added by this Council for the supply of goods and services.

At present there are 5 VAT rates:-

- Taxable Standard Rate (ST) 20%
- Reduced Rate (SU) 5%
- Zero Rate (ZR) 0%
- Non Taxable Exempt (EX)
- Non Business Outside of Scope (OS)

The circumstances in which these rates apply vary according to the goods or services being supplied.

The Council prepares and submits returns on a monthly basis in order to reclaim VAT. The Capital, Grants & Taxation Team prepare the returns, which are based on reports generated from the Council's finance systems.

In the late 1980's legislation was introduced which gave HMRC greater powers against those who failed to comply with VAT regulations. The result has been that failure to charge VAT appropriately on income or the reclaiming of VAT inappropriately on expenditure now attracts, at least, an interest charge by HMRC; in the case of larger sums a mis-declaration penalty may also be imposed.

Purchasing Cards

In line with the scope and objectives for this review (see below), there are 429 purchase cards in circulation at 245 locations. Purchasing card use has increased significantly from £1.2m in 2010/11 to an average of £2.3m per month in 2017/18.

Taxation/VAT is considered to be a potential high risk area and as such is incorporated into the Audit Plan on an annual basis.

SCOPE & OBJECTIVES

In accordance with the agreed Internal Audit Plan for the Financial Year 2017/2018 a review of Taxation was undertaken specifically focusing on the Council's administration of VAT.

The specific control objectives examined was to ensure that:

- VAT on Purchase Card transactions is being correctly administered;
- VAT is being correctly accounted for on all foreign transactions.

AUDIT OPINION

Overall the control environment specifically relating to the administration of VAT is considered to be effective with opportunity for improvement. It was established that all new purchase card holders receive personal training and they receive a copy of the Purchase Card Manual. There is a designated VAT team based at Bronwydd site who undertake establishment visits to review transactions and offer VAT advice as required. Purchase Cards also form part of the internal audit testing programme at establishment reviews such as schools, homes for the elderly and leisure centres; all findings are included in the audit reports to management.

VAT on Purchase Card Transactions

A sample of purchase card holders were visited to examine their records and the following themes have been identified:

- Purchases are not always correctly accounting for VAT.
- Receipts are not always present to support the purchases made.
- Evidence was not always present to support the supplier having a valid UK VAT registration number.
- Purchases are not always reconciled at the period end and VAT is, therefore, not correctly accounted for by the card holder/authoriser.

Foreign Purchase Card Transactions

If purchases are made within the European Union (EU) using a purchasing card the supplier needs to be advised that the Council is a UK VAT registered organisation. The supplier will then charge the Council the net cost of the goods or services, which is processed outside the scope of VAT. The purchasing card user then needs to advise the VAT team and provide a copy of the appropriate backing documentation so the 'reverse charge' procedure can be carried out whereby the Council is charged VAT and this VAT is reclaimed back within the monthly VAT return so there is no effect on the Council.

If the supplier is not advised the Council is a UK VAT registered organisation they will charge the Council the net cost of the goods or services plus VAT, at the rate specific to that country. The Council is unable to reclaim this VAT and will have to incur the gross cost, outside the scope of VAT.

If purchases are made outside of the EU the Council is unable to reclaim any VAT or taxes (if applicable) and will have to incur the gross cost, outside the scope of VAT.

Examination of a sample of 19 Purchase Card transactions made in a foreign currency (5 in US Dollars and 14 in Euros) established that on one transaction VAT of £72.86 had been incorrectly reclaimed.

The Purchase Card Manual does not include any advice on reverse charges and the advice is limited generally on the treatment of VAT on purchases made. The VAT team should liaise with the Purchase Card team to enhance the procedures for staff to follow.

The recommendations in the report will help ensure the necessary improvements in management control are made and also ensure compliance with HMRC guidelines.

SUMMARY OF RECOMMENDATIONS:

REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.1.1	VAT must be correctly accounted for on all purchase card transactions.	All purchase card transactions should correctly account for VAT. To support this full	31 July 2018

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
High	<p>Examination of a sample of 221 purchases made by 11 different card holders identified that:-</p> <ul style="list-style-type: none"> • 26 purchases had no receipts / invoices present to support the VAT treatment of each. • 54 purchases may have incorrectly accounted for VAT - receipts / invoices were present but not always comprehensive. • Transactions are occasionally forced through by the system administrator if the purchases are not reconciled at the end of the period – this results in no VAT being reclaimed (if applicable). • Evidence was not always sought to ensure that suppliers have a valid UK VAT registration number which would enable VAT (if applicable) to be reclaimed. 	<p>receipts / invoices should always be requested and retained for all purchases.</p> <p>The Corporate Purchase Card Manual should be updated to contain more comprehensive details on the treatment of VAT and this amended document should be distributed to all card holders.</p> <p>All purchase card holders / authorisers should be reminded that at the end of each period the system should be fully reconciled and all applicable VAT correctly reclaimed.</p> <p>If users fail to undertake the monthly reconciliation process, the Purchase Card administrator should inform the card holder's line manager that further no compliance may result in deactivation of the card.</p>	
5.2.1 Medium	<p>Purchase cards can be used to make purchases from retailers Worldwide.</p> <p>However, if purchases are made from countries within the European Union the supplier needs to be informed that the Council is a UK VAT registered organisation and the reverse charges procedure adhered to.</p> <p>Procurement has developed a Corporate Purchase Card Manual, however, it was established that it includes no reference to the</p>	<p>The Corporate Purchasing Card Manual should be updated to include the VAT treatment on the purchase of goods from suppliers outside the UK. The revised manual should be distributed to all card holders.</p> <p>The VAT team should ensure that VAT is being correctly accounted for on all</p>	31 July 2018

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	<p>treatment of VAT on purchases made from suppliers that are based outside of the UK.</p> <p>A sample of 14 purchase card payments made in Euros were examined to establish whether VAT had been correctly treated on each. It was established that VAT had been incorrectly reclaimed on a transaction, as follows:-</p> <ul style="list-style-type: none"> • 06/07/17 Supplier - Translated.net VAT of £72.86 incorrectly reclaimed as it is not UK VAT. <p>A sample of 5 purchase card payments made in dollars were also examined to establish whether VAT has been correctly treated on each. All had been treated correctly.</p>	<p>purchases made from suppliers outside the UK.</p>	

AUDIT NAME: CREDITORS IR35

DATE FINAL REPORT WAS ISSUED: 29/06/2018

INTRODUCTION

The overall responsibility for the Creditors function lies with the Group Director, Corporate & Frontline Services and is managed by the Payroll & Payments Services Manager, who in turn reports to the Head of Pensions, Payroll and Payments.

HMRC issued revised Legislation in April 2017 (IR35) in respect of ascertaining employment status. Any service area (including schools) wishing to employ the services of an external entity must complete an online Employment Status check. The new online questionnaire covers Sole Traders and Personal Services Companies (PSCs). The result of the check will determine how the entity will be paid. To comply with IR35 regulations, the Payroll Section have set up a separate payroll in order to pay any PSCs that fall 'in scope' under the Legislation.

Guidance has been issued to all service areas of the Council (including schools) and training on the new Regulations has been rolled-out. HMRC have the authority to impose financial penalties for failing to undertake the employment status checks.

SCOPE & OBJECTIVES

In accordance with the Internal Audit Plan for financial year 2018/19, as agreed by Audit Committee, a review of compliance with the IR35 requirements was undertaken.

Audit testing focused on a sample of schools (both Comprehensive and Primary) to ensure that the revised procedures are being followed. The specific control objectives was:

- To ensure that schools are completing / undertaking the employment status checklist prior to engaging and paying and external entity.

AUDIT OPINION

Overall the control environment in respect of the completion of the Employment Status checklist to ensure IR35 compliance is considered to be effective with opportunity for improvement.

IR35 came into effect in April 2017 replacing the previous HMRC requirements. In support of the new requirements, detailed guidance was developed to compliment the revised HMRC on-line assessment tool, which was circulated to all service areas and schools with supporting training and awareness sessions taking place.

Since April 2017, the following information helps to demonstrate the impact of robust IR35 checks being undertaken:

- 14 companies had been set-up on the Council's 'worker' payroll with another due to join in July 2018.
 - To date, the Council has paid £232k through the new 'workers' payroll with the appropriate tax and national insurance passed to HMRC.

Management has indicated that a small number of providers have decided not to provide services to the Council, as they did not agree with the Council's IR35 assessment.

In respect of schools, it was evident that the majority of schools visited were aware of the requirement to undertake an employment status check as they were able to provide supporting documentation to confirm compliance. However, inconsistencies were identified because these checks were not undertaken for all entities that may be affected by the IR35 requirements. In addition to checks not always being undertaken, the following issues were also noted:

- Occasions were identified where checks were completed retrospectively i.e. after the provider was in place, delivering services; and

- Engagements were made on the basis of a checklist completed by another school who were using the same provider (although not necessarily in the same capacity).

A central 'approved list' of providers has been introduced by Payroll & Payment Services and is populated as and when new entities are checked and approved. Schools are able to refer to this list if they want to appoint a provider who has previously been used and centrally agreed. This list was last issued to all schools in October 2017; however as this list has the potential to continuously change, it is recommended that this list be periodically re-issued to all schools as a useful source of information.

It would also be an opportune time to re-issue the guidance previously circulated to all schools to reinforce the requirements that must be followed and this cascaded down to teaching staff and other individuals who may be engaging with external service providers.

Implementing the recommendations contained within this report should enhance the control environment further.

SUMMARY OF RECOMMENDATIONS:

REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.1.1 High	<p>The new IR35 Regulations came into effect in April 2017 and detailed guidance and flowcharts were circulated to all schools via e-mail on 8th May 2017 with training and awareness sessions held during June and July for Headteachers and relevant staff.</p> <p>Discussion at each of the 12 schools visited identified that due to the nature of many appointments (i.e. music tuition, sports provision, drama workshop), providers are often engaged by teaching staff or Heads of Department, with information relating to the engagement not provided to the office until after the service has been provided.</p> <p>Office staff are therefore unaware of the engagement (often until payment for the service is required) and are unable to carry out the necessary Employment Status checks prior to appointment.</p> <p>This was found to be the case in the majority of the 12 schools visited.</p>	<p>All Headteachers should be reminded of the requirements of the IR35 Regulations.</p> <p>These requirements should also be cascaded down to teaching staff who should not engage with any potential provider for the provision of services until the necessary IR35 checks have been undertaken by the office staff and the entity correctly classified.</p>	30 th June 2018
5.1.2 High	<p>A review of the procedures followed at a sample of 12 schools (both Primary and Comprehensive) identified that at 8 of the 12 schools payments have been made to individuals or PSC's and the Employment Status checklist were not completed prior to the</p>	<p>Before a School engages with an external entity for the provision of services, they must review the employment status using the HMRC online tool.</p>	30 th June 2018

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	appointments being made and or were completed retrospectively after services were rendered.	Consideration should be given to the IR35 Regulations being re issued to all Schools to remind them of their responsibilities together with an updated 'approved list' for reference (see 5.1.5).	
5.1.3 High	It was noted that for 1 of the 12 schools examined a payment to a music tutor had been processed and paid for via the School Private Fund. Furthermore, whilst an Employment Status checklist was present for this individual, this had been completed by another school (see 5.1.5)	Payments to music tutors fall outside the scope of the School Private Fund Regulations and should be processed through the school's budget account in future. <i>Internal Audit has informed the School in question.</i> Before a School engages with an external entity for the provision of services, they must review the employment status using the HMRC online tool or consult the 'approved list' which is compiled by Payroll & Payment Services.	30 th June 2018
5.1.4 Low	Since the introduction of the IR35 Regulations, Payroll & Payment Services have been compiling and populating an 'approved list' of providers which have been checked and approved in respect of IR35 status. This document is continuously changing as new providers are added and referrals received from schools. At the time of the audit review, the latest 'approved list' distributed to schools was on 20 th October 2017.	Consideration should be given to distributing the 'approved list' of providers more frequently to schools i.e. quarterly, termly etc. This is particularly important as the new IR35 Regulations are still in their infancy and the list of providers is continuously growing.	Implemented
5.1.5	One occasion was noted where a school had used the Employment Status checklist that another school had completed, as the same provider was being engaged.	The sharing of completed checklists by schools should be discontinued.	30 th June 2018

SUMMARY OF RECOMMENDATIONS:

REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
Medium	Whilst in theory this would save time for schools engaging providers, it would also require each individual arrangement with the prospective provider being identical in each school, and the checklist being accurately completed.	Schools should only use the 'approved list' held by the Payroll & Payment Service.	

WHOLE AUTHORITY ARRANGEMENTS**AUDIT NAME: PERFORMANCE INDICATORS****DATE FINAL REPORT WAS ISSUED: 04/06/2018****INTRODUCTION**

The Council regularly measures the performance of delivery across all its service areas, using a combination of national and local Performance Indicators. Performance Indicators are measured against agreed targets (where targets have been set) and the results are reported in the public domain. This framework of performance information provides the primary intelligence to enable the Council to manage performance against key strategic priorities, service / policy objectives and also local priorities specific to the needs of Rhondda Cynon Taf. Key indicators are also used for comparison purposes with other Councils.

Each PI has been assigned an owner who is responsible for declaring the methodology and accuracy of the calculation via the pro-forma Self Assessment Form. The in-year production and review of this performance information enables service managers to measure their service. PI owners are supported by the Performance Team based in the Finance Division, within the Corporate and Frontline Services Group.

SCOPE & OBJECTIVES

In accordance with the Internal Audit Plan for financial year 2017/18, agreed by Audit Committee, a review of a selection of Performance Indicators was undertaken.

The primary purpose of the review was to independently assess the sampled Performance Indicators and provide an opinion on the accuracy of the reported data.

To achieve this, the following key objectives were identified.

- That the methodology used to collect the statistical data is consistent with the agreed definition of each Performance Indicator;
- That the data used to calculate each PI has been correctly captured from prime documents / primary sources; and
- That the calculation was arithmetically accurate.

AUDIT OPINION

Overall, the control environment is considered to be effective with opportunity for improvement.

Assurance can be given that each Performance Indicator examined had appropriate definitions and methodologies and were implemented in line with the aims of those definitions and methodologies. Supporting data was available in most cases and reliance may be placed on the calculations for 15 of the 17 Performance Indicators examined.

For the remaining two Performance Indicators, one indicator (the no. of visits to public libraries during the year per 1,000 population) had been reported using inconsistent methods of collecting information. It was also noted that the electronic collection systems used to record information at libraries had an 85% accuracy rating.

For the other indicator (no. of businesses / organizations supported through grant support programmes), 11 of the 57 Enterprise Support Programme (ESP) businesses supported did not provide any evidence to support jobs created, which is a key element of the Terms and Conditions of the grant. As these businesses did not provide evidence of job creation, they were not included within the reported figures for that Indicator (LRGN008). Although it is accepted that these businesses were supported by the ESP grant, Internal Audit feel that for consistency, these 11 businesses should also not be included within LRG009 as the businesses did not provide sufficient evidence to fully meet the Terms and Conditions of the grant.

The quality assurance reviews previously put into place by the Corporate Performance Team had not taken place for any of the Performance Indicators examined.

SUMMARY OF RECOMMENDATIONS:

REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.1.1 High	<p>Each service area is responsible for the collection, monitoring and reporting of performance indicators (Guidance and support is provided by the Performance Team).</p> <p>Previous Internal Audit reviews recommended the introduction of routine quality assurance mechanisms to check the quality of reported data. The service indicated that a more targeted approach would be deployed during 2017 in line with resources available.</p> <p>It was found during the review that of the 17 Performance Indicators sampled, none had been reviewed by the Performance Team since the last audit report.</p>	<p>As previously recommended, the Performance Team should implement a rolling programme to sample check Performance Indicators throughout the Council.</p> <p>This should help to ensure that reliance can be placed on the Performance Indicators on an ongoing basis throughout the year and not just when internally and externally audited.</p>	31 July 2018
5.1.2 High	<p>From a sample of 17 Performance Indicators examined, it was found that 15 had been accurately reported. The 2 that had not were: -</p> <p>Libraries LCL001b/PAM016 - The number of visits to public libraries during the year per 1000 population</p> <p>It was found that the figure reported (3,950 visits per 1,000 population)</p>	<p>Service Management must ensure that the figure reported for each performance indicator is supported by source data and is accurate.</p> <p>Service Management should also ensure any data that is not received is chased up and obtained for reporting.</p>	31 July 2018

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	<p>has been reported in line with the correct Definition and Methodology. However, it was identified during the review that the processes used to calculate the number of visits varies at each library, with each library having differing people counters that are used to calculate the reported figure. As stated by the Principal Librarian, who is responsible for calculating this Performance Indicator, it is thought the counters are 85% accurate, meaning that the figure reported cannot be relied upon as being 100% accurate.</p> <p>Regeneration & Planning LRGN009 - No. of businesses/ organisations supported through grant support programmes</p> <p>Whilst the total jobs created (LRGN008) reconciled, 11 of the 57 Enterprise Support Programme (ESP) businesses supported did not provide any evidence to support jobs created, which is a key element of the Terms and Conditions of the grant.</p> <p>As they have not met the Terms and Condition of the ESP grant, the reported figure should be 46 businesses.</p> <p>For the 11 supported businesses not meeting the Terms and Conditions of the grant, it has been decided that no clawback of the grants is to be undertaken, although again within the Terms and Conditions this is an option for insufficient evidence.</p> <p>Additionally, clarity needs to be provided in respect of the following Performance Indicators: -</p>	<p>The source data must be challenged and reviewed prior to figures being reported publically.</p>	

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	<p>Education</p> <ul style="list-style-type: none"> • LEDU501 - % difference between pupils eligible for FSM and non-FSM who were assessed at the end of the Foundation phase (Year 2, typically aged 7) who achieved the Foundation phase indicator • LEDU242 - % pupils eligible for FSM assessed at the end of KS3 (Year 9, typically aged 14) achieving the Core Subject indicator <p>The reported figures are correct based on data provided by Welsh Government to the Council. The data provider/verifier has been identified as the Data, Quality and Intelligence Unit Manager employed at the Joint Education Service (JES).</p>		
5.1.3 Medium	<p>The Performance Team has introduced a comprehensive Definition and Methodology document which is to be completed for each Performance Indicator. For all 17 sampled Performance Indicators it was found that each had a Definition and Methodology in place.</p> <p>However, several had not been updated since their review by the Performance Team and resubmitted.</p>	<p>The Performance Team should ensure that a Definition and Methodology for each Performance Indicator in the new format is fully completed, up to date, agreed and retained.</p> <p>Officers should also be reminded that any amendments to these documents should be notified to the Performance Team, with a possible cut off date for such amendments made each year.</p>	30 September 2018

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