



**CYNGOR BWRDEISTREF SIROL**  
**RHONDDA CYNON TAF**  
**COUNTY BOROUGH COUNCIL**

**GWŶS I GYFARFOD O'R CYNGOR**

C.Hanagan  
Cyfarwyddwr Gwasanaeth y Gwasanaethau Democrataidd a Chyfathrebu  
Cyngor Bwrdeistref Sirol Rhondda Cynon Taf  
Y Pafiliynau  
Parc Hen Lofa'r Cambrian  
Cwm Clydach, CF40 2XX

Dolen gyswllt: Hannah Williams - Uned Busnes y Cyngor - Gwasanaethau  
Llywodraethol (01443 424062)

**DYMA WŶS I CHI** i gyfarfod o **Pwyllgor ARCHWILIO** yn cael ei gynnal yn **Siambwr y Cyngor, Y Pafiliynau, Parc Hen Lofa'r Cambrian, Cwm Clydach, Tonypanyd CF40 2XX** ar **Dydd LLUN, 10FED MEHEFIN, 2019** am **5.00 PM.**

Caiff Aelodau nad ydyn nhw'n aelodau o'r pwyllgor ac aelodau o'r cyhoedd gyfrannu yn y cyfarfod ar faterion y cyfarfod er bydd y cais yn ôl doethineb y Cadeirydd. Gofynnwn i chi roi gwybod i Wasanaethau Democrataidd erbyn Dydd Iau, 6 Mehefin 2019 trwy ddefnyddio'r manylion cyswllt uchod, gan gynnwys rhoi gwybod a fyddwch chi'n siarad Cymraeg neu Saesneg.

**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. PENODI CADEIRYDD**

Penodi Cadeirydd y Pwyllgor Archwilio ar gyfer Blwyddyn 2019/20 y Cyngor.

**3. PENODI IS-GADEIRYDD**

Penodi Is-gadeirydd y Pwyllgor Archwilio ar gyfer Blwyddyn 2019/20 y Cyngor.

**4. COFNODION**

Derbyn cofnodion o gyfarfod blaenorol y Pwyllgor Archwilio a gafodd ei gynnal ar 29 Ebrill 2019.

**3 - 8**

**5. TROSOLWG O BOLISI'AU CYFRIFYDDU**

**9 - 18**

**6. DATGANIADAU CYFRIFON DRAFFT 2018/19 (GAN GYNNWYS  
DIWEDDARIAD AR LAFAR GAN SWYDDFA ARCHWILIO CYMRU  
AR GYNNYDD YR ARCHWILIAD)**

**19 - 292**

**7. ASEINIADAU ARCHWILIO TERFYNOL**

**293 - 320**

**8. MATERION BRYD**

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

**Cyfarwyddwr Gwasanaeth y Gwasanaethau Democrataidd a Chyfathrebu  
Cylchreliad:-**

**Y Cynghorwyr Bwrdeistref Sirol:**

Y Cynghorydd G Caple, Y Cynghorydd A Cox, Y Cynghorydd J Cullwick,  
Y Cynghorydd M Fidler-Jones, Y Cynghorydd M Adams, Y Cynghorydd M Powell,  
Y Cynghorydd G Davies, Y Cynghorydd M Norris, Y Cynghorydd R Yeo,  
Y Cynghorydd Owen-Jones, Y Cynghorydd S Rees, Y Cynghorydd G Hughes,  
Y Cynghorydd S Powell ac Y Cynghorydd J James

Aelod Lleyg – Mr R. Hull

## **RHONDDA CYNON TAF COUNCIL AUDIT COMMITTEE**

Minutes of the meeting of the Audit Committee held on Monday, 29 April 2019 at 5.00 pm at the Council Chamber, The Pavilions, Cambrian Park, Clydach Vale, Tonypany, CF40 2XX.

### **Audit Committee Members in attendance:**

Mr R. Hull – Chair

### **County Borough Councillors:**

Councillor G Caple	Councillor A Cox
Councillor J Cullwick	Councillor M Fidler Jones
Councillor M Adams	Councillor H Boggis
Councillor R Yeo	Councillor G Davies
Councillor M Norris	Councillor E Webster
Councillor D Owen-Jones	Councillor S Rees

### **Officers in attendance**

Mr P Griffiths, Service Director – Finance & Improvement Services  
Mr A Wilkins, Director of Legal Services  
Mr M Crumbie, Head of Procurement Delivery  
Ms L Cumpston, Group Audit Manager  
Mr M Thomas, Head of Regional Audit Service  
Mr. M. Jones, Wales Audit Office

#### **68 Apology for Absence**

Apologies for absence were received from County Borough Councillors R. Smith. J. Elliott and M. Powell.

#### **69 Declaration of Interest**

In accordance with the Council's Code of Conduct, there were no declarations made pertaining to the agenda.

#### **70 Minutes**

It was **RESOLVED** to approve the minutes of the 25<sup>th</sup> March 2019 as an accurate reflection of the meeting, subject to the inclusion of Ms L Cumpston as in attendance.

#### **71 Matters Arising**

Minute No. 59: The Service Director, Finance & Improvement Services confirmed that the follow up review of Ysgol Llanhari had been included within the Quarter 1 Work Plan for 2019/20 and would take place in three months, as requested by Audit Committee.

**72 Wales Audit Office - 2019 Audit Plan - Rhondda Cynon Taf County Borough Council**

Mr Jones of the Wales Audit Office presented to the Committee the 2019 Plan for Rhondda Cynon Taf County Borough Council.

Prior to his presentation, Mr Jones took the opportunity to advise Members that the Council were making good progress to meet the earlier closure of accounts timescales.

Mr Jones explained that the Wales Audit Office sought to develop an approach which focuses on addressing specific risks whilst providing assurance for the Council's Statement of Accounts as a whole (and indicated that this approach also applied to the audit of the Rhondda Cynon Taf Pension Fund). He added that the audit approach before Members consisted of three phases: Planning, Execution and Concluding/Reporting.

Mr Jones went on to outline 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 Central South Consortium Joint Education Service Joint Committee, Limited Assurance Report for the Llwydcoed Crematorium Joint Committee and audit of the Welsh Church Act Fund.

Referring to Exhibit 4 of the report, Mr Jones advised that the proposed 2019 external Audit fee of £359,599 was slightly less than the previous year's fee of £369,553.

In response to a query regarding the complaints procedure and specifically if an elected Member were to note any potential wrongdoing within the Council, Mr Jones advised that in the first instance, it would be appropriate to attempt to find a resolution via the Council's existing arrangements / procedures. Mr Jones went on to indicate that should an issue be considered unresolved, an informal complaint or formal complaint can be made to the Wales Audit Office under the Public Disclosure Act, whereby the issue would be considered.

Another Member requested feedback on whether the earlier deadlines for the completion of the closure of accounts process was challenging. The Service Director, Finance & Improvement Services fed back that although the timescales represent a significant challenge, the Council has established a robust approach to enable the earlier timescales to be met through upfront planning, effective record keeping and sound quality assurance arrangements, and highly competent and experienced officers. The Service Director added that Council Officers and Wales Audit Office Officers have and will continue to work closely together to effectively support the audit process and ensure the Council is well placed to meet the earlier statutory timescales.

Following discussion, the Audit Committee **RESOLVED** to acknowledge the content of the 2019 Audit Plan for Rhondda Cynon Taf County Borough Council.

**73 Wales Audit Office - 2019 Audit Plan - Rhondda Cynon Taf Pension Fund**

Mr Jones of the Wales Audit Office presented to the Committee the 2019 Plan for Rhondda Cynon Taf Pension Fund.

Referring to Exhibit 4 of the report, Mr Jones advised that the proposed 2019

external Audit fee of £39,385 was the same as the fee in the previous year.

Discussions ensued around the Local Government Pension Scheme (LGPS) in relation to Elected Members. It was suggested that the Council's Pensions Officer should attend a future meeting of the Committee to provide an overview of the remit of the Audit Committee in relation to the Pension Fund, to further assist Members with discharging their responsibilities. Members were informed that specific enquiries in respect of their personal LGPS arrangements can be raised directly with the Pensions Department.

Following discussion, the Audit Committee **RESOLVED:**

- a) To acknowledge the content of the 2019 Audit Plans for Rhondda Cynon Taf County Borough Council and Rhondda Cynon Taf Pension Fund; and
- b) That the Service Director, Pensions, Procurement & Transactional Services attend a future meeting of the Audit Committee to provide an overview of the governance arrangements in respect of the Pension Fund.

#### **74 Internal Audit - Finalised Audit Assignments 2018/19**

**(Note:** At this point in proceedings, County Borough Councillor A. Cox declared the following personal interest: "My daughter attends Ysgol Gyfun Cwm Rhondda").

The Service Director, Finance & Improvement Services introduced the report of the Director of Finance and Digital Services in respect of the audit assignments completed between 12<sup>th</sup> March 2019 and 12<sup>th</sup> April 2019:

- Disaster Recovery – Follow up;
- Treasury Management;
- Cwmaman Primary School;
- Parc Primary School;
- Ysgol Gyfun Cwm Rhondda; and
- Mountain Ash Comprehensive School – Purchase Card follow up.

In respect of the Disaster Recovery follow up review, one Member queried the difference between the Disaster Recovery Technical Plan and the Virtualisation Environment Disaster Recovery Technical Plan, and the officer advised that the information would be reported back to Members at the next Audit Committee meeting.

With regard to the Cwmaman Primary School update, one Member felt that it was unreasonable to ask the School to consider the introduction of a secure cash collection from LOOMIS. The Regional Head of Audit explained that the recommendation was not mandatory and was instead for the School's consideration.

When considering the Parc Primary School audit report, one Member referred to 5.2.1 of the report, suggesting that the implementation date of 31<sup>st</sup> July 2019 for the School to ensure that all residential visits/adventure activities are approved at least 28 days before the visit was too late and should be brought forward to include all summer events. The Service Director advised that the amendment would be put forward to the School.

In respect of the Ysgol Gyfun Cwm Rhondda audit report, one Member queried

whether all of the recommendations reported as implemented have indeed been implemented. The Service Director advised that the status of each recommendation reported as implemented would be checked by Internal Audit, with the outcome being reported to the next meeting of the Committee.

Discussions ensued around the follow-up review of Mountain Ash Comprehensive School Purchase Card, with Members expressing concerns in respect of the high priority recommendations reported as not having been fully implemented.

Following consideration of the outcomes of the assignments, it was **RESOLVED:-**

1. To receive and acknowledge the information contained within the report;
2. The difference between the Disaster Recovery Technical Plan and the Virtualisation Environment Disaster Recovery Technical Plan would be reported back to the next Committee.
3. The Committee's comments in respect of Parc Primary School be relayed to the School.
4. That in respect of the Ysgol Gyfun Cwm Rhondda audit report, the Internal Audit Service would check the status of the recommendations reported as implemented and report the outcome back to the next Committee.
5. That Internal Audit update the Director of Education and Inclusion Services on the position for Mountain Ash Comprehensive School and request that contact is made with the School to relay Audit Committee's feedback.
6. That a follow-up audit be undertaken at Mountain Ash Comprehensive School in 6 months to specifically review the area of Purchase Card, with the findings reported back to the Audit Committee for consideration.

## **75 Local Code of Corporate Governance**

The Service Director, Finance & Improvement Services provided the Audit Committee with the Council's draft Local Code of Corporate Governance for publication on the Council's website.

The Service Director explained that it was a requirement of the Council to develop a Local Code of Corporate Governance to ensure the key policies and procedures that comprise the Council's governance arrangements are set out in one easily accessible document.

When questioned about the benefits of the Local Code the officer advised that if approved, it would be included within the governance section of the Council's website to promote the Council's governance arrangements to elected Councillors and stakeholders. The officer added that the information will also be used to raise awareness of the Council's governance arrangements internally.

The Audit Committee **RESOLVED:**

- a) To approve the draft Local Code of Corporate Governance; and
- b) That the Local Code of Corporate Governance be published on the Council's website.

**76 Annual Governance Statement 2018/19 (incorporating a progress update on 2017/18 proposals for improvement)**

The Head of Procurement Delivery provided the Audit Committee with the Council's draft Annual Governance Statement for the 2018/19 financial year.

Following questions and comments from Members, it was **RESOLVED**:

- a) To recommend its certification by the Leader of the Council and the Chief Executive in readiness for inclusion within the Council's 2018/19 draft certified Statement of Accounts.
- b) In the event that reports from relevant External Inspectors be provided to the Council before the Statement of Accounts are certified, authorise the Director of Finance and Digital Services to include reference within the Annual Governance Statement.

**This meeting closed at 6.00 pm**

**R Hull  
Chairman.**

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# Rhondda Cynon Taf CBC

Audit Committee – 10<sup>th</sup> June

## Statement of Accounts 2018/19

### Overview of Accounting Policies

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Agendwm 5

# Purpose

- To provide Audit Committee with an overview of the Accounting Policies and critical judgements applied in preparing the draft Statements of Account
- To aid Audit Committee in its role in the approval process of the Council's Statement of Accounts

# Contents

- Governance Framework
- Timescales
- What is an Accounting Policy?
- Accounting Policies Disclosed
- Critical Judgements in applying Accounting Policies
- Assumptions about the future and other sources of estimation uncertainty

# Governance Framework

1. CIPFA Code of Practice on Local Authority Accounting in the UK 2018/19
2. Accounts and Audit (Wales) Regulations 2014 (as updated)
3. Public Audit (Wales) Act 2004
4. Local Government Measure 2011

# Timescales

(as defined by Accounts and Audit regulations)

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

# What is an Accounting Policy?

1. What is an Accounting Policy?
2. Only required if significant
3. Chief Finance Officer responsibilities
4. Changes to Accounting Policy

# Accounting policies disclosed

Policy	Rhondda Cynon Taf CBC	Pension Fund	Central South Consortium
Accruals of Income and Expenditure			
Cash and Cash Equivalents			
Contingent Liabilities			
Employee Benefits			
Events after the Balance Sheet Date			
Financial Instruments			
Intangible Assets			
Leases			
Property, Plant & Equipment			
Reserves			
Revenue Expenditure Funded from Capital Under Statute			

Policy	Rhondda Cynon Taf CBC	Pension Fund	Central South Consortium
Government Grants and Other Contributions			
Charges to Revenue for Long term Assets			
Minimum Revenue Provision (MRP)			
Provisions			
Interests in Companies and Other Entities			
Additional Voluntary Contributions (AVCs)			
Acquisition and Disposal Costs			
Taxation			
Derivatives			
Inventories			
Income			

# Critical Judgements in Applying Accounting Policies

- Grants and Contribution conditions
- Voluntary Aided and Voluntary Controlled Schools



# **Assumptions about the future and other major sources of estimation uncertainty**

- Pensions Liability
- Insurance Provision
- Property, Plant & Equipment

# Discussion points for Audit Committee

- Other discussion points...?



## RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

### MUNICIPAL YEAR 2019-2020

<b>AUDIT COMMITTEE</b>	<b>AGENDA ITEM NO. 6</b>
<b>REPORT OF THE DIRECTOR OF FINANCE AND DIGITAL SERVICES</b>	<b>DRAFT STATEMENTS OF ACCOUNT FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH 2019</b>

**Author : Barrie Davies (01443) 424026**

#### **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 2018/19 financial year in respect of the Council, Rhondda Cynon Taf Pension Fund, 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 Statements of Account 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 2018/19 (Appendix 1);

- (b) Consider the Rhondda Cynon Taf Pension Fund certified draft Statement of Accounts for the financial year 2018/19 (Appendix 2);
- (c) Consider the Central South Consortium Joint Education Service Joint Committee certified draft Statement of Accounts for the financial year 2018/19 (Appendix 3);
- (d) Consider the Llwydcoed Crematorium Joint Committee certified Annual Return for the financial year 2018/19 (Appendix 4);
- (e) 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
- (f) 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** 2018/19 Statement of Accounts by the 15<sup>th</sup> September. The Council meeting scheduled for the 31<sup>st</sup> July 2019 is due to receive these, significantly ahead of the statutory deadline.
- 3.2 The 2014 regulations require the Responsible Financial Officer (for Rhondda Cynon Taf, the Director of Finance and Digital Services) to certify unaudited accounts by 15<sup>th</sup> June following financial year-end. This Council complied with the regulations in this respect and the unaudited accounts were certified by the Director of Finance and Digital Services on 31<sup>st</sup> May 2019.
- 3.3 The 2018 amendment to the 2014 regulations removes the requirement for Pension Fund accounts to be included within the Statement of Accounts of the administering authority. This has taken effect from 2018/19 whereby a separate Statement of Accounts has been produced for the Rhondda Cynon Taf Pension Fund. The draft unaudited Pension Fund accounts were certified by the Director of Finance and Digital Services on 31<sup>st</sup> May 2019. The audited accounts are due to be presented for approval at the 31<sup>st</sup> July 2019 Council meeting.
- 3.4 The Council also has administrative responsibility for the production of accounts for the Central South Consortium Joint Education Service Joint Committee. The draft unaudited accounts were presented to the Joint Committee on 21<sup>st</sup> May 2019 and were certified by the Director of Finance

and Digital Services on 22<sup>nd</sup> May 2019. The audited accounts are due to be presented for approval at the Joint Committee meeting scheduled for 15<sup>th</sup> July 2019.

- 3.5 The Council has administrative responsibility for the production of the Annual Return for the Llwydcoed Crematorium Joint Committee. The Annual Return 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 Director of Finance and Digital Services on 16<sup>th</sup> May 2019 and presented to the Joint Committee on 28<sup>th</sup> May 2019. The audited Annual Return is due to be presented for approval to the Joint Committee on 23<sup>rd</sup> July 2019.
- 3.6 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.*

- 3.7 As Members will be aware, full Council has responsibility for approval of the Council and Pension Fund Statements of Account (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.
- 3.8 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 5 is the full narrative from this section of the toolkit.

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

- 4.1 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 Account earlier. The table below details the earlier deadlines:

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

- 4.2 As can be seen from the table, the revised regulations require officers (by 2020/21) to produce the draft Statement of Accounts one month earlier than the 2017/18 deadline and to publish audited accounts two months earlier than 2017/18 deadlines.

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

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

- 4.4 Members will note that since 2017/18, draft accounts have been certified by 31<sup>st</sup> May. This is three years ahead of requirements of the regulations. Similarly, the planned publication date of the audited accounts is 31<sup>st</sup> July for 2018/19 Statements of Account. This is two years ahead of the regulation requirements.
- 4.5 The above timetable has and will continue to allow officers to work with the Wales Audit Office to streamline processes, learn from issues with early closure and address them on a timely basis.
- 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.

## **5.0 EQUALITY AND DIVERSITY IMPLICATIONS**

- 5.1 There are no equality and diversity implications as a result of the recommendations set out in the report.

## **6.0 CONSULTATION**

- 6.1 There are no consultation implications as a result of the recommendations set out in the report.

## **7.0 FINANCIAL IMPLICATION(S)**

- 7.1 There are no financial implications as a result of the recommendations set out in the report.

## **8.0 LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**

- 8.1 The report ensures the Council complies with the Accounts and Audit (Wales) Regulations 2014 (as amended), Accounts and Audit (Wales) (Amendment) Regulations 2018 and also with the requirements of the Local Government Measure 2011.

## **9.0 LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT**

- 9.1 This report evidences the progress made in delivering the Council's Corporate Plan – *'The Way Ahead'* in particular through supporting the

'Living Within Our Means' cross-cutting theme by ensuring transparent financial reporting.

## **10.0 CONCLUSION**

- 10.1 The certification of all draft Statements of Account demonstrates the continued effective financial management arrangements at this Council.
- 10.2 The role of the Audit Committee in the approval process for the Statements of Account of the Council, Pension Fund, 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.
- 10.3 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 Statements of Account in accordance with the Accounts and Audit (Wales) (Amendment) Regulations 2018.



**LOCAL GOVERNMENT ACT 1972**

**AS AMENDED BY**

**THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**AUDIT COMMITTEE**

**10<sup>th</sup> June 2019**

**DRAFT STATEMENTS OF ACCOUNT FOR THE FINANCIAL YEAR ENDED  
31<sup>st</sup> MARCH 2019**

**REPORT OF THE DIRECTOR OF FINANCE & DIGITAL SERVICES**

Author: Barrie Davies (Director of Finance and Digital Services)

**Item: 4**

**Background Papers**

None.

Officer to contact: Stephanie Davies (Head of Finance – Education and Financial Reporting)

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# Statement of Accounts 2018/19 (Draft)



**Rhondda Cynon Taf County Borough Council****Statement of Accounts 2018/19**

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## Narrative Report

### 1. Introduction

Rhondda Cynon Taf County Borough Council was established on 1<sup>st</sup> 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 239,127 (2017 mid year estimate), 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 2018/19 have been prepared in accordance with:

- Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 based on International Financial Reporting Standards (IFRS).
- Accounts and Audit (Wales) Regulations 2014 (as amended).

The accounts set out on pages 1 to 130 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 20<sup>th</sup> December 2017 to local authorities providing details of the 2018/19 local government revenue and capital settlements, the then Cabinet Secretary for Local Government and Public Services (Alun Davies AM) announced an increase in the average funding for local authorities in Wales for the year 2018/19, with a modest increase for Rhondda Cynon Taf of 0.5%. 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 £10.498m.

On the 28<sup>th</sup> November 2018, full Council received a [report](#) of the potential impact of Brexit, in particular the impact of a no deal Brexit upon the Council. This addressed the following key local government issues:

- Laws regulating Local Government Services;
- A new constitutional settlement;
- Regeneration and other funding sourced from the EU;
- Workforce;
- Public health and protection and local regulation; and
- Goods and services.

Council officers continue to liaise with Welsh Government, the Welsh Local Government Association, partners, third party suppliers and contractors to ensure we understand the risks associated with Brexit and the impact upon Council services and local communities.

### **3. Medium Term Financial Plan 2018/19 to 2021/22**

As reported to Cabinet on 17<sup>th</sup> July 2018, the Council has set out assumptions within its [Medium Term Financial Plan 2018/19 to 2021/22](#). 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 real term reductions in funding levels 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 £30.29m agreed by Members during 2018/19 is providing real improvements across many areas including highways, parks and leisure facilities.

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 2018/19 [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 2019/20 will be available in July 2019. It will outline the progress made on our 2018/19 priorities and sets out the 2019/20 priority 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 Performance Report for Quarter 4 as at 31<sup>st</sup> March 2019 will be reported to Cabinet on 18<sup>th</sup> July 2019.

The Council's Corporate Plan priorities were also formally adopted as the Council's Well-being objectives at a meeting of Cabinet on 9<sup>th</sup> 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 22<sup>nd</sup> 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;
- 21<sup>st</sup> 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. Llys Cadwyn (Taff Vale Development)

The Council is also a key partner in the Cwm Taf Public Services Board. Its purpose is to improve the economic, social, environmental and cultural well-being in this area by strengthening joint working and published its first well-being plan in May 2018.

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 2018/19, two joint committees are consolidated:

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

## 6. Revenue Income and Expenditure 2018/19

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 2018/2019 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.

During the year the Council monitored performance across the following service areas:

- **Education & Inclusion Services** - Providing School Achievement Services, Service Transformation and Education Information Systems, Support for Additional Learning Needs, Education Other than at School, Attendance and Wellbeing Service, Nursery and Early Years, Music Service and 21<sup>st</sup> Century Schools – comprising School Planning & Reorganisation, Catering and Asset Management.
- **Community & Children's Services** - Providing Community Care Services, Community Housing Services, Health and Social Care, Children's Services, Public Health & Protection, Leisure, Parks & Countryside, Heritage & Visitor Attractions, Libraries, Adult Education and Translation Services.
- **Corporate & Frontline Services** - Providing the frontline services of Highways Management, Transportation, Strategic Projects, Street Cleansing, Highways Maintenance, Waste Services, Fleet Maintenance, 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 Office & Public Relations, Legal & Democratic Services and Regeneration & Planning Services.

The following table details each of the service groups' actual net expenditure and budget during 2018/19. Further details can be found on the Council's website (from July 2019) 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 & Inclusion Services	175,531	175,454	(77)
Community & Children's Services	149,494	150,946	1,452
Chief Executive's Division	12,530	12,539	9
Corporate & Frontline Services	63,795	63,886	91
Authority Wide Budgets	70,250	70,137	(113)
<b>Total</b>	<b>471,600</b>	<b>472,962</b>	<b>1,362</b>
Supporting Sustainable Social Services Grant	0	0	(1,140)
<b>Total</b>	<b>471,600</b>	<b>472,962</b>	<b>222</b>

	<b>£'000</b>
<b>Council Fund Reserves as at 31<sup>st</sup> March 2018</b>	<b>10,720</b>
Revenue Budget Out-turn (Variance as above)	(222)
<b>Council Fund Reserves as at 31<sup>st</sup> March 2019</b>	<b>10,498</b>

Expenditure on services amounted to £745m and this can be analysed over the following expenditure categories:

<b>Type of Expenditure</b>	<b>£'m</b>	<b>%</b>
Employees	317	42
Premises	28	4
Transport	20	3
Supplies and Services	82	11
Payments to Third Parties	113	15
Transfer Payments	101	14
Capital Charges	80	11
Other Operating Costs (e.g. Support Services)	4	0
<b>Total Gross Expenditure</b>	<b>745</b>	<b>100</b>

Income during the year totalled £772m and came from the following sources:

<b>Income Analysis</b>	<b>£'m</b>	<b>%</b>
<u>Direct Service Income</u>		
Specific Grants	158	20
Sales, Fees & Charges	43	6
Other Income	34	4
<b>Sub-Total Direct Service Income</b>	<b>235</b>	<b>30</b>
<u>Other Income</u>		
Council Tax	130	17
Non-Domestic Rates	76	10
Non-Ringfenced Government Grants	289	38
Capital Grants and Contributions	40	5
Other	2	0
<b>Total Income</b>	<b>772</b>	<b>100</b>

## **7. Capital Expenditure and Income 2018/19**

During the year the Council incurred £121.1m of capital expenditure, as summarised below:

<b>Group</b>	<b>£'000</b>
Corporate Initiatives	1,378
Corporate & Frontline Services	34,185
Chief Executive's Division	26,300
Education & Inclusion Services	49,468
Community & Children's Services	9,818
<b>Total</b>	<b>121,149</b>

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

<b>Capital Expenditure</b>	<b>£'000</b>
Tangible Long-Term Assets	108,447
Intangible Long-Term Assets	1,738
Revenue Expenditure Funded from Capital under Statute	10,964
<b>Total</b>	<b>121,149</b>

This expenditure was financed as follows:

<b>Capital Financing</b>	<b>£'000</b>
Revenue Funding	35,184
Capital Receipts	412
Capital Development Fund	7,357
Borrowing	45,117
Grants	31,638
Third Party Contributions	1,441
<b>Total</b>	<b>121,149</b>

Significant expenditure was incurred on:

- Llys Cadwyn Development;
- Highways Improvements;
- Structures;
- Transportation Infrastructure;
- Tonypandy Community School Modernisation (Ysgol Nantgwyn);
- Tonyrefail Community School Modernisation; and
- Porth Community School Modernisation.

## **8. Senior Management Restructure**

At the Cabinet meeting of 24<sup>th</sup> January 2019, Members agreed a revised senior management structure (following completion of the necessary staff consultation process). The effect of the revision will be to change the reporting structure of the Council from:

- Education and Inclusion Services;
- Community and Children's Services;
- Chief Executive's Division;
- Corporate and Frontline Services; and
- Authority Wide Budgets.

to the following for 2019/20:

- Education and Inclusion Services;
- Community and Children's Services;
- Chief Executive's Division;
- Prosperity, Development and Frontline Services; and
- Authority Wide Budgets.

Further information on the revisions is set out in Section 9.

## 9. 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 Capital Programme 2019-2022 agreed by Council in March 2019 is as follows:

Group Expenditure	2019/20	2020/21	2021/22	Total
	£'000	£'000	£'000	£'000
Chief Executive's Division	44,335	10,717	6,128	61,180
Corporate & Frontline Services	38,417	11,899	8,733	59,049
Corporate Initiatives	1,721	850	850	3,421
Education & Inclusion Services	26,199	5,289	5,046	36,534
Community & Children's Services	8,018	2,800	2,200	13,018
<b>Total</b>	<b>118,690</b>	<b>31,555</b>	<b>22,957</b>	<b>173,202</b>

As noted in Section 8, revisions to the Council's senior management structure has resulted in the realignment of functions that come within each each Group. The realigned functions are as follows:

- **Chief Executive** - Providing the authority wide functions of Human Resources; Democratic Services & Communications; Legal Services; the frontline services of Customer Care, Housing Benefit & Council Tax administration; and key support services of Finance, ICT & Digital Services, Corporate Estates Management and Procurement.
- **Prosperity, Development & Frontline Services** - Providing the frontline services of Highways; Transport; Strategic Projects; Streetcare Services (including Waste and Street Cleansing); together with Regeneration and Planning Services and Housing Strategy.
- **Education & Inclusion Services** - Providing support services to schools; Access and Inclusion; School Admissions and Governance; Attendance and Wellbeing; 21<sup>st</sup> Century Schools; Asset and Data Management; Catering Services; and school improvement support and challenge in partnership with the Central South Consortium.
- **Community & Children's Services** - Providing Adult Services (Community Care Services and Health & Social Care Services); Children's Services; Community Housing Services; Public Health & Protection; Leisure, Countryside & Cultural Services (including Theatres); Visitor Attractions & Heritage; Community Learning Services; Libraries; Welsh Language Services; Youth Engagement & Participation and Employment Programmes.

In line with the realignment of functions, the updated Capital Programme, from 1<sup>st</sup> April 2019, is as follows:

Group Expenditure	2019/20	2020/21	2021/22	Total
	£'000	£'000	£'000	£'000
Chief Executive	2,628	1,750	1,750	6,128
Prosperity, Development & Frontline Services	81,755	21,696	13,941	117,392
Education & Inclusion Services	26,199	5,289	5,046	36,534
Community & Children's Services	8,108	2,820	2,220	13,148
<b>Total</b>	<b>118,690</b>	<b>31,555</b>	<b>22,957</b>	<b>173,202</b>

Estimated resources required to fund the future Capital Programme are:

Estimated Resources Required to Fund Capital Programme	2019/20	2020/21	2021/22	Total
	£'000	£'000	£'000	£'000
Supported Borrowing	6,906	6,906	6,906	20,718
Unsupported Borrowing	37,047	7,932	4,000	48,979
Capital Grants	25,054	5,451	4,202	34,707
Third Party Contributions	5,702	247	0	5,949
General Fund Capital Resources	11,925	4,826	4,826	21,577
Revenue Contributions	32,056	6,193	3,023	41,272
<b>Total</b>	<b>118,690</b>	<b>31,555</b>	<b>22,957</b>	<b>173,202</b>

As at 31<sup>st</sup> March 2019, major capital commitments over the next three years (per the Capital Programme 2019-2022) include the following schemes:

Scheme	£'000
Disabled Facilities Grants/Adaptations (DFGs)	12,000
Llys Cadwyn (Taff Vale Development)	28,872
Fleet Vehicles	9,140
Highways Improvements	19,572
Structures	6,494
Transportation Infrastructure	11,914
Waste Strategy	5,867
Asbestos Remediation Work	6,100
Schools Modernisation Rhondda and Tonyrefail	10,191

A summary of the Council's revenue budget for 2019/20 (agreed in March 2019) is outlined below:

Service Area	£'000
Authority Wide	67,852
Individual Schools Budget	151,606
Community & Children's Services	156,651
Corporate & Frontline Services and Chief Executive's Division	79,468
Education & Inclusion Services	27,892
<b>Total</b>	<b>483,469</b>



The updated 2019/20 Revenue Budget, in line with the realignment of functions referred to earlier, is as follows:

<b>Service Area</b>	<b>£'000</b>
Authority Wide	67,852
Individual Schools Budget	151,606
Community & Children's Services	153,498
Chief Executive's Division	25,812
Prosperity, Development & Frontline Services	56,809
Education & Inclusion Services	27,892
<b>Total</b>	<b>483,469</b>

## 10. 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 borrowing and to set various other prudential and treasury indicators.

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

<b>Authorised borrowing limit</b>	£502.0m
<b>Interest Rate Exposure – Borrowing</b>	<b>Range</b>
Limits on total % of borrowing at fixed interest rates	45% - 100%
Limits on total % of borrowing at variable interest rates	0% - 55%
<b>Interest Rate Exposure – Investments</b>	<b>Range</b>
Limits on total % of investments at fixed interest rates	0% - 25%
Limits on total % of investments at variable interest rates	75% - 100%

The Council's borrowing totals £333.5m, of which £248.5m is long-term and £85.0m is short-term. This external borrowing is from the Public Works Loan Board (PWLB) £170.7m, £162.8m 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 Section 151 Officer is authorised to take the most appropriate form of borrowing from approved sources within the overall borrowing limits set by Council.

## 11. 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 14.4 and 32.0 to the Core Financial Statements for further details. The effect of IAS 19 upon the reserves of the Council is as follows:

	<b>£'000</b>
Net Assets excluding Pensions Reserve	794,158
Net Assets as per Balance Sheet	205,150

## **12. Cardiff Capital Region City Deal (CCRCD)**

On 15<sup>th</sup> 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 to develop and manage £1.2 billion investment in the Cardiff Capital Region's infrastructure through a 20-year Investment Fund. 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 2018/19 the Joint Committee accounts of CCRCD (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 25<sup>th</sup> January 2017. The Draft Joint Working Agreement Business Plan (Cardiff Capital Region Strategic Business Plan) was approved by Council on 28<sup>th</sup> March 2018.

## 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 Director of Finance & Digital 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 31<sup>st</sup> July 2019.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

### Cllr. Steve Powderhill

#### Presiding Officer

Rhondda Cynon Taf CBC  
Pavillions  
Cambrian Park  
Clydach Vale  
Tonypandy  
CF40 2XX

### The Director of Finance & Digital Services' Responsibilities

The 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 Director has:

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

The 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 Director of Finance & Digital Services on the Accounts of Rhondda Cynon Taf CBC for 2018/19**

I certify that the accounts present a true and fair view of the financial position of Rhondda Cynon Taf CBC as at 31<sup>st</sup> March 2019 and its income and expenditure for the year.

Signature:  Date: 31 MAY 2019.

**Barrie Davies**

**Director of Finance & Digital Services**  
Rhondda Cynon Taf CBC  
Bronwydd House  
Porth  
CF39 9DL

## **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 31<sup>st</sup> 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
<b>Notes:</b>	13.1	13.2	13.2		13.3	13.4			14.0	
<b>Balance at 1<sup>st</sup> April 2017</b>	10,720	62,778	63,153	2,130	1,443	8,572	144	148,940	57,324	206,264
<b>Movement in reserves during 2017/18:</b>										
Total Comprehensive Income and Expenditure	(5,457)	3,720	(55)	0	0	0	0	(1,792)	(17,508)	(19,300)
<b>Adjustments between accounting basis and funding under regulations:</b>										
<b>Adjustments primarily involving the Capital Adjustment Account:</b>										
<b>Reversal of items debited/credited to CI&amp;ES:</b>										
Charges for depreciation and impairment of long-term assets	40,629	0	0	0	0	0	0	40,629	(40,629)	0
Revaluation losses on property, plant & equipment	8,159	0	0	0	0	0	0	8,159	(8,159)	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	9,182	0	0	0	0	0	0	9,182	(9,182)	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
<b>Insertion of items not debited/ credited to CI&amp;ES:</b>										
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
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>										
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	0	0	0	0	(35,328)	0	(35,328)	35,328	0
<b>Adjustments involving the Capital Receipts Reserve:</b>										
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
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>										
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
<b>Adjustments involving the Pensions Reserve:</b>										
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	(36,180)	0	(160)	0	0	0	0	0	(36,340)	36,340	0
<b>Adjustment involving the Unequal Pay Back Pay Adjustment Account:</b>											
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
<b>Adjustment involving the Accumulated Absences Account:</b>											
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	776	0	0	0	0	0	0	0	776	(776)	0
<b>Other adjustments include:</b>											
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
<b>Net increase or (decrease) before transfers to Earmarked Reserves</b>	799	3,720	99	0	(316)	(1,176)	0	3,126	(22,426)	(19,300)	
<b>Transfers to or from Earmarked Reserves</b>	(799)	(1,402)	905	1,267	0	0	29	0	0	0	
<b>Increase or (decrease) in the year</b>	0	2,318	1,004	1,267	(316)	(1,176)	29	3,126	(22,426)	(19,300)	
<b>Balance at 31<sup>st</sup> March 2018</b>	<b>10,720</b>	<b>65,096</b>	<b>64,157</b>	<b>3,397</b>	<b>1,127</b>	<b>7,396</b>	<b>173</b>	<b>152,066</b>	<b>34,898</b>	<b>186,964</b>	



### Movement in Reserves Statement for the year ended 31<sup>st</sup> March 2019

	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
<b>Notes:</b>	13.1	13.2	13.2		13.3	13.4			14.0	
<b>Balance at 1<sup>st</sup> April 2018</b>	10,720	65,096	64,157	3,397	1,127	7,396	173	<b>152,066</b>	34,898	<b>186,964</b>
<b>Movement in reserves during 2018/19:</b>										
Total Comprehensive Income and Expenditure	(35,266)	0	2,439	0	0	0	0	<b>(32,827)</b>	51,013	<b>18,186</b>
<b>Adjustments between accounting basis and funding under regulations:</b>										
<b>Adjustments primarily involving the Capital Adjustment Account:</b>										
<b>Reversal of items debited/credited to CI&amp;ES:</b>										
Charges for depreciation and impairment of long-term assets	57,682	0	0	0	0	0	0	<b>57,682</b>	(57,682)	<b>0</b>
Revaluation losses on property, plant & equipment	14,748	0	0	0	0	0	0	<b>14,748</b>	(14,748)	<b>0</b>
Movement in the market value of Investment Properties	(873)	0	0	0	0	0	0	<b>(873)</b>	873	<b>0</b>
Amortisation of intangible assets	1,388	0	0	0	0	0	0	<b>1,388</b>	(1,388)	<b>0</b>
Revenue expenditure funded from capital under statute	10,964	0	(1,941)	0	0	0	0	<b>9,023</b>	(9,023)	<b>0</b>
<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	2,715	0	0	0	2,626	0	0	5,341	(5,341)	0
<b>Insertion of items not debited/ credited to CI&amp;ES:</b>										
Statutory provision for the financing of capital investment	(11,529)	0	0	0	0	0	0	(11,529)	11,529	0
Capital expenditure charged against the Council Fund Balances	(42,541)	0	0	0	0	0	0	(42,541)	42,541	0
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>										
Capital grants and contributions unapplied credited to CI&ES	(42,649)	0	0	0	0	42,649	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	(33,079)	0	(33,079)	33,079	0
<b>Adjustments involving the Capital Receipts Reserve:</b>										
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	(412)	0	0	(412)	412	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	2	0	0	2	(2)	0
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>										
Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(83)	0	0	0	0	0	0	(83)	83	0
<b>Adjustments involving the Pensions Reserve:</b>										
Reversal of items relating to retirement benefits debited or credited to the CI&ES	61,430	0	279	0	0	0	0	61,709	(61,709)	0
<i>Continued Overleaf...</i>										

Employer's pensions contributions and direct payments to pensioners payable in the year	(39,430)	0	(126)	0	0	0	0	(39,556)	39,556	0
<b>Adjustment involving the Unequal Pay Back Pay Adjustment Account:</b>										
Amount by which amounts charged for equal pay claims to the CI&ES are different	0	0	0	0	0	0	0	0	0	0
<b>Adjustment involving the Accumulated Absences Account:</b>										
Amount by which officer remuneration charged to the CI&ES on an accruals basis	(1,267)	0	(13)	0	0	0	0	(1,280)	1,280	0
<b>Other adjustments include:</b>										
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
<b>Net increase or (decrease) before transfers to Earmarked Reserves</b>	(24,711)	0	638	0	2,216	9,570	0	(12,287)	30,473	18,186
<b>Transfers to or from Earmarked Reserves</b>	24,489	(1,389)	(22,928)	(390)	0	0	218	0	0	0
<b>Increase or (decrease) in the year</b>	(222)	(1,389)	(22,290)	(390)	2,216	9,570	218	(12,287)	30,473	18,186
<b>Balance at 31<sup>st</sup> March 2019</b>	<b>10,498</b>	<b>63,707</b>	<b>41,867</b>	<b>3,007</b>	<b>3,343</b>	<b>16,966</b>	<b>391</b>	<b>139,779</b>	<b>65,371</b>	<b>205,150</b>

## **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 31<sup>st</sup> March 2019

2017/18					2018/19		
Gross Exp	Gross Income	Net Exp		Note:	Gross Exp	Gross Income	Net Exp
£'000	£'000	£'000			£'000	£'000	£'000
102,702	(26,136)	76,566	Corporate & Frontline Services		124,619	(26,699)	97,920
17,648	(4,174)	13,474	Chief Executive's Division		27,048	(4,919)	22,129
235,758	(46,042)	189,716	Education & Inclusion Services		253,787	(47,799)	205,988
237,981	(86,948)	151,033	Community & Children's Services		232,849	(75,417)	157,432
103,932	(79,537)	24,395	Authority Wide Budgets		104,030	(75,952)	28,078
5,968	(5,794)	174	Joint Committees		2,178	(4,683)	(2,505)
<b>703,989</b>	<b>(248,631)</b>	<b>455,358</b>	<b>Cost of Services</b>		<b>744,511</b>	<b>(235,469)</b>	<b>509,042</b>
			<b>Other Operating Expenditure</b>				
18,192	0	18,192	Precepts	28.3	19,626	0	19,626
11,685	0	11,685	Levies	28.3	11,802	0	11,802
938	0	938	(Gains) or Losses on Disposal of Non-Current Assets		2,716	0	2,716
			<b>Financing and Investment Income and Expenditure</b>				
9,760	0	9,760	Interest Payable and Similar Charges	7.2	10,369	0	10,369
14,590	(1)	14,589	Net Interest on Net Defined Liability (Asset)	32.2	15,381	0	15,381
0	(117)	(117)	Interest Receivable and Similar Income	7.2	0	(1,191)	(1,191)
			<b>Taxation and Non-Specific Grant Income</b>				
0	(123,802)	(123,802)	Council Tax Income	26.0	0	(130,542)	(130,542)
0	(76,412)	(76,412)	NDR Distribution	25.0	0	(75,620)	(75,620)
0	(279,035)	(279,035)	Non-Ringfenced Government Grants		0	(288,556)	(288,556)
0	(29,364)	(29,364)	Capital Grants and Contributions		0	(40,339)	(40,339)
0	0	0	Corporation Tax - Joint Committees		87	0	87
<b>759,154</b>	<b>(757,362)</b>	<b>1,792</b>	<b>(Surplus) or Deficit on the Provision of Services</b>		<b>804,492</b>	<b>(771,717)</b>	<b>32,775</b>
7,493	(2,171)	5,322	(Surplus) or Deficit on Revaluation of Property, Plant & Equipment Assets		4,163	(10,120)	(5,957)
0	12,186	12,186	Remeasurement of the Net Defined Benefit Liability		0	(45,004)	(45,004)
<b>7,493</b>	<b>10,015</b>	<b>17,508</b>	<b>Other Comprehensive Income and Expenditure</b>		<b>4,163</b>	<b>(55,124)</b>	<b>(50,961)</b>
<b>766,647</b>	<b>(747,347)</b>	<b>19,300</b>	<b>Total Comprehensive Income and Expenditure</b>		<b>808,655</b>	<b>(826,841)</b>	<b>(18,186)</b>

## 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 31<sup>st</sup> March 2019

31/03/18				31/03/19	
£'000			Note:	£'000	£'000
	<b>Long-Term Assets</b>	Property, Plant & Equipment:	6.0		
576,234		Other Land & Buildings		603,945	
431,638		Infrastructure		427,727	
8,263		Vehicles, Plant & Equipment		7,107	
3,677		Community Assets		4,850	
64,050		Assets Under Construction		76,473	
145		Heritage Assets		145	
0		Investment Properties		3,805	
2,962		Long-Term Intangible Assets		3,312	
4,750		Long-Term Investments	7.1	4,500	
2,989		Investment in Subsidiaries		3,013	
1,259		Long-Term Debtors		803	
<b>1,095,967</b>		<b>TOTAL LONG-TERM ASSETS</b>			
	<b>Current Assets</b>	Short-Term Investments	7.1	26,083	
14,591		Assets Held for Sale		3,060	
3,179		Short-Term Intangible Assets		279	
498		Inventories		728	
627		Short-Term Debtors	8.0	69,234	
53,397		Cash and Cash Equivalents	9.0	8,361	
7,382					
<b>79,674</b>	<b>TOTAL CURRENT ASSETS</b>				<b>107,745</b>
	<b>Current Liabilities</b>	Cash and Cash Equivalents	9.0	(11,535)	
(14,352)		Short-Term Borrowing	7.1	(84,987)	
(78,926)		Other Short-Term Liabilities		(279)	
(388)		Short-Term Provisions	11.0	(2,193)	
(2,120)		Short-Term Creditors	10.0	(94,483)	
(78,244)					
<b>(174,030)</b>	<b>TOTAL CURRENT LIABILITIES</b>				<b>(193,477)</b>
	<b>Long-Term Liabilities</b>	Long-Term Creditors		(4,738)	
(6,433)		Long-Term Provisions	11.0	(1,822)	
(1,950)		Long-Term Borrowing	7.1	(248,518)	
(193,889)		Other Long-Term Liabilities	12.0	(589,597)	
(612,252)		Donated Asset Account		(123)	
(123)					
<b>(814,647)</b>	<b>TOTAL LONG-TERM LIABILITIES</b>				<b>(844,798)</b>
<b>186,964</b>	<b>NET ASSETS</b>				<b>205,150</b>

Continued Overleaf...

10,720	<b>Usable Reserves</b>	Council Fund Balance	13.1	10,498	
		Earmarked Reserves:	13.2		
65,096		Capital, Treasury and Insurance Reserves	13.2	63,707	
64,157		Other Revenue Related Reserves	13.2	41,867	
3,397		Delegated Schools Reserve		3,007	
1,127		Usable Capital Receipts Reserve	13.3	3,343	
7,396		Capital Grant Unapplied Account	13.4	16,966	
173		MGCC Insurance Reserve		391	
<b>152,066</b>			<b>TOTAL USABLE RESERVES</b>		
172,236	<b>Unusable Reserves</b>	Revaluation Reserve	14.1	171,042	
6		Deferred Capital Receipts Reserve		3	
485,926		Capital Adjustment Account	14.2	493,383	
(5,656)		Financial Instruments Adjustment Account	14.3	(5,573)	
(611,858)		Pensions Reserve	14.4	(589,008)	
(5,756)		Short-Term Accumulating Compensated Absence Account		(4,476)	
<b>34,898</b>		<b>TOTAL UNUSABLE RESERVES</b>			<b>65,371</b>
<b>186,964</b>		<b>TOTAL RESERVES</b>			<b>205,150</b>



## 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 2018/19

2017/18			2018/19	
£'000		<i>Note:</i>	£'000	£'000
1,792	Net (Surplus) or Deficit on the Provision of Services		32,775	
(72,628)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements	15.0	(105,482)	
30,089	Adjustments for Items Included in the Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities	16.0	42,965	
<b>(40,747)</b>	<b>Net Cash Flows from Operating Activities</b>			<b>(29,742)</b>
74,452	Investing Activities	18.0	86,855	
(40,982)	Financing Activities	19.0	(60,909)	25,946
<b>(7,277)</b>	<b>Net Increase or Decrease in Cash or Cash Equivalents</b>			<b>(3,796)</b>
14,247	Cash and Cash Equivalents at the Beginning of the Reporting Period	9.0		6,970
<b>6,970</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	9.0		<b>3,174</b>

## **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 Council'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 31<sup>st</sup> 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	15,759	76,566
Chief Executive's Division	11,881	1,593	13,474
Education & Lifelong Learning Services	178,078	11,638	189,716
Community & Childrens Services	138,233	12,800	151,033
Authority Wide Budgets	69,941	(45,546)	24,395
Joint Committees	0	174	174
<b>Cost of Services</b>	<b>458,940</b>	<b>(3,582)</b>	<b>455,358</b>
<b>Other Income and Expenditure</b>	<b>(458,940)</b>	<b>5,374</b>	<b>(453,566)</b>
<b>(Surplus) or Deficit</b>	<b>0</b>	<b>1,792</b>	<b>1,792</b>
Opening Council Fund at 31 <sup>st</sup> March 2017	(10,720)		
Less (Surplus) Deficit on Council Fund in Year	0		
<b>Closing Council Fund at 31<sup>st</sup> March 2018</b>	<b>(10,720)</b>		

**Expenditure and Funding Analysis Statement for the year ended 31<sup>st</sup> March 2019**

	2018/19		
	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	63,886	34,034	97,920
Chief Executive's Division	12,540	9,589	22,129
Education & Inclusion Services	175,454	30,534	205,988
Community & Childrens Services	149,807	7,625	157,432
Authority Wide Budgets	70,137	(42,059)	28,078
Joint Committees	0	(2,505)	(2,505)
<b>Cost of Services</b>	<b>471,824</b>	<b>37,218</b>	<b>509,042</b>
<b>Other Income and Expenditure</b>	<b>(471,602)</b>	<b>(4,665)</b>	<b>(476,267)</b>
<b>(Surplus) or Deficit</b>	<b>222</b>	<b>32,553</b>	<b>32,775</b>
Opening Council Fund at 31 <sup>st</sup> March 2018	(10,720)		
Less (Surplus) Deficit on Council Fund in Year	222		
<b>Closing Council Fund at 31<sup>st</sup> March 2019</b>	<b>(10,498)</b>		

## 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 2.4% in 2018/19 (2.6% in 2017/18).

- 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 15<sup>th</sup> June following financial year-end.

Regulations require the audited Statement of Accounts to be published by 15<sup>th</sup> 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 or discounts have been applied 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.

### **Financial Assets**

Financial Assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost;
- Fair value through profit or loss; and
- Fair value through other comprehensive income.

Rhondda Cynon Taf CBC's business model is to hold investments to collect contractual cashflows. Financial assets are therefore classified as amortised cost.

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 outstanding 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.

With the introduction of IFRS9 Financial Instruments in 2018/19 there needs to be a calculation for an "expected credit loss" on financial assets held at amortised costs, either on a 12 month or lifetime basis. Impairment losses are calculated to reflect the expectation that the future cashflows might not take place because the borrower could default on their obligations. Where risk has significantly increased since an asset was originally recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12 month expected losses.

## 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 the asset.
- Present value of minimum lease payments amounts to at least substantially all of the fair value of leased asset.
- Leased assets are of a specialised nature 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. Other Land & Buildings 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:

<b>Asset Type</b>	<b>£'000</b>
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.

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 (EUUV) which is deemed to be "current value". Specialist items (e.g. schools) 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 134 Surplus Assets with a recurring fair value of £2.6m. 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 1<sup>st</sup> 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:

	<b>£'000</b>
Fair value	672
Carrying value	2,388
<b>Total value in Balance Sheet</b>	<b>3,060</b>

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 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**

Standards that have been issued but not yet adopted, which may require disclosure in 2018/19 accounts, are anticipated to be listed in Appendix C of the 2019/20 Code when it is published. In the interim potentially relevant standards include:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property;
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- IFRIC 23 Uncertainty over Income Tax Treatments; and
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

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 31<sup>st</sup> March 2019 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 2018/19, AON Hewitt advised that the funded proportion of the Council's net pensions liability had decreased by £2.6m due to estimates being corrected as a result of experience and decreased by £94.9m attributable to updating of financial assumptions. Refer to note 32.0 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 11.0 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 13.2 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 Events After the Balance Sheet Date**

The draft, unaudited Statement of Accounts was authorised for issue by the Director of Finance & Digital Services, as Chief Finance Officer, on 31<sup>st</sup> May 2019. 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 31<sup>st</sup> March 2019, 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 31<sup>st</sup> March 2019 requiring disclosure providing information that is relevant to an understanding of the Council’s financial position.

**6.0 Property, Plant and Equipment****6.1 Movements on Balances****Movements in 2018/19:**

	Other Land & Buildings	Infrastructure	Vehicles, Plant & Equipment	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>						
At 1 <sup>st</sup> April 2018	660,332	609,290	36,805	4,420	60,938	<b>1,371,785</b>
Joint Committees Opening Balance	0	0	0	0	3,112	<b>3,112</b>
Additions	40,703	19,239	5,399	0	45,549	<b>110,890</b>
Revaluation Increases/ (Decreases) Recognised in the Revaluation Reserve	8,174	0	0	0	0	<b>8,174</b>
Revaluation Increases/ (Decreases) Recognised in the Surplus/Deficit on the Provision of Services	(14,490)	0	0	0	0	<b>(14,490)</b>
Derecognition – Disposals	(6,011)	0	(2,168)	0	0	<b>(8,179)</b>
Derecognition – Other	0	0	(2,454)	0	0	<b>(2,454)</b>
Assets Reclassified (to)/from Held for Sale	(1,765)	0	0	0	0	<b>(1,765)</b>
Other Reclassifications	28,869	0	0	1,278	(33,126)	<b>(2,979)</b>
<b>At 31<sup>st</sup> March 2019</b>	<b>715,812</b>	<b>628,529</b>	<b>37,582</b>	<b>5,698</b>	<b>76,473</b>	<b>1,464,094</b>
<i>Continued Overleaf...</i>						

<b>Accumulated Depreciation and Impairment</b>						
At 1 <sup>st</sup> April 2018	(84,098)	(177,652)	(28,542)	(743)	0	<b>(291,035)</b>
Joint Committees Opening Balance	0	0	0	0	0	<b>0</b>
Depreciation Charge	(13,346)	(22,907)	(4,018)	0	0	<b>(40,271)</b>
Depreciation Written Out of the Revaluation Reserve	2,474	0	0	0	0	<b>2,474</b>
Depreciation Written Out to the Surplus/Deficit on the Provision of Service	851	0	0	0	0	<b>851</b>
Impairment (Losses)/Reversals Recognised in the Revaluation Reserve	(4,370)	0	0	0	0	<b>(4,370)</b>
Impairment (Losses)/Reversals Recognised in the Surplus/Deficit on the Provision of Services	(15,678)	(243)	(2,454)	0	0	<b>(18,375)</b>
Derecognition – Disposals	1,456	0	2,085	0	0	<b>3,541</b>
Derecognition – Other	0	0	2,454	0	0	<b>2,454</b>
Assets Reclassified (to)/from Held for Sale	(691)	0	0	0	0	<b>(691)</b>
Other Reclassifications	1,535	0	0	(105)	0	<b>1,430</b>
<b>At 31<sup>st</sup> March 2019</b>	<b>(111,867)</b>	<b>(200,802)</b>	<b>(30,475)</b>	<b>(848)</b>	<b>0</b>	<b>(343,992)</b>
<b>Net Book Value:</b>						
<b>At 31<sup>st</sup> March 2019</b>	<b>603,945</b>	<b>427,727</b>	<b>7,107</b>	<b>4,850</b>	<b>76,473</b>	<b>1,120,102</b>
<b>At 31<sup>st</sup> March 2018</b>	<b>576,234</b>	<b>431,638</b>	<b>8,263</b>	<b>3,677</b>	<b>64,050</b>	<b>1,083,862</b>

## 6.2 Capital Commitments

At 31<sup>st</sup> March 2019 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years, budgeted to cost £35.1m. Similar commitments at 31<sup>st</sup> March 2018 were £74.5m.

The material contract values as at 31<sup>st</sup> March 2019 are:

<b>Scheme</b>	<b>£'000</b>
Treorchy Comprehensive School	3,578
Tonyrefail Community School	5,116
Llys Cadwyn (Taff Vale Development)	26,366
<b>Total</b>	<b>35,060</b>

## 6.3 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 5 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.

## 7.0 Financial Instruments

### 7.1 Categories of Financial Instruments

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

<b>Assets</b>	<b>Long-Term</b>		<b>Current</b>	
	<b>31/03/18</b>	<b>31/03/19</b>	<b>31/03/18</b>	<b>31/03/19</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Investments: Loans and Receivables	4,750	4,500	14,591	26,083
Debtors: Financial Assets Carried at Contract Amounts	1,259	803	53,397	69,234
<b>Total</b>	<b>6,009</b>	<b>5,303</b>	<b>67,988</b>	<b>95,317</b>

Liabilities	Long-Term		Current	
	31/03/18	31/03/19	31/03/18	31/03/19
	£'000	£'000	£'000	£'000
Borrowings: Financial Liabilities at Amortised Cost	193,889	248,518	78,926	84,987
Finance Lease Liabilities	385	384	1	1
Creditors: Financial Liabilities at Amortised Cost	0	0	11,565	13,733
<b>Total</b>	<b>194,274</b>	<b>248,902</b>	<b>90,492</b>	<b>98,721</b>

There are no expected credit loss calculations for the financial assets. 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*.

## 7.2 Income, Expense, Gains and Losses

	2017/18			2018/19		
	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	9,760	0	9,760	10,369	0	10,369
Impairment Losses	0	0	0	0	0	0
<b>Total Expense in (Surplus) or Deficit on the Provision of Services</b>	<b>9,760</b>	<b>0</b>	<b>9,760</b>	<b>10,369</b>	<b>0</b>	<b>10,369</b>
Interest Income	0	(117)	(117)	0	(1,191)	(1,191)
Interest Income Accrued on Impaired Financial Assets	0	0	0	0	0	0
<b>Total Income in (Surplus) or Deficit on the Provision of Services</b>	<b>0</b>	<b>(117)</b>	<b>(117)</b>	<b>0</b>	<b>(1,191)</b>	<b>(1,191)</b>
<b>Net (Gain)/Loss for the Year</b>	<b>9,760</b>	<b>(117)</b>	<b>9,643</b>	<b>10,369</b>	<b>(1,191)</b>	<b>9,178</b>

## 7.3 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:

	31/03/18		31/03/19	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
PWLB Debt	111,060	173,225	170,720	232,859
Market Debt	85,539	136,001	85,523	134,713
Local Authority Debt	76,078	76,078	77,187	77,187
Other Debt	138	138	75	75
Finance Lease	386	386	385	385
Trade Creditors	11,565	11,565	13,733	13,733
<b>Total</b>	<b>284,766</b>	<b>397,393</b>	<b>347,623</b>	<b>458,952</b>

	31/03/18		31/03/19	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans and Receivables	19,336	19,341	34,650	34,650

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.

#### **7.4 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.

## **7.5 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.
- Approving a Capital Strategy report which provides a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of Council services along with an overview of the associated risk, its management and the implications for future financial sustainability.

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 and Capital Strategy are available on the Council's website.

## **7.6 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.

	31/03/19	Historical Experience of Default	Adjustment for Market Conditions at 31/03/19	Estimated Maximum Exposure to Default at 31/03/19	Estimated Maximum Exposure to Default at 31/03/18
	(a)	(b)	(c)	(a*c)	
	£'000	%	%	£'000	£'000
Deposits with Government Departments & Local Authorities	34,650	0	0	0	0
Trade Debtors	11,119	0.56	0.56	62	64

The 0.56% Historical Experience of Default represents debt written off in 2018/19 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, £3.6m of the £11.1m balance is debt greater than 30 days old. This debt can be analysed as follows:

	31/03/18	31/03/19
	£'000	£'000
Less than 3 months	908	1,309
3 – 6 months	793	374
6 months to 1 year	254	529
More than 1 year	1,288	1,355
<b>Total</b>	<b>3,243</b>	<b>3,567</b>

## 7.7 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.

## 7.8 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 Corporate Treasury Management Strategy and Capital Strategy 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:

	<b>31/03/18</b>	<b>31/03/19</b>
	<b>£'000</b>	<b>£'000</b>
Less than 1 year	76,133	79,451
Between 1 and 2 years	6	2,376
Between 2 and 5 years	2	7,674
Between 5 and 10 years	552	38,840
More than 10 years	194,627	203,316
<b>Total</b>	<b>271,320</b>	<b>331,657</b>

The maturity analysis of financial assets is as follows:

	<b>31/03/18</b>	<b>31/03/19</b>
	<b>£'000</b>	<b>£'000</b>
Maturity greater than one year	4,750	4,500
Maturity less than one year	14,586	30,150
<b>Total</b>	<b>19,336</b>	<b>34,650</b>

Trade Debtors are not included in the table above.

## 7.9 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. The Corporate Treasury Management Strategy and Capital Strategy 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:

	<b>£'000</b>
Increase in interest payable on variable rate borrowings	1
Increase in interest receivable on variable rate investments	N/A
<b>Impact on Comprehensive Income and Expenditure Statement</b>	<b>2</b>
Decrease in fair value of fixed rate borrowing liabilities (no impact on CI&ES)	33,504

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

## 8.0 Short-Term Debtors

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

<b>31/03/18</b>		<b>31/03/19</b>
<b>£'000</b>		<b>£'000</b>
25,748	Central Government Bodies	36,853
4,453	Other Local Authorities	1,286
4,329	NHS Bodies	7,754
1257	Public Corporations and Trading Funds	16
17,610	Other Entities and Individuals	23,325
<b>53,397</b>	<b>Total</b>	<b>69,234</b>

### Debtors for Local Taxation

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

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
2,864	Less than 1 year	3,064
1,175	1 year to 2 years	1,116
632	2 years to 3 years	723
405	3 years to 4 years	428
276	4 years to 5 years	287
871	More than 5 years	845
<b>6,223</b>	<b>Total</b>	<b>6,463</b>

## 9.0 Cash and Cash Equivalents

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

<b>31/03/18</b>		<b>31/03/19</b>
<b>£'000</b>		<b>£'000</b>
7,382	Cash Held by the Council	8,361
(14,352)	Bank Current Accounts	(11,535)
<b>(6,970)</b>	<b>Total Cash and Cash Equivalents</b>	<b>(3,174)</b>

Short-term cash surpluses are invested in line with the 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 31<sup>st</sup> March 2019 adjusted for unrepresented cheques.

## 10.0 Short-Term Creditors

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

<b>31/03/18</b>		<b>31/03/19</b>
<b>£'000</b>		<b>£'000</b>
(8,487)	Central Government Bodies	(9,741)
(10,173)	Other Local Authorities	(12,219)
(1,692)	NHS Bodies	(4,667)
(11)	Public Corporations and Trading Funds	(151)
(57,881)	Other Entities and Individuals	(67,705)
<b>(78,244)</b>	<b>Total</b>	<b>(94,483)</b>

## 11.0 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	Total
	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April 2018</b>	<b>(540)</b>	<b>(1,580)</b>	<b>(2,120)</b>
Additional provisions made in 2018/19	0	(1,659)	<b>(1,659)</b>
Amounts used in 2018/19	6	1,252	<b>1,258</b>
Unused amounts reversed in 2018/19	0	328	<b>328</b>
<b>Balance at 31<sup>st</sup> March 2019</b>	<b>(534)</b>	<b>(1,659)</b>	<b>(2,193)</b>

Long-Term Provision	Insurance Claims	Joint Committees	Total
	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April 2018</b>	<b>(1,666)</b>	<b>(284)</b>	<b>(1,950)</b>
Additional provisions made in 2018/19	(2,568)	0	<b>(2,568)</b>
Amounts used in 2018/19	1,673	132	<b>1,805</b>
Unused amounts reversed in 2018/19	891	0	<b>891</b>
<b>Balance at 31<sup>st</sup> March 2019</b>	<b>(1,670)</b>	<b>(152)</b>	<b>(1,822)</b>

## 12.0 Other Long-Term Liabilities

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

31/03/18		31/03/19
£'000		£'000
(611,858)	Pension Liability (IAS19)	(589,008)
(394)	Other	(589)
<b>(612,252)</b>	<b>Total</b>	<b>(589,597)</b>

## 13.0 Usable Reserves

31/03/18			31/03/19
£'000			£'000
10,720	Council Fund Balance	13.1	10,498
65,096	Capital, Treasury and Insurance Reserves	13.2	63,707
64,157	Other Revenue Related Reserves	13.2	41,867
3,397	Delegated Schools Reserve		3,007
1,127	Usable Capital Receipts Reserve	13.3	3,343
7,396	Capital Grant Unapplied Account	13.4	16,966
173	MGCC Insurance Reserve		391
<b>152,066</b>	<b>Total Usable Reserves</b>		<b>139,779</b>

### 13.1 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.

Movements in the Council Fund Balance during 2018/19 were:

	<b>£'000</b>
<b>Balance as at 31<sup>st</sup> March 2018</b>	<b>10,720</b>
Revenue Budget Outturn	(222)
<b>Balance as at 31<sup>st</sup> March 2019</b>	<b>10,498</b>

### 13.2 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 2018/19. All earmarked reserves are deemed to be revenue reserves.

#### Capital, Treasury and Insurance Reserves

Reserve	Purpose	Balance at	Transfers	Transfers	Balance at
		31/03/18	Out	In	31/03/19
		£'000	£'000	£'000	£'000
<b>Capital Developments</b>	Resources set-aside from revenue budget, earmarked to fund the Council's approved 3-year capital programme.	<b>53,700</b>	(28,607)	27,562	<b>52,655</b>
<b>Treasury Management Reserve</b>	Funding for known and potential future pressures upon the Capital Financing budget.	<b>2,465</b>	0	0	<b>2,465</b>
<b>Insurance Reserve</b>	To provide for estimated costs of incidents that have occurred during the policy year but have not yet resulted in a claim being received.	<b>8,931</b>	(1,000)	656	<b>8,587</b>
<b>Total</b>		<b>65,096</b>	<b>(29,607)</b>	<b>28,218</b>	<b>63,707</b>



**Other Revenue Related Reserves**

Reserve	Purpose	Balance at	Transfers	Transfers	Balance at
		31/03/18	Out	In	31/03/19
		£'000	£'000	£'000	£'000
<b>Revenue Budget Strategy 2018/19</b>	Medium Term Financial Planning & Service Transformation (transitional funding) to be released to fund the 2018/19 budget.	1,022	(1,022)	0	0
<b>Revenue Budget Strategy 2019/20</b>	Medium Term Financial Planning & Service Transformation (transitional funding) to be released to fund the 2019/20 budget.	0	0	1,537	1,537
<b>Joint Committee Reserve</b>	Reflects the Council's share of General and Earmarked Reserves of the Joint Committees in which it has an interest.	123	0	638	761
<b>Revenue Grant Reserves (IFRS)</b>	Carry forward of Revenue Grants not yet applied to spend - required accounting treatment to comply with International Financial Reporting Standards.	3,021	(3,021)	3,856	3,856
<b>Financial Management and Human Resources Risk Management</b>	Resources set aside as cover for future liabilities relating to various risks identified and being managed.	29,766	(26,792)	10,662	13,636
<b>Investment / Infrastructure</b>	To fund current and future costs of maintaining and enhancing infrastructure across the County Borough	6,855	(6,855)	6,534	6,534
<b>Prior Year Commitments</b>	Carry forward of existing funding to finance projects for which commitments have already been made in the prior year.	11,957	(9,256)	3,187	5,888
<b>Medium Term Financial Planning and Service Transformation</b>	Resources set aside as transitional (one-off) funding to support the Council's medium-term financial and service planning requirements.	4,665	(1,537)	175	3,303
<b>Other Specific Reserves</b>	Represents a number of reserves held for specific and identified purposes.	3,692	(900)	504	3,296
<b>Invest to Save</b>	Funding identified (pump priming) to support Invest to Save opportunities as and when they arise.	3,056	0	0	3,056
<b>Total</b>		<b>64,157</b>	<b>(49,383)</b>	<b>27,093</b>	<b>41,867</b>

### 13.3 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:

2017/18		2018/19
£'000		£'000
1,443	<b>Balance as at 1<sup>st</sup> April</b>	1,127
	Receipts during the year:	
725	Sale of assets	2,626
22	Mortgage repayments	0
5	Repayment of discount (Right to Buys)	2
	Application during the year:	
(1,068)	Financing of capital expenditure	(412)
1,127	<b>Balance as at 31<sup>st</sup> March</b>	3,343

### 13.4 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.

2017/18		2018/19
£'000		£'000
8,572	<b>Balance at 1<sup>st</sup> April</b>	7,396
34,152	Grants received	42,649
(35,328)	Grants utilised to fund capital expenditure	(33,079)
7,396	<b>Balance at 31<sup>st</sup> March</b>	16,966

### 14.0 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.

31/03/18			31/03/19
£'000			£'000
172,236	Revaluation Reserve	14.1	171,042
6	Deferred Capital Receipts Reserve		3
485,926	Capital Adjustment Account	14.2	493,383
(5,656)	Financial Instruments Adjustment Account	14.3	(5,573)
(611,858)	Pensions Reserve	14.4	(589,008)
(5,756)	Short-Term Accumulating Compensated Absence Account		(4,476)
34,898	<b>Total Unusable Reserves</b>		65,371

## 14.1 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 1<sup>st</sup> 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.

2017/18		2018/19	
£'000		£'000	£'000
196,695	<b>Balance at 1<sup>st</sup> April</b>	172,236	
13,583	Upward revaluation of assets	12,617	
(18,905)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(6,659)	
191,373	<b>Surplus or Deficit on revaluation of Long-Term Assets not posted to the Surplus or Deficit on the Provision of Services</b>		178,194
(13,013)	Adjustment between the Capital Adjustment Account and the Revaluation Reserve	0	
(4,781)	Difference between Current Value Depreciation and Historical Cost Depreciation	(4,672)	
(1,343)	Accumulated Gains on Assets sold or scrapped	(2,480)	
(19,137)	<b>Amount written off to the Capital Adjustment Account</b>		(7,152)
172,236	<b>Balance at 31<sup>st</sup> March</b>		171,042

## 14.2 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 1<sup>st</sup> April 2007, the date that the Revaluation Reserve was created to hold such gains.

2017/18		2018/19	
£'000		£'000	£'000
<b>450,463</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>485,926</b>	
	Reversal of items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(40,629)	Charges for depreciation and impairment of Long-Term Assets*	(57,682)	
(8,159)	Revaluation losses on Property, Plant and Equipment	(14,748)	
0	Movement in the market value of Investment Properties	873	
(1,266)	Amortisation of Intangible Assets	(1,388)	
(9,182)	Revenue Expenditure Funded from Capital Under Statute	(9,023)	
(1,663)	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	(5,341)	
19,137	Adjusted items written out of the Revaluation Reserve	7,152	
<b>408,701</b>	<b>Net written out amount of the cost of Long-Term Assets consumed in the year</b>		<b>405,769</b>
	Capital Financing Applied in the Year:		
1,068	Use of the Capital Receipts Reserve to finance new Capital Expenditure	412	
34,152	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	30,181	
1,176	Application of grants to capital financing from the Capital Grants Unapplied Account	2,951	
11,054	Statutory provision for the financing of capital investment charged against the Council Fund	11,529	
29,797	Capital Expenditure charged against the Council Fund	42,541	
(22)	Private mortgage repayments	0	
<b>77,225</b>			<b>87,614</b>
<b>485,926</b>	<b>Balance at 31<sup>st</sup> March</b>		<b>493,383</b>

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

### 14.3 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 31<sup>st</sup> March 2019 there was a credit balance of £5.6m (credit balance of £5.7m as at 31<sup>st</sup> March 2018).

### 14.4 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.

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
<b>(579,048)</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>(611,858)</b>
(12,186)	Actuarial gains or (losses) on Pensions Assets and Liabilities	45,004
(56,964)	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	(61,710)
36,340	Employer's pensions contributions and direct payments to pensioners payable in the year	39,556
<b>(611,858)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(589,008)</b>

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

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
(48,788)	Depreciation and Impairment	(71,557)
(1,266)	Amortisation	(1,388)
(3,565)	(Increase)/Decrease in Creditors	(13,613)
2,086	Increase/(Decrease) in Debtors	15,381
(98)	Increase/(Decrease) in Stock	101
(20,624)	Movement in Pension Liability	(22,154)
(59)	Contribution to Provisions	55
(776)	Short-Term Accumulated Absence Accrual	1,280
(1,663)	Carrying amount of Long-Term Assets and Assets Held For Sale, sold or derecognised	(5,341)
2,125	Other non-cash items charged to the Net (Surplus) or Deficit on the Provision of Services	(8,246)
<b>(72,628)</b>	<b>Adjustments to Net (Surplus) or Deficit on the Provision of Services for Non-Cash Movements</b>	<b>(105,482)</b>

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

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
725	Proceeds from the sale of Property, Plant & Equipment, Investment Property and Intangible Assets	2,626
29,364	Any other items for which the cash effects are investing or financing cash flows	40,339
<b>30,089</b>		<b>42,965</b>

### **17.0 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.

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
(117)	Interest received	(1,191)
9,760	Interest paid	10,369
<b>9,643</b>	<b>Interest within Operating Activities</b>	<b>9,178</b>

**18.0 Cash Flow Statement - Investing Activities**

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
103,738	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	118,578
4,603	Purchase and Redemption of Short-Term and Long-Term Investments	11,242
(725)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(2,626)
(33,164)	Other receipts from Investing Activities	(40,339)
<b>74,452</b>	<b>Net Cash Flows from Investing Activities</b>	<b>86,855</b>

**19.0 Cash Flow Statement - Financing Activities**

<b>2017/18</b>		<b>2018/19</b>
<b>£'000</b>		<b>£'000</b>
(402,660)	Cash receipts of Short and Long-Term Borrowing	(229,870)
1	Cash payments for the reduction of the outstanding liabilities relating to Finance Leases	1
361,677	Repayments of Short and Long-Term Borrowing	168,960
<b>(40,982)</b>	<b>Net Cash Flows from Financing Activities</b>	<b>(60,909)</b>

**20.0 Notes to the Expenditure and Funding Analysis****20.1 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	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000s	£'000s	£'000s	£'000s
Corporate & Frontline Services	10,641	1,069	4,049	15,759
Chief Executive's Division	(47)	377	1,263	1,593
Education & Lifelong Learning Services	11,080	1,907	(1,349)	11,638
Community & Childrens Services	11,292	2,526	(1,018)	12,800
Authority Wide Budgets	(19,387)	2	(26,161)	(45,546)
Joint Committees	0	0	174	174
<b>Net Cost of Services</b>	<b>13,579</b>	<b>5,881</b>	<b>(23,042)</b>	<b>(3,582)</b>
Other income and expenditure from the Expenditure and Funding Analysis	(24,625)	14,589	15,410	5,374
<b>Difference between Council Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services</b>	<b>(11,046)</b>	<b>20,470</b>	<b>(7,632)</b>	<b>1,792</b>

**Adjustments between Funding and Accounting Basis 2018/19**

Adjustments from General 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	13,927	1,237	18,870	34,034
Chief Executive Division	7,261	463	1,865	9,589
Education & Inclusion Services	28,357	1,902	275	30,534
Community & Childrens Services	7,130	3,015	(2,520)	7,625
Authority Wide Budgets	(29,199)	3	(12,863)	(42,059)
Joint Committees	0	0	(2,505)	(2,505)
<b>Net Cost of Services</b>	<b>27,476</b>	<b>6,620</b>	<b>3,122</b>	<b>37,218</b>
Other income and expenditure from the Expenditure and Funding Analysis	(37,570)	15,380	17,525	(4,665)
<b>Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services</b>	<b>(10,094)</b>	<b>22,000</b>	<b>20,647</b>	<b>32,553</b>

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

**20.2 Expenditure and Income Analysed by Nature**

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

Expenditure	2017/18	2018/19
	£'000	£'000
Employee Benefits Expenses	318,965	332,891
Other Services Expenses	336,512	341,250
Depreciation, Amortisation and Impairment	63,102	85,838
Interest Payments	9,760	10,369
Precepts and Levies	29,877	31,428
Loss on the Disposal of Assets	938	3,403
<b>Total Expenditure</b>	<b>759,154</b>	<b>805,179</b>
<b>Income</b>		
Fees, Charges and Other Service Income	(248,631)	(235,469)
Interest and Investment Income	(117)	(1,191)
Income from Council Tax and NNDR	(200,215)	(206,162)
Gain on the Disposal of Assets	0	(687)
Government Grants and Contributions	(308,399)	(328,895)
<b>Total Income</b>	<b>(757,362)</b>	<b>(772,404)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>1,792</b>	<b>32,775</b>



## 21.0 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).

	2017/18	2018/19
	£'000	£'000
Allowances	1,285	1,310
Expenses	12	11
<b>Total</b>	<b>1,297</b>	<b>1,321</b>

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.

## 22.0 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 1:8 with the median earnings being £18,392. This is the ratio between the Chief Executive's pay and the median earnings of the workforce within the Council, including employees of Central South Consortium and Voluntary Aided Schools, 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 2018/19 the average number of employees paid per month by the Council was 9,943 (10,213 2017/18), paying total remuneration of £227m (excluding employer's national insurance and pension contributions) (£220m 2017/18). Within this, the following remuneration payments were made within the categories specified:

Remuneration Band	2017/18	2018/19		
	No. of Employees	No. of Employees		
	Total	At 31/03/19	Left in Year	Total
£60,000 - £64,999	62	61	4	65
£65,000 - £69,999	25	24	2	26
£70,000 - £74,999	11	4	0	4
£75,000 - £79,999	8	11	1	12
£80,000 - £84,999	0	2	1	3
£85,000 - £89,999	8	5	0	5
£90,000 - £94,999	3	2	0	2
£95,000 - £99,999	0	3	0	3
£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 - £119,999	1	0	0	0
£120,000 - £124,999	0	1	0	1
<b>Total</b>	<b>120</b>	<b>113</b>	<b>8</b>	<b>121</b>

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)	2017/18			2018/19						
	Total Remuneration	Employer's Pension Contributions	Total Remuneration Including Employer's Pension Contributions	Salary	Taxable Benefits in Kind	Compensation for Loss of Employment		Total Remuneration	Employer's Pension Contributions	Total Remuneration Including Employer's Pension Contributions
						Redundancy	Early Access Costs			
	£'000			£'000						
Chief Executive	145	36	181	147	0	0	0	147	38	185
Group Director, Community & Children's Services (Deputy Chief Executive wef 11/03/19)	116	29	145	118	0	0	0	118	30	148
Group Director Corporate & Frontline Services (Deputy Chief Executive) to 10/03/2019	116	29	145	111	0	0	0	111	29	140
Group Director, Prosperity, Development & Frontline wef 11/03/2019	0	0	0	6	0	0	0	6	2	8
Director - Highways & Streetcare to 10/03/2019	87	21	108	83	1	0	0	84	21	105
Temporary Director of Education & Lifelong Learning to 31/08/2018	87	0	87	37	0	0	0	37	0	37
Director of Education & Inclusion Services wef 01/09/2018	0	0	0	52	0	0	0	52	13	65
Director of Human Resources to 30/11/2017	38	9	47	0	0	0	0	0	0	0
Director of Human Resources wef 01/12/2017	31	8	39	96	0	0	0	96	24	120

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Director of Finance & Digital Services wef 11/03/2019	0	0	<b>0</b>	6	0	0	0	<b>6</b>	1	<b>7</b>
Director of Legal & Democratic Services (left 31/03/19)	94	23	<b>117</b>	96	0	0	0	<b>96</b>	25	<b>121</b>
Director of Legal & Democratic Services (left 31/03/19) - Returning Officer	6	0	<b>6</b>	1	0	0	0	<b>1</b>	0	<b>1</b>
Director of Regeneration & Planning *	89	22	<b>111</b>	95	0	37	201	<b>333</b>	24	<b>357</b>
Director of Corporate Estates & Procurement (left 31/03/19)	94	23	<b>117</b>	102	0	40	47	<b>189</b>	25	<b>214</b>
Service Director - Public Health & Protection to 30/11/2017	50	13	<b>63</b>	0	0	0	0	<b>0</b>	0	<b>0</b>
Director of Public Health, Protection & Community Services wef 01/12/17	29	7	<b>36</b>	88	0	0	0	<b>88</b>	23	<b>111</b>
Service Director – Cabinet Office & Public Relations	66	17	<b>83</b>	68	0	0	0	<b>68</b>	17	<b>85</b>

\* left 7<sup>th</sup> April 2019

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.

### 23.0 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	
	£	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
£0 - £20,000	18	29	186	344	204	373	1,212	2,316
£20,001 - £40,000	2	8	40	63	42	71	1,215	1,982
£40,001 - £60,000	2	3	11	21	13	24	677	1,148
£60,001 - £80,000	1	4	4	16	5	20	329	1,379
£80,001 - £100,000	1	4	6	7	7	11	647	981
£100,001 - £150,000	1	2	7	11	8	13	940	1,578
£150,001 - £200,000	0	0	4	0	4	0	666	0
£200,001 - £250,000	0	0	0	1	0	1	0	239
<b>Total</b>	<b>25</b>	<b>50</b>	<b>258</b>	<b>463</b>	<b>283</b>	<b>513</b>	<b>5,686</b>	<b>9,623</b>

During 2018/19, the Council saved annual payroll costs of £8,060k (£3,823k 2017/18) 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.

### 24.0 External Audit Costs

The estimated costs to the Council for financial year 2018/19 in relation to the audit of the Statement of Accounts for certification of grant claims, statutory inspections and other services provided by the Council's external auditors are set out in the table below:

	2017/18	2018/19
	Actual	Estimated
<b>Fees Payable to the Auditor General for Wales</b>	<b>£'000</b>	<b>£'000</b>
External audit services carried out by the Statutory Auditor for the year	250	240
Local Government Measure Work	94	94
Certification of Grant Claims and Returns for the year	66	65
<b>Total</b>	<b>410</b>	<b>399</b>

## 25.0 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 2018/19 was 51.4p (49.9p for 2017/18). The total rateable value as at 31<sup>st</sup> March 2019 was £129.4m (£129.3m as at 31<sup>st</sup> March 2018).

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 2018/19 rates is £50.2m (£48.8m in 2017/18). The contribution back to the Council from the pool in the year amounted to £75.6m (£76.4m in 2017/18) and the amount payable to the pool amounts to £49.8m (£49.4m in 2017/18). 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.

## 26.0 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 2018/19 was calculated to be £75,668.01 (compared with £74,978.22 for 2017/18). 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	216	38,147	21,535	14,503	8,238	6,110	3,104	1,075	181	31
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 2018/19 was 97.5%.

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

Council Tax Analysis	2017/18	2018/19
	£'000	£'000
Council Tax Collectable	123,802	130,542
<b>Net Proceeds from Council Tax</b>	<b>123,802</b>	<b>130,542</b>
Less Payable:		
Police and Crime Commissioner for South Wales	(16,363)	(17,670)
Community Councils	(1,829)	(1,956)
<b>Total</b>	<b>105,610</b>	<b>110,916</b>

## 27.0 Grant Income

The following grants, contributions and donations were credited to the Comprehensive Income and Expenditure Statement in 2018/19:

### 27.1 Credited to Services

A number of grants and contributions have been recognised as income within Net Cost of Services. This income amounts to £194m in 2018/19 (in 2017/18 these grants and contributions amounted to £202m).

### 27.2 Capital Grants Receipts in Advance

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

## 28.0 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.

## 28.1 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). Transactions between the Council and Welsh Government are as follows:

	<b>2017/18</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
Non-Ringfenced Government Grants	(279,035)	(288,556)
Capital Grants and Contributions	(26,697)	(33,137)
Credited to Services	(141,431)	(138,633)
<b>Total</b>	<b>(447,163)</b>	<b>(460,326)</b>

## 28.2 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 Borough Council. Membership details are available from the Service Director Cabinet Office and Public Relations, The Pavilions, Clydach Vale.

During 2018/19 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 2018/19. The value of these transactions amounted to payments of £1,117k, of which £3k was outstanding at year end, and receipts of £210k, of which £5k was outstanding at year end.

The Council has transactions with a Construction Company that has recently been awarded contracts to carry out work on Council owned properties. A Member of the Council declared that a relative is an Electrical and Project Manager within this company. Payments to the company amount to £3,118k with no payments outstanding at year end and receipts of £4k, of which no receipts were outstanding. The Member did not take part in any discussion, decision or administration relating to the services.



### **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 2018/19, the Council had 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 amount to £3,795k (£1,127k in 2017/18) with no payments outstanding at year end (nil in 2017/18) and receipts of £172k (£178k in 2017/18), of which no receipts were outstanding (£2k in 2017/18). The Officer did not take part in any discussion, decision or administration relating to the services.

There were no other transactions of material value.

### **28.3 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:

	<b>2017/18</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
Police and Crime Commissioner for South Wales	16,363	17,670
Community Councils	1,829	1,956
<b>Total</b>	<b>18,192</b>	<b>19,626</b>

An analysis of levies is given in the following table:

	<b>2017/18</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
South Wales Fire and Rescue Service	11,033	11,166
Coroner	440	427
Brecon Beacons National Park	48	45
Glamorgan Archives Joint Committee	164	164
<b>Total</b>	<b>11,685</b>	<b>11,802</b>

### **28.4 Rhondda Cynon Taf Pension Fund**

The Director of Finance & Digital 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 (£1.6m in 2017/18) in respect of administration and support during financial year 2018/19. The amount owed

from the Council to the Pension Fund as at 31<sup>st</sup> March 2019 is nil (nil as at 31<sup>st</sup> March 2018).

## **28.5 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 2018/19 the following related party transactions took place with these companies.

### **Amgen Cymru Ltd.**

The Council paid Amgen Cymru £8,702k (£7,199k in 2017/18) in respect of waste management and waste disposal charges, with £637k (£560k in 2017/18) due to the company at the year-end.

Amgen Cymru paid the Council £853k (£487k in 2017/18) in respect of goods and services, with £151k (£164k in 2017/18) due to the Council at the year-end.

### **Amgen Rhondda Ltd.**

The Council paid Amgen Rhondda £175k (£175k in 2017/18) in respect of site management fees, with nil (nil in 2017/18) outstanding at 31<sup>st</sup> March 2019.

### **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 2018/19, the Council was charged £2,651k (£1,404k in 2017/18) in respect of goods, services and capital works. The balance owed to Capita Glamorgan Consultancy Ltd at 31<sup>st</sup> March 2019 was £673k (£347k in 2017/18).

Capita Glamorgan Consultancy Ltd paid the Council £0.6k (£1.9k in 2017/18) in respect of goods and services, with nil (nil in 2017/18) due to the Council at the year-end.

## **28.6 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 2018/19, the Council contributed to the Joint Committee an amount of £164k (£164k in 2017/18). 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 2018/19, the Council charged Llwydcoed Crematorium £39k (£32k in 2017/18) in respect of central establishment charges. As at 31<sup>st</sup> March 2019 the Council held cash balances relating to the Crematorium of £2,116k (£1,586k in 2017/18).

### **Education School Improvement Service (ESIS)**

ESIS became non-operational from 1<sup>st</sup> 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 27.29% of the assets, liabilities and transactions of CSCJES into its financial statements.

During 2018/19, the Council received income of £273k from CSCJES (received income of £118k in 2017/18) in respect of advisory and training services, along with grants of £19,991k (£19,114k in 2017/18), and charged CSCJES £122k (£118k in 2017/18) in respect of central establishment charges. The Council also paid CSEC expenditure of £1,097k (£1,060k in 2017/18). As at 31<sup>st</sup> March 2019 the Council owed cash balances of £21,224k relating to CSCJES (the Council owed cash balances to CSCJES of £12,275k as at 31<sup>st</sup> March 2018). 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 1<sup>st</sup> 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 2018/19, the Council contributed £540k to the Vale, Valleys and Cardiff Regional Adoption Collaborative (£460k in 2017/18).

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

On 15<sup>th</sup> 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 to develop and manage £1.2 billion investment in the Cardiff Capital Region's infrastructure through a 20-year Investment Fund.

The Council consolidates 15.77% of the assets, liabilities and transactions of CCRCD into its financial statements.

During 2018/19, the Council contributed £1,941k to CCRCD (£3,817k in 2017/18).

## **28.7 Partnership Agreement**

### **Biogen Tomorrow's Valley Food Waste Plant**

The Biogen Food Waste Plant became fully operational on the 19<sup>th</sup> 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 2018/19 a total amount of £955k (£958k in 2017/18) associated costs have been incurred by the parties, with Welsh Government contributing £124k (£124k in 2017/18) of grant funding.

## **28.8 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 2018/19, the Council paid Trivallis £1,072k (£1,201k in 2017/18) and received income of £1,191k (£1,235k in 2017/18). At year-end, Trivallis owed £101k to the Council (£116k in 2017/18).

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 31<sup>st</sup> March 2019 £4,750k was outstanding.

## 29.0 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.

	2017/18	2018/19
	£'000	£'000
Opening Capital Financing Requirement	411,081	435,595
<b>Capital Investment:</b>		
Property, Plant & Equipment	88,033	108,447
Intangible Assets	1,267	1,738
Revenue Expenditure Funded from Capital Under Statute	12,461	10,964
	<b>101,761</b>	<b>121,149</b>
<b>Sources of Finance:</b>		
Capital Receipts	(1,068)	(412)
Government Grants and Other Contributions	(35,328)	(33,079)
	<b>(36,396)</b>	<b>(33,491)</b>
<b>Sums Set Aside from Revenue:</b>		
Direct Revenue Contributions	(29,797)	(42,541)
Minimum Revenue Payment	(11,054)	(11,529)
	<b>(40,851)</b>	<b>(54,070)</b>
<b>Closing Capital Financing Requirement</b>	<b>435,595</b>	<b>469,183</b>
<b>Explanation of Movements in Year</b>		
Increase/(Decrease) in underlying need to borrowing supported by government financial assistance)	13	(174)
Increase in underlying need to borrowing (unsupported by government financial assistance)	24,502	33,763
Finance Leases	(1)	(1)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>24,514</b>	<b>33,588</b>

### 30.0 Leases

The following disclosures relate to the Council as a lessee.

#### 30.1 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:

	31/03/18	31/03/19
	£'000	£'000
Other Land and Buildings	136	128

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:

	31/03/18	31/03/19
	£'000	£'000
Finance Lease Liabilities:		
Current	1	1
Long-Term	385	384
Finance costs payable in future years	1,254	1,232
<b>Minimum Lease Payments</b>	<b>1,640</b>	<b>1,617</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31/03/18	31/03/19	31/03/18	31/03/19
	£'000	£'000	£'000	£'000
Less than 1 year	23	23	1	1
1 to 5 years	113	113	4	4
Greater than 5 years	1,504	1,481	381	380
<b>Total</b>	<b>1,640</b>	<b>1,617</b>	<b>386</b>	<b>385</b>

The Council also acts as a lessor for 8 vehicles:

	31/03/18	31/03/19
	£'000	£'000
Finance Lease Receivables:		
Current	120	128
Long-Term	286	157
Finance costs receivable in future years	61	33
<b>Minimum Lease Receivables</b>	<b>467</b>	<b>318</b>

	Minimum Lease Receivables		Finance Lease Assets	
	31/03/18	31/03/19	31/03/18	31/03/19
	£'000	£'000	£'000	£'000
Less than 1 year	147	148	120	128
1 to 5 years	320	170	286	157
Greater than 5 years	0	0	0	0
<b>Total</b>	<b>467</b>	<b>318</b>	<b>406</b>	<b>285</b>

### 30.2 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.

	31/03/18			31/03/19		
	Other Land & Buildings	Vehicles, Plant & Equip.	Totals	Other Land & Buildings	Vehicles, Plant & Equip.	Totals
	£'000	£'000	£'000	£'000	£'000	£'000
Less than 1 year	612	1,195	1,807	403	768	1,171
1 to 5 years	2,002	1,369	3,371	1,506	1,397	2,903
Greater than 5 years	8,253	566	8,819	7,014	489	7,503
<b>Total</b>	<b>10,867</b>	<b>3,130</b>	<b>13,997</b>	<b>8,923</b>	<b>2,654</b>	<b>11,577</b>

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

	31/03/18	31/03/19
	£'000	£'000
Minimum Lease Payments	2,362	1,949

### 30.3 Sub-Leases

The Council has sub-let office accommodation at Valleys Innovation Centre. Non-cancellable sub-lease payments of £106k per annum are expected to be received until expiry of the lease agreement, as shown in the table below:

	2017/18	2018/19
	£'000	£'000
Less than 1 year	60	106
1 to 5 years	59	93
Greater than 5 years	0	0
<b>Total</b>	<b>119</b>	<b>199</b>

### 31.0 Impairment Losses

During 2018/19, the Council has recognised an impairment loss of £30.9m (a loss of £20.5m in 2017/18) in relation to its Long-Term Assets. This impairment charge is included within the Long-Term Asset note 6.1, which also includes reversal of impairment from previous years.

### 32.0 Retirement Benefits - Defined Benefit Schemes

#### 32.1 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 33.0.
- 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.

#### 32.2 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:



	2017/18	2018/19		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement:</b>				
Cost of Services:				
Current Service Cost	41,259	43,580	252	43,832
Past Service Cost	1,117	2,470	26	2,496
Consolidation Adjustment	(1)	0	1	1
<i>Financing and Investment Income and Expenditure:</i>				
Net Interest Expense	14,589	15,380	1	15,381
<b>Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>56,964</b>	<b>61,430</b>	<b>280</b>	<b>61,710</b>
<b>Remeasurement of the Net Defined Benefit Liability Comprising:</b>				
Return on Plan Assets (Excluding the Amount Included in the Net Interest Expense)	(24,290)	(75,430)	(471)	(75,901)
Actuarial (Gains) and Losses Arising on Liabilities - Demographic Assumptions	0	(66,990)	(267)	(67,257)
Actuarial (Gains) and Losses Arising on Liabilities - Financial Assumptions	28,607	95,140	398	95,538
Actuarial (Gains) and Losses Arising on Liabilities - Experience	8,062	2,610	10	2,620
Net Increase in Liabilities from Disposals/Aquisitions on Liabilities - Experience	(193)	0	0	0
Consolidation Adjustment	0	0	(4)	(4)
<b>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>69,150</b>	<b>16,760</b>	<b>(54)</b>	<b>16,706</b>
<b>Movement in Reserves Statement:</b>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	(56,964)	(61,430)	(280)	(61,710)
Actual amount charged against the Council Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	36,340	39,430	126	39,556

The total remeasurement of the Net Defined Benefit Liability recognised in Other Comprehensive Income and Expenditure to the 31<sup>st</sup> March 2019 is a gain of £45.0m (£12.2m loss in 2017/18).

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the year ending 31<sup>st</sup> March 2019 is a loss of £98.0m.

### 32.3 Reconciliation of Present Value of the Scheme Liabilities

	2017/18	2018/19		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	<b>1,564,560</b>	<b>1,637,370</b>	<b>6,752</b>	<b>1,644,122</b>
Current Service Cost	41,259	43,580	252	43,832
Interest Cost on Defined Obligation	40,172	42,040	168	42,208
Contributions by scheme participants	8,282	8,480	73	8,553
<b>Remeasurement (Gains) and Losses</b>				
Actuarial (Gains) and Losses Arising on Liabilities - Demographic Assumptions	0	(66,990)	(267)	(67,257)
Actuarial (Gains) and Losses Arising on Liabilities - Financial Assumptions	28,607	95,140	398	95,538
Actuarial (Gains) and Losses Arising on Liabilities - Experience	8,062	2,610	10	2,620
Benefits paid	(47,920)	(50,010)	(193)	(50,203)
Past service costs	1,117	2,470	26	2,496
Consolidation Adjustment	(17)	0	(245)	(245)
<b>Balance at 31<sup>st</sup> March</b>	<b>1,644,122</b>	<b>1,714,690</b>	<b>6,974</b>	<b>1,721,664</b>

**32.4 Reconciliation of Fair Value of the Scheme Assets**

	2017/18	2018/19		
		RCT	Joint Comm's	Total
	£'000	£'000	£'000	£'000
<b>Balance at 1<sup>st</sup> April</b>	<b>985,512</b>	<b>1,025,610</b>	<b>6,654</b>	<b>1,032,264</b>
Interest Income	25,583	26,660	167	26,827
<b><i>Remeasurement (Gains) and Losses:</i></b>				
The Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	24,290	75,430	471	75,901
Employer contributions	36,340	39,430	126	39,556
Contributions by scheme participants	8,282	8,480	73	8,553
Benefits paid	(47,920)	(50,010)	(193)	(50,203)
Net Increase in Assets from Disposals/Aquisitions	193	0	0	0
Consolidation Adjustment	(16)	0	(242)	(242)
<b>Balance at 31<sup>st</sup> March</b>	<b>1,032,264</b>	<b>1,125,600</b>	<b>7,056</b>	<b>1,132,656</b>

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 £102.71m (£49.87m gain in 2017/18).

**32.5 Scheme History**

	2014/15	2015/16	2016/17	2017/18	2018/19
	Inc Joint Comm's	Inc Joint Comm's	Inc Joint Comm's	Inc Joint Comm's	Inc Joint Comm's
	£'000	£'000	£'000	£'000	£'000
Present Value of the Defined Obligation	(1,399,724)	(1,349,822)	(1,564,560)	(1,644,122)	(1,721,664)
Fair Value of Plan Assets	811,839	834,277	985,512	1,032,264	1,132,656
<b>Surplus/(Deficit)</b>	<b>(587,885)</b>	<b>(515,545)</b>	<b>(579,048)</b>	<b>(611,858)</b>	<b>(589,008)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £589m 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.

### 32.6 Local Government Pension Scheme Assets

As at 31<sup>st</sup> December 2018, the Rhondda Cynon Taf Pension Fund Assets used in IAS19 calculations comprised of:

<b>Fair Value of Scheme Assets</b>		
	<b>2017/18</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
UK Equities	657,668	345,524
Overseas Equities	1,775,137	1,726,196
UK Fixed Interest Gilts	274,407	407,756
UK Corporate Bonds	276,825	336,260
Overseas Government Bonds	2,735	25,109
Overseas Corporate Bonds	29,407	36,166
Property	175,043	221,127
Cash and Net Current Assets	61,066	113,635
<b>Total</b>	<b>3,252,288</b>	<b>3,211,773</b>

### 32.7 Basis for Estimating Assets and Liabilities

#### **Roll-forward of Assets**

The valuation results from the last full valuation of the Fund (or results at the previous accounting date as appropriate) are adjusted to the accounting year-end allowing for:

- Investment returns, and
- Cash-flows including investment returns on those cashflows.

The asset value at the start of the accounting period is accumulated with the Fund investment return over the accounting period. Net cashflows are assumed to be paid half way through the period and accrue half of the Fund investment return over the period.

#### **Roll-forward of Liabilities**

The valuation results from the last full valuation of the Fund (or results at the previous accounting date as appropriate) are adjusted to allow for the later calculation date (by adding interest to the liabilities) and make allowance for changes in liabilities due to:

- The accrual of new benefits and the discharge of liabilities from the payment of benefits.
- The financial and demographic assumptions adopted at the year-end.
- The impact of any known experience affecting the liabilities, such as the impact of actual pension increases on pensions in payment and deferred benefits.
- If applicable, the impact of events which result in a change in the liability such as past service costs, settlements and curtailments.

The full valuation was based on funded benefits and the principal assumptions used by the actuary have been:

	31/03/18	31/03/19
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	22.9	22.2
Women	25.0	24.1
Longevity at 65 for future pensioners:		
Men	25.1	23.9
Women	27.3	25.9
Rate of inflation (RPI)	3.2%	3.3%
Rate of inflation (CPI)	2.1%	2.2%
Rate of increase in salaries	3.35%	3.45%
Rate of increase in pensions	2.1%	2.2%
Rate for discounting scheme liabilities	2.6%	2.4%
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 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.

	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)	55,080	(54,490)	225	(223)	55,305	(54,713)
Rate of Increase in Salaries (Increase or Decrease by 0.1%)	6,910	(6,840)	32	(32)	6,942	(6,872)
Rate of Increase in Pensions (Increase or Decrease by 0.1%)	25,520	(25,100)	106	(105)	25,626	(25,205)
Rate for Discounting Scheme Liabilities (Increase or Decrease by 0.1%)	(31,880)	32,490	(136)	139	(32,016)	32,629

### **32.8 Contributions for the Accounting Period ending 31<sup>st</sup> March 2020**

The Employer's regular contributions to the Fund for the accounting period 31<sup>st</sup> March 2020 are estimated to be £38.2m. 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 Director of Finance & Digital Services, Bronwydd House, Porth, Rhondda, CF39 9DL.

### **33.0 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 2018/19, the Council paid £12.9m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2017/18 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 2018/19 these amounted to £822k (£838k in 2017/18).

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.

### **34.0 Contingent Liabilities**

#### **34.1 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 31<sup>st</sup> March 2019. 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.

### **34.2 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 30<sup>th</sup> 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.

### **35.0 Trust Funds**

The Council acts as sole trustees for various charities. Separate accounts are maintained for these. Net assets as at 31<sup>st</sup> March 2019 are shown as follows and are not included in the Council's Balance Sheet. The 2018/19 figures are draft, subject to audit (the Wales Audit Office for Welsh Church Act, the Regional Internal Audit Service for the other funds).

	Description	31/03/18	31/03/19
		£'000	£'000
Education & Miscellaneous	Various funds established for educational and community benefits	251	259
Rhondda Cynon Taf Charity for the Visually Impaired	Fund established for the benefit of visually impaired citizens	76	45
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	12,253	12,720

## RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

### ANNUAL GOVERNANCE STATEMENT 2018/19

#### 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; and
  - Place - Creating neighbourhoods where people are proud to live and work.

1.3 Underpinning the above priorities is the cross-cutting theme of 'Living Within Our Means' that focusses on robust financial management arrangements to ensure the Council maintains its financial stability and makes the best use of scarce resources.

1.4 This 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 31<sup>st</sup> March 2019.

### 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 31<sup>st</sup> March 2019 (and up to the date of approval of the 2018/19 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 (2016)*, many of which are set out within its [Constitution](#). Table 1 provides examples of the key systems, processes and documents that were in place during 2018/19.

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

<b>Good Governance Principles</b>	<b>Examples of key systems, processes and documents in place within the Council</b>
Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	<ul style="list-style-type: none"> <li>• <a href="#">Elected Councillor and Officer Codes of Conduct</a> - setting out the standards of behaviour to be followed based on the principles of integrity, honesty, impartiality and objectivity.</li> <li>• <a href="#">Rules of Procedure</a> - 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.</li> <li>• <a href="#">Standards Committee</a> - the role of which includes, amongst other things, promoting and maintaining high standards of conduct by elected Councillors.</li> <li>• <a href="#">Whistle-blowing Policy</a> - promoting the highest possible standards of service and setting out how workers can bring information about a wrongdoing to the attention of the Council.</li> <li>• Anti-fraud, Bribery &amp; Corruption Strategy.</li> <li>• Gifts and hospitality Policy.</li> <li>• <a href="#">Comments, Compliments and Complaints</a> - setting out how the Council handles and responds to feedback (complaints, compliments and comments).</li> <li>• Officer Guide.</li> </ul>
Ensuring Openness and comprehensive stakeholder engagement	<ul style="list-style-type: none"> <li>• A <a href="#">Publication Scheme</a> that aims to advise citizens how to request public information the Authority holds.</li> <li>• Clear and open <a href="#">Corporate &amp; Service Specific Privacy Notices</a>.</li> <li>• Forward plans for Committee meetings together with the matters to be considered, where appropriate.</li> </ul>

<b>Good Governance Principles</b>	<b>Examples of key systems, processes and documents in place within the Council</b>
Defining outcomes in terms of sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> <li>• Performance Management Framework.</li> <li>• Corporate Plan and Service Delivery Plans.</li> <li>• Quarterly Performance Report (including Risk Register updates).</li> <li>• Risk Management Strategy.</li> <li>• Annual Revenue Budget Strategy and three year Capital Programme.</li> </ul>
Determining the interventions necessary to optimise the achievement of the intended outcomes	<ul style="list-style-type: none"> <li>• Medium Term Financial Plan.</li> <li>• Scrutiny Committees.</li> </ul>
Developing the entity's capacity, including the capability of its leadership and the individuals within it	<ul style="list-style-type: none"> <li>• Corporate and Service Self-Evaluation process.</li> <li>• Corporate Plan.</li> <li>• Programme of elected Councillor and Officer training and development.</li> <li>• Workforce Plan 2017-22.</li> <li>• Schemes of Delegation.</li> </ul>
Managing risks and performance through robust internal control and strong public financial management	<ul style="list-style-type: none"> <li>• Corporate and Service Self-Evaluation process.</li> <li>• Risk Management Strategy.</li> <li>• Service Delivery Planning.</li> <li>• Quarterly Performance Report (including Risk Register updates).</li> <li>• Corporate Performance Report (i.e. year-end annual report).</li> <li>• Audit Committee and an Internal Audit function.</li> <li>• Information Management Plan (including General Data Protection Regulation).</li> <li>• Budget and Policy Framework Procedure Rules and Contract and Financial Procedure Rules.</li> <li>• Medium Term Financial Plan.</li> </ul>
Implementing good practices in transparency, reporting, and audit to deliver effective accountability.	<ul style="list-style-type: none"> <li>• Reporting protocols and calendars (including forward looking work programmes, for example, for Cabinet and Scrutiny Committees).</li> <li>• Statement of Accounts.</li> <li>• Annual Governance Statement.</li> <li>• Production of Annual Reports on key areas of business e.g. Corporate Parenting, Annual Equality Report.</li> <li>• Internal Audit external assessment and Charter.</li> <li>• Pension Fund Committee.</li> </ul>

- 4.2 The *Delivering Good Governance in Local Government: Framework (2016)* supports the principle for local authorities to develop and maintain an up-to-date local code of governance. In previous years, the Council did not have a standalone 'code' and instead referred to policies and documents listed within its Constitution as evidence of appropriate arrangements. However, following the proposal for improvement in last year's Annual Governance Statement, a draft Local Code of Corporate Governance has now been developed and will be reported to the Council's Audit Committee at its meeting on [29<sup>th</sup> April 2019](#).

## 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.
- 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 and external auditor reports.
- 5.3 The findings and proposals for improvement have been reviewed and challenged by the Council's Senior Leadership Team (SLT) and Audit Committee, and have been set out in line with the *Delivering Good Governance in Local Government: Framework (2016)*.

#### 5.4 PROGRESS MADE TO IMPLEMENT PROPOSALS FOR IMPROVEMENT REPORTED IN THE 2017/18 ANNUAL GOVERNANCE STATEMENT

5.4.1 The 2017/18 Annual Governance Statement identified 9 proposals for improvement. An update on progress was reported to the Council's Audit Committee on [17<sup>th</sup> December 2018](#) and following consideration the Committee **RESOLVED**: *'That the progress made to implement the recommendations was satisfactory'*.

5.4.2 For completeness, the status of each proposal for improvement has been provided as follows:

Core Principle / Area	Issue Identified	Recommendation	Responsible Officer & Timescale	Status / Update
<b>The Governance Framework</b>	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.	Service Director – Performance and Improvement  Qtr 2 2018/19  Revised Timescale: Qtr 4 2018/19	<b>Implemented.</b>  Refer to paragraph 4.2 of the Annual Governance Statement.
<b>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>	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.	Head of Organisational Development  Qtr 3 2018/19	<b>Implemented.</b>  Refer to paragraph 5.5.8 of the Annual Governance Statement.

Core Principle / Area	Issue Identified	Recommendation	Responsible Officer & Timescale	Status / Update
<b>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>	Complaints and Comments - 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.	<p>Comments, compliments and complaints (non-social services) – introduce arrangements to enable regular complaint analysis to be provided to Services.</p> <p>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.</p>	Head of Legal - Corporate And Democratic Services  Qtr 2 2018/19	<b>In Progress</b>  Refer to paragraphs 5.5.14 to 5.5.15 of the Annual Governance Statement.
<b>Defining outcomes in terms of sustainable economic, social, and environmental benefits</b>	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.	Service Director – Performance & Improvement and Performance Manager  Qtr 1 2018/19	<b>Implemented.</b>  Refer to paragraph 5.7.2 of the Annual Governance Statement.

Core Principle / Area	Issue Identified	Recommendation	Responsible Officer & Timescale	Status / Update
<b>Developing the entity's capacity, including the capability of its leadership and individuals within it</b>	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.	Head of Organisational Development  Qtr 1 2018/19 onwards	<b>Implemented.</b>  Post-training feedback requests continue to be sent electronically to attendees of training events (and feedback analysed) together with face-to-face dialogue with Council officers – this will be an on-going process.
<b>Managing risks and performance through robust internal control and strong public financial management</b>	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.	Head of Internal Audit and Procurement Development Programmes  Qtr 3 2018/19	<b>Implemented.</b>  Refer to paragraph 5.10.1 of the Annual Governance Statement.

Core Principle / Area	Issue Identified	Recommendation	Responsible Officer & Timescale	Status / Update
<b>Managing risks and performance through robust internal control and strong public financial management</b>	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'. This has been delayed due to awaiting receipt of up dated guidance.	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. 2018 Edition'.	Head of Internal Audit and Procurement Development Programmes  Revised Timescale: Qtr 4 2018/19	<b>Implemented.</b>  Refer to paragraph 5.10.11 of the Annual Governance Statement.
	The Council's Financial Procedure Rules document has not been reviewed for 2 years.	Review, and where required, update the Council's Financial Procedure Rules and report revisions to elected Councillors for consideration / approval.	Service Director – Performance & Improvement -Qtr 2 2018/19	<b>In progress</b> Refer to paragraph 5.10.17 of the Annual Governance Statement.
<b>Implementing good practices in transparency, reporting and audit to deliver effective accountability</b>	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.	Head of Internal Audit and Procurement Development Programmes  Qtr 2 2018/19	<b>Implemented.</b>  Refer to paragraph 5.11.4 of the Annual Governance Statement.

5.4.3 Based on the year-end update, it is considered that, overall, good progress has been made to implement the 9 proposals for improvement reported in 2017/18 i.e. 7 implemented and 2 currently 'in-progress'. The 2 proposals for improvement currently 'in-progress' will be carried forward for full implementation in 2019/20.



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

### Behaving with integrity

#### Elected Members<sup>1</sup>

- 5.5.1 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 all Minutes showed that declarations of interest were sought and declarations were made by elected Councillors, where appropriate.

#### The Standards Committee

- 5.5.2 A Standards Committee was in place during the year to promote, maintain and oversee high standards of conduct by elected Members. It is noted that the Terms of Reference for the Standards Committee is included within the Council's Constitution.
- 5.5.3 During 2018/19 the Standards Committee had a work-plan in place, met on 4 occasions and produced an Annual Report for 2018/19 that was reported to and agreed by the Committee at its meeting held on [22<sup>nd</sup> March 2019](#).
- 5.5.4 In addition, the conduct of 1 elected Member as reported to the Standards Committee for investigation during 2018/19 and was considered at its meeting held on [22<sup>nd</sup> October 2018](#). Following consideration of the evidence provided and the statements of witnesses, the Committee found that whilst there was a basis to the complaint, no further action was required.

#### Council employees

- 5.5.5 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. The overall arrangements were managed by the Council's Human Resources Service and it was noted that a progress update was reported to the SLT to ensure reviews were being undertaken on a timely basis.

#### Arrangements in place to tackle potential misappropriation

- 5.5.6 In the event that an officer decides to operate outside of the intended terms and conditions of employment, arrangements were in place for officers to "blow the whistle" through the Council's [Whistleblowing Policy & Procedure](#).
- 5.5.7 In addition to the Whistleblowing arrangements, there were arrangements in place to tackle potential [fraud, bribery and corruption](#).

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<sup>1</sup> Elected Members – also referred to as elected Councillors

5.5.8 The Audit Committee has overall responsibility for overseeing the governance arrangements in place in respect of whistleblowing and tackling potential fraud, bribery and corruption. Key reports received by Audit Committee during the year in respect of these arrangements were:

- [5<sup>th</sup> November 2018](#)

*Anti-Fraud, Bribery & Corruption Interim Update, including an overview of the National Fraud Initiative*

This report provided Audit Committee with an interim update of activities carried out in relation to the prevention, detection and investigation of potential fraud during 2018/19. In addition, an overview of the National Fraud Initiative was delivered.

- [4<sup>th</sup> February 2019](#)

*Staff Survey 2018*

This report provided Members with the outcomes of the staff survey undertaken between November 2018 and December 2018 (feedback results based on 1,141 participants out of 5,994 non-school based staff – a 19% participation rate). The survey aimed to assess general awareness of the Council's whistleblowing and anti-fraud arrangements, and the report made the following recommendations:

- ACTION 1

Remind staff of the importance of feeling empowered to report any suspicions that they may have (because 16.6% of respondents fed back they did not feel empowered to speak up when they spot an urgent problem and 13.7% fed back they were 'not sure').

- ACTION 2

Re-assure staff that they will not be the subject of any repercussions if they come forward and "blow the whistle" on a colleague (because 41.4% of respondents fed back they did not feel confident that they would not be subject to repercussions from the Council if they reported a concern).

- ACTION 3

Devise a simplified communication for staff that summarises the Council's whistleblowing and anti-fraud arrangements. Also, recommunicate to staff where full copies of the Policies can be found (because 41.6% of respondents fed back they did not know of any policies to guide them if they felt they spotted a problem e.g. Whistleblowing Policy, Anti-fraud, Bribery and Corruption Policy).

5.5.9 Whilst Audit Committee accepted the recommendations set out in the 4<sup>th</sup> February 2019 Report, the Committee were keen for Officers to analyse the feedback further with the aim of assessing whether particular themes or

concerns from staff were prevalent within specific service areas of the Council. To address this, an additional action was agreed:

- ACTION 4  
Review the detailed feedback received from the survey and use this to target resources in areas identified that could improve the arrangements further.
- 25<sup>th</sup> March 2019  
Two reports were presented to the Committee (in relation to governance arrangements):
  - Whistleblowing Annual Report 2018/19; and
  - Anti-Fraud, Bribery & Corruption Annual Report 2018/19.

Both reports set out the governance arrangements in place in respect of tackling potential misappropriation and summarised the work delivered during the 2018/19 financial year. The reports also included a forward plan of targeted activity for 2019/20 that was consistent with the outcomes of the staff consultation exercise undertaken between November 2018 - December 2018 and the feedback received from Audit Committee at its meeting held on 4<sup>th</sup> February 2019.

- 5.5.10 Based on the activities undertaken to oversee the areas of whistleblowing and anti-fraud together with the work delivered to investigate, tackle and help prevent such occurrences materialising, it is concluded that the overall arrangements in place are sufficient.
- 5.5.11 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.

### Comments, Compliments and Complaints

#### *Social Services*

- 5.5.12 A report was presented to Cabinet at its meeting held on 3<sup>rd</sup> October 2018 setting out an overview of the Council's statutory Social Services complaints procedure for the period April 2017 and March 2018. The report provided a summary of all complaints and compliments received, and concluded by identifying occasions where lessons learnt exercises had resulted in changes to relevant procedures / protocols.
- 5.5.13 The Report noted that a total of 162 complaints were received requiring a response at stage one and this represented a decrease of 20 complaints when compared to the previous year. Of the 162 stage one complaints received, 3 progressed to stage two with 1 complaint being received directly at stage 2 of the process. The report stated that, overall, the number of

complaints received was comparatively low when compared to the number of people that come into contact with Social Services annually.

#### *Non-social services comments, compliments and complaints*

- 5.5.14 The absence of an annual report that summarises all non-social services comments, compliments and complaints was identified as an area for improvement within last year's Annual Governance Statement.
- 5.5.15 During 2018/19, work took place to centralise resources in respect of all comments, compliments and complaints into one team. The Council now has a central team that manages all such correspondence and this covers non-social services and social services. It is noted that arrangements were also put in place to enable information to be analysed and reported on.

### **Demonstrating a strong commitment to ethical values**

#### Elected Members

- 5.5.16 Further to 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. However, it is noted that no refresher training in respect of the Code of Conduct has been delivered since this time (see 5.9.14).

#### The Council's supply chains

- 5.5.17 The Welsh Government has issued a voluntary 'Code of Practice: Ethical Employment in Supply Chains'. The Code of Practice aims to support the development of more ethical supply chains to deliver contracts for the Welsh public sector and third sector organisations in receipt of public funds. Work has taken place during 2018/19 to formalise the necessary arrangements that will enable the Council to demonstrate conformance with the 12 Principles contained within the Code. As a result of the work delivered during 2018/19, an updated Ethical Procurement Strategy will be reported to scrutiny during the 2019/20 Municipal Year. Once the Strategy has been approved, there will be a requirement to produce a report for scrutiny each year.

### **Respecting the rule of law**

- 5.5.18 The Chief Executive (as Head of Paid Service) led the Council's officers and chaired the SLT. The SLT comprises, in addition to other key posts, the statutory roles of Chief Finance Officer and Monitoring Officer.
- 5.5.19 With effect from 11<sup>th</sup> March 2019, the Council appointed a new Chief Finance Officer following the previous Chief Finance Officer leaving the Council. The new appointment was approved by full Council on [6<sup>th</sup> March 2019](#).
- 5.5.20 With specific regard to the Chief Finance Officer position within the Council during 2018/19, 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:*

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

## PROPOSALS FOR IMPROVEMENT

- 5.5.21 Staff survey - using the staff survey results (around whistle-blowing and anti-fraud, bribery and corruption), deliver a targeted programme of awareness raising to those service areas identified as requiring support (paragraph 5.5.9).
- 5.5.22 Non-social services comments, compliments and complaints - annual reporting arrangements should be put in place to report details to the relevant scrutiny committee of non-social services comments, compliments and complaints received (with the first report covering the period April 2018 to March 2019). (paragraphs 5.5.14 and 5.5.15).

## 5.6 ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

### Openness

#### A commitment to openness

##### *General Data Protection Regulation*

5.6.1 The General Data Protection Regulation (GDPR) came into force on the 25<sup>th</sup> May 2018. The Council took steps to demonstrate accountability and transparency when handling and processing personal and sensitive information that it holds in respect of individuals by:

- Putting in place an updated Data Protection Policy and designating the post of Data Protection Officer to an existing member of staff (as approved by Cabinet on 22<sup>nd</sup> March 2018). In addition, a new Data Protection web-page was launched.
- Formally recording the lawful basis upon which data / information is processed within suites of documents called Data Protection Registers.
- Establishing 'Privacy Notices' that are available on the Council's website setting out how it intends to use information and how it will deliver its services and statutory responsibilities.

5.6.2 It is considered that the publication of this information supports the Council in complying with the GDPR and demonstrates openness and transparency when dealing with its customers.

##### *Freedom of Information*

5.6.3 The Council operated a Freedom of Information (FOI) Act 2000 publication scheme in accordance with legislative requirements. During 2018/19 the Council received 1,144 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.

5.6.4 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 Council holds.

#### Openness – Forward work programmes

5.6.5 The Council had in place a forward plan of Committee meetings together with the matters to be considered, where appropriate:

- The [23<sup>rd</sup> May 2018](#) Council meeting agreed and published a calendar of meetings for the 2018/19 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 [21<sup>st</sup> June 2018](#) for the 2018/19 municipal year and refreshed this on three occasions: [20<sup>th</sup> September 2018](#), [18<sup>th</sup> December 2018](#), [19<sup>th</sup> March 2019](#); 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 previously.

5.6.6 Committee Work Programmes are an important tool for Members to assist them in viewing items that are coming forward to Committees and for other Committees to utilise to prevent duplication of work and assist with pre-scrutiny. Work Programmes also assist members of the public to engage in the democratic process of the Council. It is noted that some work programmes have been more weighted in terms of the number of reports being presented at individual committees and whilst aiming to deliver more qualitative information, in some cases this has resulted in work programmes covering too broad a range of topics.

#### Decision making and scrutiny of decisions made

5.6.7 Cabinet is a key decision making body within the Council. From a review of reports presented to Cabinet during 2018/19:

- All reports were in the required format;
- A total of 106 reports were presented, 94 of which were made publicly available and 12 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 the required 'call-in' period.
- Since April 2018, two Cabinet decisions were called in:
  - Development of Community Hubs as outlined within a report to the [19<sup>th</sup> April 2018](#) Cabinet meeting.
    - The 'call-in' was considered by a special meeting of the Overview and Scrutiny Committee held on [30<sup>th</sup> April 2018](#) in which elected Member concerns were addressed and following consideration the Committee resolved that "*the matter not be referred back to*

*the Cabinet for reconsideration and the decision taken on 19 April take effect....”*

- 21<sup>st</sup> Century Schools Programme - Proposals to Reorganise Primary Schools, Secondary Schools and Sixth Form Provision in the Greater Pontypridd Area as outlined within a report to Cabinet on the [21<sup>st</sup> March, 2019](#).
  - The ‘call-in’ was considered by a special meeting of the Overview & Scrutiny Committee held on the [3rd April 2019](#) and 2 ‘call-in’ forms were received in relation to this decision. Following consideration of the concerns highlighted within both ‘call-in’ forms, the Committee resolved that the matter not be referred back to the Cabinet for reconsideration and the decision taken on the 21<sup>st</sup> March would take effect.

5.6.8 Decisions taken by designated officers in 2018/19, called Delegated Decisions, were published on the Council’s [website](#). A total of 33 Delegated Decisions were published, none were called in and did not become effective (i.e. implementable) until the expiry of the required ‘call-in’ period.

#### **Engagement with residents / stakeholders**

5.6.9 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’.

5.6.10 This commitment is supported through a dedicated [Consultation page](#) on the Council’s website and a wider commitment by the Council to engagement via the [Public Services Board](#).

5.6.11 During the year, the Council undertook a variety of consultation exercises, some in partnership with other public sector organisations. The results of consultation activity and engagement with local community groups have been included within reports to Cabinet, where relevant, to inform decision making.

5.6.12 From reviewing a sample of consultation reports produced during 2018/19, a broad range of communication methods were on offer to encourage stakeholders to express their views.

#### **PROPOSAL FOR IMPROVEMENT**

5.6.13 As part of developing scrutiny work programmes for 2019/20 (paragraph 5.6.6):

- More focus should be given to streamlining areas / themes for review to allow for a more outcome based style of reporting; and



- More clearly link Committees' Terms of Reference to reports / areas to be scrutinised (with consideration being given for this to be undertaken as a pilot exercise initially).

## 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 key actions to be delivered, as identified by the 2018/19 Service Self Assessments and operational Service Delivery Plans, complemented the priorities set out within the Council's Corporate Plan; and
- Corporate Plan priority up dates 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 2018/19 identified:

- Draft action plans at the start of the year were subject to pre-scrutiny by the Finance and Performance Scrutiny Committee ([at its meeting on the 4th July 2018](#)). Although performance indicator targets were reviewed as part of this process, it is considered that a more in depth review of specific targets would further assist Scrutiny Committees in overseeing performance.
- Actions had regard to the Well-being of Future Generations Act (WFG Act) sustainable development principle, for example:
  - Economy – continuing to collaborate with business and local communities to ensure that town centres benefit from growth (for example, supporting the redevelopment of the former Boot Hotel, Aberdare);
  - People – an on-going programme of investment in new accommodation, extracare, to help improve outcomes for those individuals who need support to live independently and prevent problems from occurring or getting worse; and
  - Place – a long term programme of investment in the Council's infrastructure to help support sustainable service delivery.
- 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 the Council is focussing its resources to support the delivery of its Corporate Plan priorities, both from a Medium Term Financial Planning and Investment perspective, as set out below.,  
Medium Term Financial Plan

5.7.4 The Council's latest [Medium Term Financial Plan](#) covering the period 2018/19 to 2021/22 was reported to Cabinet at its meeting held on 17<sup>th</sup> July 2018 and set out:

- 2018/19 Revenue Budget (£471.6M) - 84% of the revenue budget was allocated to Corporate Plan priorities and the remaining 16% allocated to Authority Wide Costs, Other Services To The Public, Regulatory Public Services and Core Support; and
- 2018/19 to 2020/21 Capital Programme (£180.248M) – 98% of capital resources allocated to corporate plan priorities. The remaining 2% was allocated to Regulatory Public Services, Authority Wide Costs and Core ICT Systems Support.

#### Investment

5.7.5 Additional investment was approved by Council during the year to further support the delivery of Corporate Plan priorities: on 24<sup>th</sup> October 2018 amounting to £23.450M and on 6<sup>th</sup> March 2019 amounting to £6.740M.

5.7.6 It was noted that the opportunity to deliver additional investment was as a result of assessing the Council's earmark reserves and identify one-off resources that could be released.

#### PROPOSAL FOR IMPROVEMENT

5.7.7 In addition to the pre-scrutiny of Corporate Plan action plans, coordinate the delivery of a more in depth review of specific targets by Scrutiny Committee(s) as part of effectively scrutinising the Council's performance (paragraph 5.7.2).

## 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 2018/19 were based on written reports in an agreed format, 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 a sample of Cabinet reports during year showed that the suite of information used to inform decisions was comprehensive.
- 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. Examples of key interventions are set out below.

### Cabinet and the SLT

- 5.8.4 The Cabinet and SLT 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 – progressing the 21<sup>st</sup> Century Band A Schools projects that has created new schools and more first class learning environments during the year: Porth Community Schools, Ysgol Nantgwyn and Cwmaman Primary School;
  - People Priority – continued delivery of the Resilient Families Service providing accessible family support and preventing problems from escalating; and
  - Place Priority – commencing the delivery of community hubs to help build resilient communities that provide a range of citizen based services in one or a number of closely located buildings in priority neighbourhoods

### Scrutiny Committees

- 5.8.5 Scrutiny Committees have undertaken discrete work that has supported changes to service provision. An outline of some of the work is included below with full details of the work being available through the [Scrutiny Annual Report](#) (subject to approval by Council)

#### Children and Young People Scrutiny Committee

- Undertook a number of pre-scrutiny reviews in respect of the School Attendance Strategy and [Play Sufficiency Audit](#), assisting Cabinet in taking forward their decisions.

- The Committee also contributed to the consultation process in respect of [21st Century School proposals](#).

#### Finance and Performance Scrutiny Committee

- The Committee were consulted as part of the Council's 2019/20 Revenue Budget Strategy consultation process. As part of the Committee's engagement and looking ahead, the Committee have requested involvement in helping to shape consultation questions for future budget consultation activity.

#### Public Service Delivery, Communities and Prosperity Scrutiny Committee

- Following a Notice of Motion at Council the Committee took forward a working group in respect of Voluntary Snow Wardens. This resulted in 4 recommendations taken forward to Cabinet on the [18<sup>th</sup> October, 2018](#). This resulted in the launch of the 'Your Neighbours Need You' campaign on the Council website to support the wider work of the Council to prepare for the potential of severe weather during the winter period. Click here to view the full [campaign](#).

#### Overview and Scrutiny Committee

- The Committee was involved in the Electoral Arrangements by the Local Democracy and Boundary Commission for Wales Review with the Committee recommending to Full Council that the proposals be subject to a period of stakeholder engagement to properly reflect the views of local Members and stakeholders prior to further consideration by Full Council. This was reported to full Council on the [24<sup>th</sup> October 2018](#). The Committee are also taking forward scrutiny of the Notice of Motion presented to Council in respect of Low Carbon Vehicles, utilising the Future Generations Toolkit to support decision making in the context of the WFG Act.

#### Health & Well-Being Scrutiny Committee

- Completion of the review of 'EMI nursing bed provision in Rhondda Cynon Taf' that resulted in 2 recommendations being reported to and endorsed by Cabinet on the [19<sup>th</sup> March, 2019](#).
- The Committee also undertook Pre-scrutiny of the Draft Empty Homes Strategy prior to consideration by Cabinet on the [21<sup>st</sup> November, 2018](#).

#### Quarterly Performance Report

- 5.8.6 Performance Reports 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.

5.8.7 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.

### Optimising achievement of intended outcomes

5.8.8 On [28th September 2017](#) Cabinet agreed a way forward to deliver Corporate Plan priorities 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 work-streams to invest in to improve essential services: Digitalisation, Commercialisation, Early Intervention and Prevention, Independence and Efficient and Effective Organisation.

5.8.9 Work was undertaken during 2018/19 in the 5 work-streams, for example, making more services available on-line, delivering services that focus on early intervention and prevention and independence such as the Resilient Families Service and StayWell@Home Service and also continuing to deliver at least £6Million of efficiency savings per year to support an Efficient and Effective Organisation.

5.8.10 The on-going relevance of the 5 work-streams were tested as part of the Council's 2019/20 Revenue Budget Strategy Consultation arrangements and respondents feedback is set out below.

	Yes (%)	No (%)	DK (%)
Digitalisation	64	24	12
Early Intervention and Prevention	87	7	6
Commercialisation	60	24	16
Efficiency	78	11	11
Independence	78	12	11

## 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-evaluations' 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-evaluation and planning arrangements, supported by the 2018/19 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. This work is evidenced within the Council's latest published Performance Report (as at 31<sup>st</sup> December 2018) and examples are set out below.

- 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 of roll-out to other service areas began in 2018/19. It was also noted that a progress update on the Council's work to deliver its Digital Strategy was reported to the Overview and Scrutiny Committee on [5th February 2019](#).
- A focus on further improving staff 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 31<sup>st</sup> December 2018 showed a slightly improving trend: 4.18% at December 2018 compared to 4.34% in December 2017. The Council's Finance and Performance Scrutiny Committee (24<sup>th</sup> September 2018) also considered sickness absence in terms of the work being undertaken to support individuals attendance at work.
- Investment in apprentice and graduate jobs in professions the Council has identified need to be developed. During 2018/19, 25 apprentices and 13 graduates were appointed covering areas such as engineering (civil / electrical / mechanical), IT, Digital Services and Accounting.

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

- 5.9.3 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 SLT (Section 3A) and is kept under on-going review.

#### Developing the capabilities of elected Members

- 5.9.4 Following the local government elections in May 2017, a programme of training commenced for Elected Members to ensure they were equipped with the appropriate skills, knowledge and support to fulfil their roles.
- 5.9.5 This work was built upon during 2018/19 through the availability of Member Personal Development Reviews (PDRs) which identified individual training needs. Training has been complemented through the use of sessions arranged in advance of meetings of Full Council where elected Members received information on a range of topics including General Data Protection Regulations (GDPR), Universal Credit, Safeguarding and also individual service updates e.g. Civil Parking Enforcement.
- 5.9.6 Through the use of the PDRs, bespoke training packages have been delivered to Members. In addition, following enquiries from Members in

respect of their roles, policies are being created to support members going forward, for example, the development of a [lone working policy](#). It is considered that this positive position can be built upon and other key training provided to elected Members, for example, Code of Conduct refresher training and an overview of the Council's budgets / finance training.

- 5.9.7 To provide further support and access to information, all elected Members have been provided with an iPad or similar device of their choice to assist them in undertaking their roles. Devices are now also being provided to the Council's Co-opted Members and has enabled the continued rollout of the 'Modern.Gov' system that allows access to Council papers electronically. An update on the support provision to elected Members was reported to the Democratic Services Committee on the [19th March 2019](#).
- 5.9.8 The rollout of Modern.Gov across the Council has been positive to date. Whilst it is too early to establish the full effect of its implementation so far, there have been some requests from Members for additional information to be made available through the Modern.Gov system and also for the amount of hard copy information provided to be reduced.
- 5.9.9 To further enhance the roll out of the paper-light approach, the development of training and the use of technology by Members, the [Democratic Services Committee](#) at its [19th March 2019](#) meeting endorsed the development of a Members Portal. The Portal is recognised as a form of good practice through the Members Charter and will be an area on the website for Elected Members to access which will allow them an area to potentially report problems; submit questions / Notices of Motion to Council; submit scrutiny Call Ins; submit Research requests; provision of useful contact details for officers / external organisations; and E-learning.
- 5.9.10 The Council has a good track record of providing Members with support and development opportunities, and this can be evidenced by its success in attaining and retaining the Members Charter over the past decade<sup>2</sup>. The Charter includes all aspects of elected Member support including constitutional arrangements, a strategic and practical framework for Member development, services and facilities. The Charter is intended to raise the amount and standard of support to elected Members in Wales. To continue to demonstrate the Council's commitment to Member development, preparations are in progress for the Council's Charter to be reviewed in 2019.

### Member Survey

- 5.9.11 In accordance with s6(2) of the Local Government (Wales) Measure, 2011 Member views have been sought on their preference for starting times of meetings. As agreed by the [Democratic Services Committee](#), this survey also provided provision to allow all Members the opportunity to comment on the

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<sup>2</sup> Members Charter - The Council received its first award in 2007, an Advanced Charter in 2010 and the 'Good Practice and Innovation Award for Member Support and Development' in 2014, as a result of support made available to Members through the Occupational Health Unit.

provision of support available to them when undertaking their roles. The survey ran from the 1<sup>st</sup> April to the 13<sup>th</sup> April 2019 through the consultation hub and the results will be analysed and report to the Democratic Services Committee in 2019/20.

#### Developing the capabilities of employees

- 5.9.12 The Council has a Workforce Plan 2017-22, which was approved by Cabinet on [15th February 2018](#). The plan has set priorities that align to the Council's Corporate Plan in terms of 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.
- 5.9.13 Staff development has been supported through induction sessions, Leadership and Middle Management Development Programmes, Manager Briefings, 'Joint Cabinet and Senior Officer meetings' and a range of operational training such as health and safety, information management and dignity at work. This was supported by a Training Compendium that brought together all training available within the Council.

#### PROPOSAL FOR IMPROVEMENT

- 5.9.14 Build on the programme of training and support in place for elected Members to ensure other key themes are delivered / refreshed (for example, Code of Conduct refresher training, overview of the Council's budgets / finance training). (Paragraph 5.9.6).

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

#### **Managing risk**

- 5.10.1 The Council's Risk Management Strategy was updated, reported to and endorsed by the Council's Audit Committee on 17<sup>th</sup> December 2018, and sets out the overall purpose and framework for risk management within the organisation.
- 5.10.2 In setting the overall Risk Management framework, the Strategy provides the Council's definition of risk and also identifies two specific 'thresholds' put in place to make it clear how risk management should be applied at different levels of the Council's business and is set out below.

#### Strategic Risks

- 5.10.3 Risks the Council faces when delivering its Corporate Plan priorities.



5.10.4 The Council's strategic risks are set out in the Strategic Risk Register. The Strategic Risk Register was updated on a quarterly basis during 2018/19 and reported and scrutinised as part of the Council's quarterly Performance Report. A copy of the most recent risk register, as at 31<sup>st</sup> December 2018, can be viewed by clicking [here](#). There is evidence to demonstrate the Strategic Risk Register is reviewed on an on-going basis, in line with the agreed Strategy:

- New risks were incorporated into the register during the year i.e. to recognise the shift in emphasis of delivering services on a regional footprint and also the potential impact of Brexit; and
- Risk Scores revised to take account of up-to-date information, for example, reflecting the progress the Council made to ensure appropriate arrangements were in place to comply with the new GDPR legislation and also reflecting the increased availability of services on-line.

### Operational Risks

5.10.5 Risks associated with the delivery of service objectives are set out within Service Delivery Plans. These risks are monitored by Service Delivery Plan owners as part of the operational management of services.

5.10.6 In addition to the above, to assist Management in applying consistent risk management arrangements, a Risk Management Toolkit is in place.

### **Managing performance**

5.10.7 The Council continues to strengthen its performance management arrangements 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.

### **Scrutiny**

5.10.8 In relation to Scrutiny, the Wales Audit Office reported the findings in 2018/19 of a review of the Council's Scrutiny arrangements called 'Fit for the Future'. The report and the action plan containing the Council's response to the recommendations were reported the Overview and Scrutiny Committee at its meeting held on [22<sup>nd</sup> October 2018](#). Following consideration of the report, the Committee instructed the Director of Communications and Interim Head of Democratic Services to review the current scrutiny arrangements in respect of their robustness and produce a report for consideration.

## Robust internal control

5.10.9 The membership and meeting frequency of the Council's Audit Committee (7 meetings) during 2018/19 was in line with the Council's Constitution and legal requirements.

5.10.10 The Council's Head of Internal Audit presented the Internal Audit Annual Report 2018/19 to Audit Committee on 25<sup>th</sup> March 2019 setting out the work delivered by 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 2018/19 with a small number of areas identified for improvement*

5.10.11 At its meeting held on 25<sup>th</sup> March 2019, the Audit Committee also received the first Annual Report from its Chairperson. The report provided a summary of the work that the Committee undertook during 2018/19, and incorporated a self-assessment against the Chartered Institute of Public Finance and Accountancy (CIPFA) publication 'Audit Committees - Practical Guidance for Local Authorities & Police 2018 Edition'. The report concluded:

*'Our work-plan for this financial year has been balanced and the change in approach in respect of widening the items on each agenda has enabled the scope of information that is reported to us to be broadened. In addition to this, a wider range of Officers have presented reports to us during the year and this has helped us to deliver our Terms of Reference in a more robust way through gaining a better understanding and assurance by asking more detailed questions to Officers with specific areas of expertise.*

*I believe that we have discharged the responsibilities placed upon us, the recommendations that have arisen from the self-assessment will help further improve our arrangements and effectiveness. If any skills gaps are identified, then we will need to consider how these can be addressed in a pragmatic way that best improves the overall work of the Committee.'*

5.10.12 During the year, Cabinet at its meeting on [21st June 2018](#) endorsed a recommendation for the Council's Internal Audit Service to join an existing Regional Internal Audit Shared Service, led by the Vale of Glamorgan Council. The necessary governance arrangements were put in place to enable the transfer to take place effective from 1<sup>st</sup> April 2019.

## Managing data

5.10.13 An Information Management Plan is in place that sets out the framework, including legal requirements, for information management within the Council.

5.10.14 A review of the arrangements in place during 2018/19 identified they were in line with the agreed governance structure:

- The role of Data Protection Officer was formally designated, in accordance with the General Data Protection Regulation;

- An Information Management Board was in operation, Chaired by the Council's Senior Information Risk Officer, 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
- The Council continued to secure its annual accreditation to the Public Service Network (PSN) in September 2018 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.

5.10.15 It was noted that alongside the above activity, the Information Commissioner's Office (ICO) investigated 11 referrals in respect of the Council during 2018/19 (10 self-referrals and 1 external). The ICO made recommendations to mitigate against further reoccurrences and these have been implemented by the Council. In addition, 2 separate complaints were made to the ICO by members of the public in respect of Subject Access Requests the outcomes of which were:

- 1 case where the ICO found that the Council acted appropriately; and
- 1 case where the ICO made a recommendation and the Council complied within the statutory timeframe.

#### Public Services Ombudsman for Wales

5.10.16 It was noted that 7 referrals<sup>3</sup> were considered through the Council's Complaints and Concerns Procedure; the outcomes from which were that no further action was deemed necessary.

#### **Strong public financial management**

5.10.17 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 '*Living 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

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<sup>3</sup> 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

Procedure Rules' and the 'Financial Procedure Rules'. In the case of the 'Financial Procedure Rules', it was noted that the document is in the process of being updated and this will be completed in 2019/20;

- The Council set a Revenue Budget in 2018/19 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 3.3% Council Tax increase (excluding Community Council precepts and excluding the Police and Crime Commissioner for South Wales Precept, both of which are outside of the Council's control) which was the lowest increase across Wales;
- Financial performance results were publicly reported every three months during the year and scrutinised by elected Councillors;
- The Council kept its finances under on-going review throughout 2018/19 and was able to release resources from earmark reserves (as referred to in 5.7.5) to support additional one-off investment in Corporate Plan priorities. 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 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;
- The Council complied with new legislative requirements, for example, the reporting of a Capital Strategy as from April 2019 ([27th March 2019](#) full Council meeting) and is making sound preparations, ahead of schedule, to meet the requirements of legislation for 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 update during the year.

### PROPOSAL FOR IMPROVEMENT

- 5.10.18 Complete the update process of the Financial Procedure Rules and report to the relevant Committee(s) for review and if deemed appropriate, approval (with an approved version incorporated into the Council's Constitution). (Paragraph 5.10.17)

## 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 2017/18 reported and approved by Council on [19<sup>th</sup> September 2018](#) in line with the statutory timeframe;
  - The Corporate Performance Report setting out an assessment of the Council's performance for 2017/18 and plans for 2018/19, these being reported to Council on 25<sup>th</sup> July 2018. 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 2018; and
  - Annual Reports / Plans presented to Cabinet: [Cwm Taf Carer's Annual Report 2017/18](#), [Corporate Parenting Board - Annual Report](#), [National Adoption Service 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.

### Cabinet Attendance at Scrutiny

5.11.3 At the Overview and Scrutiny Committee on 22<sup>nd</sup> January 2018, the Committee agreed for a process whereby Cabinet Members and their respective Chief Officers attend the relevant Scrutiny Committee(s) to present information in respect of their portfolios. This process is intended to enhance the level of dialogue and information currently provided to Scrutiny Committees and a number of updates were noted as being provided during 2018/19.

5.11.4 In order to increase the prominence / awareness of the Annual Governance Statement, arrangements have been put in place whereby a designated '[Governance](#)' section has been developed on the Council's website. A standalone copy of the most recent (i.e. 2017/18) Annual Governance statement is available and once approved the 2018/19 Annual Governance Statement will also be published on Governance Section of the Council's website. It is noted that the Governance Section of the Council website also includes information in relation to: The Council's Constitution; Risk Management; Whistleblowing; Anti-Fraud, Bribery and Corruption; Audit Committee; Corporate Feedback Scheme; The Council's External Regulators; and Working with others.

### **Assurance and effective accountability**

#### Internal Audit

5.11.5 The Council's Internal Audit Service had an Internal Audit Charter for the 2018/19 financial year that was approved by Audit Committee on [30<sup>th</sup> April 2018](#) 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.

5.11.6 In addition to this, the Head of Internal Audit's Annual Report 2018/19 confirmed overall conformance to the Public Sector Internal Audit Standards.

#### Wales Audit Office recommendations

5.11.7 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, [Audit Committee](#) and the [Overview and Scrutiny Committee](#) during the year, with the responsibilities / the role of each Committee set out in covering reports.

## 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 2018/19 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; and
  - 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](http://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 Council's Chief Finance Officer (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 2018/19.

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 to effectively discharge their responsibilities.
- Processes in place to:
  - Promote probity and a zero tolerance culture in respect of fraud, bribery and corruption, and also publicly reporting on the Council's performance in such areas; and
  - Support officers and elected Members to maintain high standards of conduct when undertaking business on behalf of the Council.
- Having structured arrangements in place that informed the delivery of Corporate Plan priorities (via approved action plans) and internal and external monitoring and reporting processes that held the Council to account for its performance – these arrangements being underpinned by robust financial planning and management.
- An open approach to engaging with stakeholders and planning and delivering services, a number of which being in partnership with others.
- A medium term approach to financial planning that helped inform strategic decision making and prioritisation of resources through on-going real term reductions in funding.
- 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 2 summarises the proposals for improvement.

Table 2 – Proposals for Improvement

<b>Core Principle / Area</b>	<b>Paragraph No.</b>	<b>Issue Identified</b>	<b>Recommendation</b>	<b>Timescale for Implementation</b>	<b>Responsible Officer</b>
Judalen 154 <b>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>	5.5.21	The staff survey identified the need for further work to be undertaken across the Council to raise awareness of whistle-blowing and anti-fraud arrangements and provide staff with reassurance that they can report issues without repercussions.	Using the staff survey results (around whistle-blowing and anti-fraud, bribery and corruption), deliver a targeted programme of awareness raising to service areas identified as requiring support and advice.	November 2019	Head of Organisation Development
	5.5.22	Comments, compliments and complaints (non-social services) – no overall update is reported for review and challenge by the relevant Scrutiny Committee as part of supporting service planning and improvement.  Work commenced in 2018/19 – to be carried forward into 2019/20.	Non-social services comments, compliments and complaints - annual reporting arrangements should be put in place to report details to the relevant scrutiny committee of non-social services comments, compliments and complaints received (with the first report covering the period April 2018 to March 2019).	October 2019	Service Director – ICT and Digital Services

Core Principle / Area	Paragraph No.	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer
<b>Ensuring openness and comprehensive stakeholder engagement</b>	5.6.13	Whilst the focus within scrutiny committee work programmes is improving, a wide range of topics are included that can impact on the capacity of Committees / Working Groups to review all areas in detail and thereafter assess the extent that Terms of Reference are being delivered.	As part of developing scrutiny work programmes for 2019/20:  <ul style="list-style-type: none"> <li>• More focus should be given to streamlining areas / themes for review to allow for a more outcome based style of reporting; and</li> <li>• More clearly link Committees' Terms of Reference to reports / areas to be scrutinised (with consideration being given for this to be undertaken as a pilot exercise initially).</li> </ul>	September 2019	Service Director – Democratic Services and Communications
<b>Defining outcomes in terms of sustainable economic, social, and environmental benefits</b>	5.7.7	Although performance indicator targets are reviewed as part of the wider pre-scrutiny of Corporate Plan action plans, no in depth work is undertaken on specific targets to better inform Scrutiny Committees in fulfilling their role.	In addition to the pre-scrutiny of Corporate Plan action plans, coordinate the delivery of a more in depth review of specific targets by Scrutiny Committee(s) as part of effectively scrutinising the Council's performance.	September 2019	Service Director – Finance and Improvement Services
<b>Developing the entity's capacity, including the capability of its leadership and individuals within it</b>	5.9.14	Elected Members - refresh the programme of training available to continue to effectively support elected Members in the discharge of their responsibilities.	Build on the programme of training and support in place for elected Members to ensure other key themes are delivered / refreshed (for example, Code of Conduct refresher training, overview of the Council's budgets / finance training).	From July 2019	Service Director – Democratic Services and Communications

Tudalen 155

Core Principle / Area	Paragraph No.	Issue Identified	Recommendation	Timescale for Implementation	Responsible Officer
<b>Managing risks and performance through robust internal control and strong public financial management</b>	5.10.18	Although the review of the Council's Financial Procedure Rules has commenced, the exercise has not yet been completed.  Work commenced in 2018/19 – to be carried forward into 2019/20.	Complete the update process of the Financial Procedure Rules and report to the relevant Committee(s) for review and if deemed appropriate, approval (with an approved version incorporated into the Council's Constitution).	October 2019	Head of Procurement Delivery

Tudalen 156

7.2 The Council's SLT has accepted the proposals for improvement and is committed to their implementation during 2019/20. The SLT 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.

Leader: A. Morgan

Chief Executive: [Signature]

\*\*\*\*\*

## **The independent auditor's report of the Auditor General 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 2019 under the 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, 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 2018-19 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 2019 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 in 2018-19.

#### **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 2018-19;
- 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:

- proper 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 17], 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](http://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.

### Amortisation

Charges to revenue for the estimated reduction in the value of an intangible asset.

### 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.

### CCRC – 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.

Level 3 – Assets and liabilities at level 3 are those with valuations derived from unobservable inputs, for example, assumptions about rent growth; discount rates, etc.

**Financial Year**

This is the accounting period. For local authorities it starts on 1<sup>st</sup> April and finishes on 31<sup>st</sup> March of the following year.

**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.

**Appendix 2**

**Rhondda Cynon Taf Pension Fund  
Statement of Accounts**

**2018/19**

**DRAFT – SUBJECT TO AUDIT**

## Pension Fund Accounts

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## **Rhondda Cynon Taf Pension Fund Accounts**

### **Introduction**

The Rhondda Cynon Taf Pension Fund was established with effect from 1<sup>st</sup> 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.

These accounts have been prepared in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting 2018/19 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 Director of Finance and Digital Services.

The scheme is governed by the Public Service Pensions Act 2013 and administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended);
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

### **Fund Administration and Investments**

Rhondda Cynon Taf CBC, as administering authority 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 Rhondda Cynon Taf Pension Fund in accordance with its Terms of Reference.

The Director of Finance and Digital 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 Advisory Panel, is chaired by the Director of Finance and Digital Services, 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 four Investment Managers and the operator of the Wales Pension Partnership (WPP) carrying out the day-to-day investment management of the Fund's assets:

- Baillie Gifford (Global Equities);
- BlackRock (Passive Equities);
- BMO Global Asset Management (Bonds);
- CBRE (Property); and
- Link (Operator of the WPP).

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

### **Wales Pension Partnership (WPP)**

On the 15<sup>th</sup> 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.](#)

Link Fund Solutions Ltd (Link) have established an Authorised Contractual scheme (ACS) (a tax efficient UK collective investment vehicle) on behalf of the WPP. The ACS will have sub-funds in a range of asset classes that will meet the needs of the LGPS funds in Wales, to allow them to execute their differing asset allocation strategies. The LGPS funds will retain full control over strategic asset allocation decisions.

Positive progress has been made by the WPP in the establishment of the first two sub funds for the collective investing of assets. The prospectus for Global High Alpha Equities, comprising 2 sub funds with differing risk / return characteristics, was approved by the Financial Conduct Authority (FCA) (July 2018), and transition into these sub funds was completed during January 2019. The proposals for the second sub fund for UK and European Equities was agreed by the Joint Governance Committee in September 2018 and has recently been approved by the FCA. The third phase relates to Fixed Interest with options in the process of being reviewed.



## **Statement of Responsibilities for the Pension Fund Accounts**

### **Rhondda Cynon Taf County Borough Council's Responsibilities**

The Council is required:

- To make arrangements for the proper administration of the Pension Fund's financial affairs and to ensure one of its Officers has the responsibility for the administration of those affairs. In the Council, that Officer is the Director of Finance and Digital Services.
- To manage the Pension Fund's affairs to ensure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Pension Fund Accounts.

I confirm that these accounts were approved by Council on:

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**Cllr. Steve Powderhill**

#### **Presiding Officer**

Rhondda Cynon Taf County Borough Council  
The Pavilions, Cambrian Park  
Clydach Vale  
Tonypany  
CF40 2XX

### **The Director of Finance and Digital Services' Responsibilities**

The Director is responsible for the preparation of the Pension Fund 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 Pension Fund at the accounting date and its income and expenditure for the year.

In preparing the Pension Fund Accounts, the Director has:


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

The 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 Director of Finance and Digital Services on the Accounts of Rhondda Cynon Taf Pension Fund for 2018/19**

I certify that the accounts present a true and fair view of the financial position of Rhondda Cynon Taf Pension Fund as at 31<sup>st</sup> March 2019 and its income and expenditure for the year.

Signature:  Date: 31 MAY 2019.

**Barrie Davies**

**Director of Finance and Digital Services**  
Rhondda Cynon Taf County Borough Council  
Bronwydd House  
Porth  
CF39 9DL

**Fund Account**

2017/18			2018/19	
£'000		Note:	£'000	£'000
	<b>Contributions</b>			
(93,945)	Employer contributions	14.0	(98,732)	
(26,052)	Member contributions	14.0	(26,779)	
<b>(119,997)</b>				<b>(125,511)</b>
	<b>Transfers in from other Pension Funds</b>			
(17,545)	Group transfers in from other schemes or funds		(3,433)	
(4,246)	Individual transfers from other schemes or funds		(1,872)	
				<b>(5,305)</b>
(2,960)	<b>Other income</b>		(5,141)	
				<b>(5,141)</b>
<b>(144,748)</b>				<b>(135,957)</b>
	<b>Benefits</b>			
100,162	Pensions	14.0	105,653	
16,736	Commutation of pensions and lump sum retirement benefits	14.0	20,068	
2,846	Lump sum death benefits	14.0	2,972	
<b>119,744</b>				<b>128,693</b>
	<b>Payments to and on account of leavers</b>			
221	Refunds to members leaving scheme or fund		305	
37	Payments for members joining state scheme or fund		9	
1,088	Group transfers to other schemes or funds	18.0	5,168	
6,680	Individual transfers to other schemes or funds		9,111	
<b>8,026</b>				<b>14,593</b>
<b>127,770</b>				<b>143,286</b>
(16,978)	Net (addition)/withdrawals from dealings with members		7,329	
				<b>7,329</b>
10,779	Management expenses	15.0	11,039	
				<b>11,039</b>
<b>(6,199)</b>	<b>Net (additions)/withdrawals including fund management expenses</b>			<b>18,368</b>
	<b>Investment income</b>			
(36,566)	Dividends from equities		(34,687)	
(20,128)	Income from bonds		(24,111)	
(2,944)	Income from pooled investment vehicles		(2,168)	
(6,541)	Income from pooled property investments		(5,942)	
(41)	Interest on cash deposits		(160)	
<b>(66,220)</b>				<b>(67,068)</b>
			<b>Continued Overleaf...</b>	

(135,030)	<b>(Profits) and losses on disposal of investments and changes in the value of investments</b>		(204,694)	
				<b>(204,694)</b>
886	<b>Taxes on income</b>		853	
				<b>853</b>
<b>(200,364)</b>	<b>Net returns on investments</b>			<b>(270,909)</b>
<b>(206,563)</b>	<b>Net (increase)/decrease in net assets available for benefits during the year</b>			<b>(252,541)</b>
<b>(2,999,531)</b>	<b>Opening net assets</b>			<b>(3,206,094)</b>
<b>(3,206,094)</b>	<b>Closing net assets</b>			<b>(3,458,635)</b>

**Net Assets Statement**

31/03/2018			31/03/2019	
£'000		Note:	£'000	£'000
	<b>Investment Assets</b>	8.0		
1,973,190	Equities		676,076	
581,747	Bonds		843,928	
117,649	Pooled investment vehicles - open ended investment companies		273,082	
276,219	Pooled investment vehicles - managed funds		1,363,745	
167,831	Pooled property investments		260,851	
<b>3,116,636</b>				<b>3,417,682</b>
<b>80,192</b>	<b>Cash deposits</b>			<b>29,911</b>
	<b>Other investment balances</b>			
6,331	Accrued interest		7,229	
7,093	Investment debtors		6,323	
1,871	Tax recoverable		1,887	
<b>15,295</b>				<b>15,439</b>
<b>3,212,123</b>				<b>3,463,032</b>
	<b>Investment Liabilities</b>			
<b>(8,498)</b>	Investment creditors			<b>(3,991)</b>
<b>0</b>	Derivative contracts			<b>(2,397)</b>
<b>3,203,625</b>	<b>Net Investment Assets</b>			<b>3,456,644</b>
	<b>Current Assets</b>			
5,750	Contributions due from employers and employees	17.0	6,116	
479	Other current assets		458	
<b>6,229</b>				<b>6,574</b>
	<b>Current Liabilities</b>			
(3,760)	Current liabilities			(4,583)
	<b>Net assets of the scheme available to fund benefits at period end</b>			
<b>3,206,094</b>				<b>3,458,635</b>

*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 7. These accounts should be read in conjunction with the Actuarial Valuation Report.*

## **Notes to the Accounts**

### **1.0 Significant Accounting Policies**

#### **1.1 Accruals of Expenditure and Income**

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.

#### **1.2 Investment Valuation of Financial Instruments**

In terms of "Fair Value", all investments have quoted prices in active markets, with the exception of Pooled Investment Vehicles managed by the WPP and Pooled Property Funds.

Listed securities are valued in accordance with IAS 39 – Financial Instruments, using bid prices as at 31<sup>st</sup> March 2019 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 31<sup>st</sup> March 2019.

Pooled Investment Vehicles managed by the WPP are valued using net asset values provided by Link, the WPP operator. These are reported at the closing single price.

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.

#### **1.3 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 by members during the year amounted to £1,230k (£1,245k in 2017/18) and the market value of separately invested AVCs at the Balance Sheet date was £8,169k (£7,604k in 2017/18). There are two AVC providers.

#### **1.4 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 2018/19 amounted to £1.74m (£0.7m in 2017/18).

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.

## **1.5 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.

## **1.6 Derivatives**

The Fund uses derivative financial instruments to manage exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. The use of derivatives is managed in line with the investment agreement between the Fund and Investment Manager. Derivatives are held on the Net Asset Statement as assets or liabilities dependant upon the position as at 31<sup>st</sup> March 2019.

## **1.7 Cash and Cash Equivalents**

Cash and Cash Equivalents are sums of money available for immediate use by the Pension Fund. Such items are deemed to be cash balances held in the Pension Fund's bank accounts and any overdrawn bank balances.

Short-term investments are deemed to be cash and cash equivalents. These funds are invested on a short term basis by Rhondda Cynon Taf CBC until it is required to meet its liabilities, or to transfer surplus cash to the Investment Managers for reinvestment.

## **1.8 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 the net asset statement as it may not be probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

## **2.0 Accounting Standards Issued but not Adopted**

Standards that have been issued but not yet adopted, which may require disclosure in 2018/19 accounts, are anticipated to be listed in Appendix C of the 2019/20 Code when it is published. In the interim potentially relevant standards include:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property;
- Annual Improvements to IFRS Standards 2014-2016 Cycle;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- IFRIC 23 Uncertainty over Income Tax Treatments; and
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

## **3.0 Critical Judgements in Applying Accounting Policies**

The Fund's liability is calculated every three years by the appointed actuary. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary. The estimate is subject to significant variances based on changes to the underlying assumptions.

## **4.0 Assumptions Made about the Future and other major Sources of Estimation Uncertainty**

The Pension Fund accounts contains estimated figures based on assumptions made taking into account historical experience, current trends and other factors. As balances cannot be determined with certainty, actual costs could be materially different from the assumptions and estimates.

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
Actual present value of promised retirement benefits	Estimations of the liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries increase, changes in mortality rates and expected returns on pension fund assets. The actuary provides the Fund with advice	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability. An increase in assumed earnings inflation or assumed life expectancy would



	regarding the assumptions to be used.	increase the value of the liabilities.
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## **5.0 Material Items of Income and Expenditure**

The Pension Fund transitioned assets in its high alpha equity mandates into the WPP collective investment vehicle during January 2019. Net profits realised in this transition amounted to £358.15m.

## **6.0 Events after the Reporting Date**

The draft, unaudited Statement of Accounts was authorised for issue by the Director of Financial and Digital Services, as Chief Finance Officer, on 31<sup>st</sup> May 2019. 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 31<sup>st</sup> March 2019, 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 31<sup>st</sup> March 2019 requiring disclosure providing information that is relevant to an understanding of the Pension Fund's financial position.

## **7.0 Actuarial Position**

The Fund's Actuary, AON Hewitt carried out an actuarial valuation of the Fund as at 31<sup>st</sup> 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 results of the 2013 and 2016 valuations are 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.

	<b>Value as at 31/03/2016</b>	<b>Value as at 31/03/2013</b>
	<b>£'m</b>	<b>£'m</b>
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.

**8.0 Analysis of Investments at Fair Value**

	2017/18		2018/19	
	£'000	£'000	£'000	£'000
<b>Equities</b>				
UK	473,325		279,594	
Overseas	1,499,865		396,482	
		<b>1,973,190</b>		<b>676,076</b>
<b>Bonds</b>				
UK	552,838		767,811	
Overseas	28,909		76,117	
		<b>581,747</b>		<b>843,928</b>
<b>Pooled funds</b>				
UK	156,755		19,189	
WPP Global Equities	0		1,363,745	
Overseas - other	237,113		253,893	
		<b>393,868</b>		<b>1,636,827</b>
<b>Pooled funds - property</b>				
UK – other	165,342		260,292	
Overseas - other	2,489		559	
		<b>167,831</b>		<b>260,851</b>
<b>Total long-term investments</b>		<b>3,116,636</b>		<b>3,417,682</b>

The Fund has not participated in any stock lending arrangements during the year but did agree to do so in the future.

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.

The Pension Fund holds derivative contracts which are valued as a liability in the Net Asset Statement as at 31<sup>st</sup> March 2019.

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. Bonds, pooled property, pooled investments within the WPP and derivative contracts are classified as fair value hierarchy level 2.

## 9.0 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	
	31/03/2018	31/03/2019	31/03/2018	31/03/2019
	£'000	£'000	%	%
Baillie Gifford (Global Equities)	734,706	799,135	22.9	23.2
Baillie Gifford (High Alpha Equities)	748,744	0	23.4	0.0
Newton (High Alpha Equities)	502,347	0	15.7	0.0
Invesco (UK Equities)	137,544	0	4.3	0.0
BlackRock (UK Equities)	139,837	0	4.4	0.0
BlackRock (Passive Equities)	138,755	153,809	4.3	4.4
BMOGAM (Bonds)	589,971	857,306	18.4	24.8
CBRE (Property)	174,860	263,792	5.4	7.6
Link (Operator of WPP)	0	1,363,745	0.0	39.5
Internally Managed	36,861	18,857	1.2	0.5
<b>Total</b>	<b>3,203,625</b>	<b>3,456,644</b>	<b>100</b>	<b>100</b>

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 8.0.

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.

## 10.0 Geographical Spread of the Fund

The Fund Managers invest in shares in a number of countries. The table below shows the value of stocks and shares held by the Fund Managers as at 31<sup>st</sup> March 2019:

Area	£'000	%
UK Equities	298,783	8.7%
European Equities	173,961	5.0%
US and Canadian Equities	266,310	7.7%
Japanese Equities	11,988	0.3%
Pacific Equities	79,312	2.3%
Other International Equities	118,804	3.4%
Global Pooled Equities	1,363,745	39.5%
Bonds	843,928	24.4%
Property	260,851	7.6%
Cash & Equivalents	38,962	1.1%
<b>Total</b>	<b>3,456,644</b>	<b>100%</b>

## 11.0 Contingencies

There is a contingent liability of £836k (£555k in 2017/18) in respect of refundable contributions for leavers who have not yet claimed refunds.

The Fund Account and Net Asset Statement does not include the potential impact of:

- McCloud judgement;
- Cost management process; and
- GMP equalisation and indexation, beyond indexation for members reaching State Pension Age before 5<sup>th</sup> December 2018.

Legislation requires HM Treasury and the Scheme Advisory Board (SAB) to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. This is referred to as the "Cost Management Process". HM Treasury and the SAB have paused their reviews following the "McCloud" judgement in the Court of Appeal which found that the transitional protection arrangements put in place when firefighters' and judges' pension schemes were reformed were age discriminatory. This potentially could have implications for other public sector schemes that were reformed around the same time (including the LGPS) and could potentially lead to members deemed to be discriminated against being compensated. The Government has appealed to the Supreme Court for permission to appeal this judgement.

Due to the uncertainty of the conclusion of the legal process and also the uncertainty of how members of the LGPS could be compensated, no provision has been made.

The Cost Management Process will not recommence until the final outcome of the McCloud judgement is known. Therefore no allowance has been made in the disclosures for the outcome of this process.

On 26<sup>th</sup> October 2018, the High Court ruled in the case of Lloyds Bank that equalisation for the effect of unequal Guaranteed Minimum Pensions (GMPs) is required. The ruling confirmed that trustees have a duty “to equalise benefits for men and women”. HM Treasury have stated that “public sector schemes already have a method to equalise GMP benefits, which is why we will not have to change our method as a result of this judgement”.

No amounts are recognised in the financial statements as it is not probable that an outflow of resources will be required for the above issues and neither can the potential obligation be measured with sufficient reliability.

## 12.0 Reconciliation of Investment Asset Valuation

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

	<b>Market Value 01/04/18</b>	<b>Purchases</b>	<b>Sales at Historic Book Cost</b>	<b>Change in Market Value</b>	<b>Market Value 31/03/19</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Bonds	581,747	596,804	(346,770)	12,147	843,928
Equities	1,973,190	285,107	(1,126,241)	(455,980)	676,076
Pooled Investments	393,868	1,295,035	(87,646)	35,570	1,636,827
Pooled Property	167,831	93,809	(9,530)	8,741	260,851
	<b>3,116,636</b>	<b>2,270,755</b>	<b>(1,570,187)</b>	<b>(399,522)</b>	<b>3,417,682</b>
Cash Deposits	80,192			604,216	27,514
Investment Debtors	15,295				15,440
Investment Creditors	(8,498)				(3,992)
<b>Total</b>	<b>3,203,625</b>			<b>204,694</b>	<b>3,456,644</b>

Comparative note for 2017/2018:

	<b>Market Value 01/04/17</b>	<b>Purchases</b>	<b>Sales at Historic Book Cost</b>	<b>Change in Market Value</b>	<b>Market Value 31/03/18</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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
	<b>2,920,925</b>	<b>1,011,255</b>	<b>(809,569)</b>	<b>(5,975)</b>	<b>3,116,636</b>
Cash Deposits	63,023			141,005	80,192
Investment Debtors	19,972				15,295
Investment Creditors	(10,220)				(8,498)
<b>Total</b>	<b>2,993,700</b>			<b>135,030</b>	<b>3,203,625</b>

### 13.0 Profits and Losses on Investments

	<b>2017/18</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
Profit on sales	176,900	657,501
Loss on sales	(35,942)	(51,788)
<b>Net profit / (loss) on sales</b>	<b>140,958</b>	<b>605,713</b>
Change in market value	(5,928)	(401,019)
<b>Net increase/ (decrease) in value</b>	<b>135,030</b>	<b>204,694</b>

### 14.0 Contributions Receivable and Benefits Payable

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

<b>Type of Body</b>	<b>Member Contributions</b>		<b>Employer Contributions</b>		<b>Pensions, Lump Sums and Death Benefits</b>	
	<b>2017/18</b>	<b>2018/19</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2017/18</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Administering	8,197	8,480	33,402	35,181	31,034	35,904
Admitted	3,442	3,518	13,907	15,078	13,776	13,706
Scheduled	14,413	14,781	46,636	48,473	74,934	79,083
<b>Total</b>	<b>26,052</b>	<b>26,779</b>	<b>93,945</b>	<b>98,732</b>	<b>119,744</b>	<b>128,693</b>

Included in employer contributions are £9,790k of deficit funding contributions (£9,649k in 2017/18). There are no augmented contributions.



## 15.0 Management Expenses

The management expenses borne by the Fund in 2018/19 are set out below:

	2017/18	2018/19
	£'000	£'000
Administrative Costs	1,828	1,839
Investment Management Expenses	8,642	8,973
Oversight and Governance Costs	309	227
<b>Total</b>	<b>10,779</b>	<b>11,039</b>

Investment management expenses represent 0.26% (0.27% in 2017/18) of the value of the Pension Fund as at 31<sup>st</sup> March 2019.

2018/19 Audit Fees of £39k are included in Oversight and Governance Costs (£39k in 2017/18).

The Investment management expenses borne by the Fund in 2018/19 are set out below:

	2017/18	2018/19
	£'000	£'000
Management Fees	6,265	6,843
Performance Related Fees	1,452	0
Custody Fees	201	390
Transaction Costs	724	1,740
<b>Total</b>	<b>8,642</b>	<b>8,973</b>

In addition to these costs, indirect costs are incurred. These are reflected in the net asset value (NAV) of the pooled units. Transition costs of moving from the segregated high alpha equity managers into the WPP during January 2019 amounted to £5,443k, reflected in the NAV.

Included in the management expenses above, is the cost of the Fund's involvement in the WPP collective investment pooling arrangement, as set out below:

	2017/18	2018/19
	£'000	£'000
<b>WPP Oversight and Governance Costs</b>		
Set up Costs	78	33
Host Authority Costs	0	20
<b>WPP Investment Management Expenses</b>		
Fund Manager Fees	0	733
Custody Fees	0	114
<b>Total</b>	<b>78</b>	<b>900</b>

## 16.0 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 (£1.6m in 2017/18). 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 £6.1m (£5.8m in 2017/18), of which £4.7m 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 up to 10<sup>th</sup> March 2019 and from 11<sup>th</sup> March 2019, delegated to the Director of Finance and Digital Services. As such, the postholders are required to declare any interests with related parties. The disclosure can be found in the Statement of Accounts of Rhondda Cynon Taf County Borough Council.

The Committee Members and Senior Officers that advise the Committee are required to declare their interest at each meeting.

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

## 17.0 Membership of the Fund

Fund membership at 31<sup>st</sup> March is as follows:

	2018	2019
Active Employers	49	49
Contributors	24,109	23,329
Pensioners	16,609	17,025
Dependants	2,653	2,679
Deferred Beneficiaries	25,956	27,104

## 18.0 Group Transfers

The Fund transferred £5.2m to Cardiff and Vale of Glamorgan Pension Fund in respect of regional regulatory joint working.

## 19.0 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; and
- 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.

### 19.1 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 31<sup>st</sup> March 2019 amounted to £12.6m with the institutions shown in the table below:

<b>Institution</b>	<b>Balance at 31/03/19 £'000</b>	<b>Maturity Date</b>
Shropshire Council	4,840	01/04/2019
London Borough of Sutton	4,000	02/04/2019
Debt Management Office	1,830	02/04/2019
City of Coventry	1,920	03/04/2019
<b>Total</b>	<b>12,590</b>	

## 19.2 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.

## 19.3 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 2018/19 financial year. The possible impact of movements is shown in the following table:

Asset type	31/03/19	Change %	Value on	Value on
	Value		increase	decrease
	£'000		£'000	£'000
Core Equity Mandate	952,944	9.8	1,046,333	859,555
Global Equity Mandate	1,363,745	9.8	1,497,392	1,230,098
Bond Mandate	857,306	5.5	904,458	810,154
Property Mandate	263,792	2.5	270,387	257,197
Internal Mandate	18,857	0.3	18,914	18,800
<b>Total</b>	<b>3,456,644</b>	<b>7.4</b>	<b>3,712,436</b>	<b>3,200,852</b>

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 2018/19 financial year would have the following effect:

Asset type	31/03/19	Value on	Value on
	Value	increase	decrease
	£'000	£'000	£'000
Bond securities	843,928	852,367	835,489
Cash deposits & balances	38,962	39,352	38,572
<b>Total</b>	<b>882,890</b>	<b>891,719</b>	<b>874,061</b>

Currency risk is the risk to income and investment asset values from changes in 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 8.8% would have the following effect:

Asset type	31/03/19	Value on	Value on
	Value	increase	decrease
	£'000	£'000	£'000
Overseas Equities	650,375	707,608	593,142
Overseas Bonds	76,117	82,815	69,419
Overseas Pooled Property	559	608	510
<b>Total</b>	<b>727,051</b>	<b>791,031</b>	<b>663,071</b>

## **The independent auditor's report of the Auditor General for Wales to the Members of Rhondda Cynon Taf Pension Fund Accounts**

### **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 2019 under Public Audit (Wales) Act 2004.

Rhondda Cynon Taf Pension Fund financial statements comprise the Fund Account, the Net Asset 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 2018-19 based on International Financial Reporting Standards (IFRSs)

In my opinion the financial statements:

- give a true and fair view of the financial position of Rhondda Cynon Taf Pension Fund as at 31 March 2019 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 2018-19.

#### **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 Rhondda Cynon Taf 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 Rhondda Cynon Taf 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 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 Introduction for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

- proper 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 Statement of Accounts [set out on page 4], 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 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](http://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 net asset statement.

### **Active/Passive Management**

Active management is the traditional form of investment management involving a series of individual investment decisions that seek to maximise returns by exploiting price inefficiencies i.e. 'beat the market'.

Passive management is a low cost alternative where managers normally hold stocks in line with a published index, such as the FTSE All-Share, not seeking to outperform but to keep pace with the index being tracked.

### **Actuary**

An actuary is an individual or organisation that calculates insurance premiums and liabilities and pension obligations.

### **Actuarial Gains and Losses**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation, or the actuarial assumptions have changed.

### **Admitted Body**

An organisation, whose staff can become members of the Fund by virtue of an admission agreement made between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.

### **Asset Allocation**

Apportionment of investment funds among categories of assets, such as Bonds, Equities, Cash and Property. Asset allocation affects both risk and return.

### **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.

### **Cash and Cash Equivalents**

Sums of money available for immediate use and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is responsible for issuing financial guidance to public bodies.

**Contingent Liabilities or Assets**

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately and for which provision has not been made in the Pension Fund's accounts.

**Creditor**

A creditor is an organisation/individual owed money by the Pension Fund at the end of the financial year for goods/services received.

**Custodian**

Bank or other financial institution that keeps custody of stock certificates and other assets of a client, collects dividends and tax refunds due and settles any purchases and sales.

**Current Assets**

These are short-term assets that are available for the Pension Fund to use in the following accounting period.

**Current Liabilities**

These are short-term liabilities that are due for payment by the Pension Fund in the following accounting period.

**Debtor**

A debtor is an organisation/individual who owes the Pension Fund 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 (Pensions)**

This is a pension or other retirement benefit scheme other than a defined benefit contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

**Defined Contribution Scheme (Pensions)**

A Defined Contribution Scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

**Derivatives**

A derivative instrument is a contract whose value is based on the performance of an underlying financial asset, index, or other investment.

**Employer Contribution Rates**

The percentage of the salary of employees that employers pay as a contribution towards the employees' pension.

**Equities**

Ordinary shares in UK and overseas companies traded on a recognised stock exchange. Shareholders have an interest in the profits of the company and may normally vote at shareholders' meetings.

**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.

Level 3 – Inputs not based on observable market data. The values of investment in private equity are based on valuations provided by the general partners to the private equity funds. If the company's year end does not coincide with the Pension Fund's year end, the valuation is updated with regard to the calls and distributions made between the Private Equity Fund's audited account date and the Pension Fund's year end.

**Financial Assets**

Financial assets are cash, equity instruments within another entity e.g. shares, or a contractual right to receive cash or another asset from another entity e.g. debtors, or exchange financial assets or financial liabilities under favourable conditions e.g. derivatives.

**Financial Year**

This is the accounting period. For local authorities it starts on 1<sup>st</sup> April and finishes on 31<sup>st</sup> March of the following year.

**Fixed Interest Securities/Bonds**

Investments, especially in government stocks, with a guaranteed rate of interest. Conventional bonds have fixed rates, whilst Index Linked vary with inflation. They represent loans repayable at a stated future date and which can be traded on a stock exchange in the meantime.

**Fund of Funds**

A pooled fund that invests in other pooled funds. They are able to move money between the best funds in the industry and thereby aim to lower stakeholder risk with greater diversification than is offered by a single fund.

**Impairment**

Impairment occurs when the value of a long-term asset falls below the value it is currently held at in the Fund Account.

**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.

**Liability**

A liability is an obligation to transfer economic benefits as a result of past transactions or events.

**Pooled Funds**

Pooled investment vehicles issue units to a range of investors. Unit's prices move in response to changes in the value of the underlying portfolio and investors do not own directly the assets in the fund. The main types are: unit trusts, open-ended investment companies (OEICs), insurance linked vehicles and investment trusts.

**Portfolio**

A collective term for all the investments held in a fund, market or sector. A segregated portfolio is a portfolio of investments of a specific type held directly in the name of the investor e.g. Global Bonds, or a specific market e.g. UK Equities, Far East Equities.

**Prior Year Adjustment**

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of material errors.

**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.

**Related Party**

A related party exists where there is control or influence by one party over another.

**Return**

The total gain from holding an investment, including both income and any increase or decrease in market value. Returns over periods longer than a year are usually expressed as an average annual return.

**Scheme Employers**

Local authorities and bodies specified in the LGPS Regulations, whose employees are entitled automatically to be members of the Fund and Admission Bodies including voluntary, charitable and similar bodies, carrying out work of a public nature, whose staff can become members of the Fund by virtue of an admission agreement with the Council.

**Scheduled Bodies**

An organisation that has the right to become a member of the Local Government Pension Scheme under the scheme regulations. Such an organisation does not need to be admitted, as its right to membership is automatic.

**Unrealised Gains/Losses**

The increase or decrease in the market value of investments held by the Pension Fund since the date of their purchase. Note: values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

**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.

Tudalen wag

**CENTRAL SOUTH  
CONSORTIUM  
JOINT EDUCATION SERVICE  
JOINT COMMITTEE**

**DRAFT – SUBJECT TO AUDIT  
STATEMENT OF ACCOUNTS**

**2018/19**

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## Narrative Report

### 1. Introduction

The Central South Consortium Joint Education Service was established on 1<sup>st</sup> 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 391 schools and serves 147,697<sup>1</sup> 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 2018/19 have been prepared in accordance with:

- The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 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 45 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.

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<sup>1</sup> Pupil Level Annual School Census (PLASC) – January 2018

The performance of the schools in the Central South Consortium region are key to the future educational and 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.

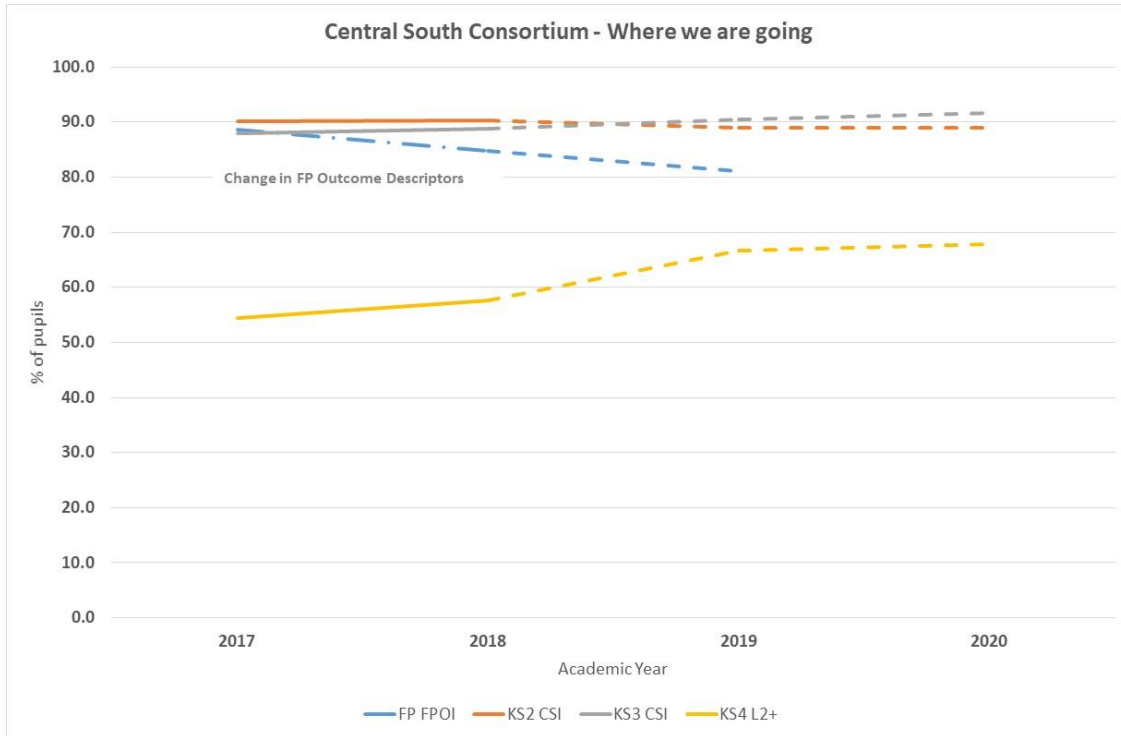
The Consortium's business plan aims to:

- 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 2018/19 revenue contributions received by the Consortium from the five member local authorities reduced by 2% and it is anticipated that the position of the Consortium requiring to operate in an environment of challenging funding levels will continue into the medium term.

There has been continued improvement for all key stages, where comparable data is available from the previous year. Performance in the region exceeds performance seen nationally for nearly all performance measures at the expected and above expected level.

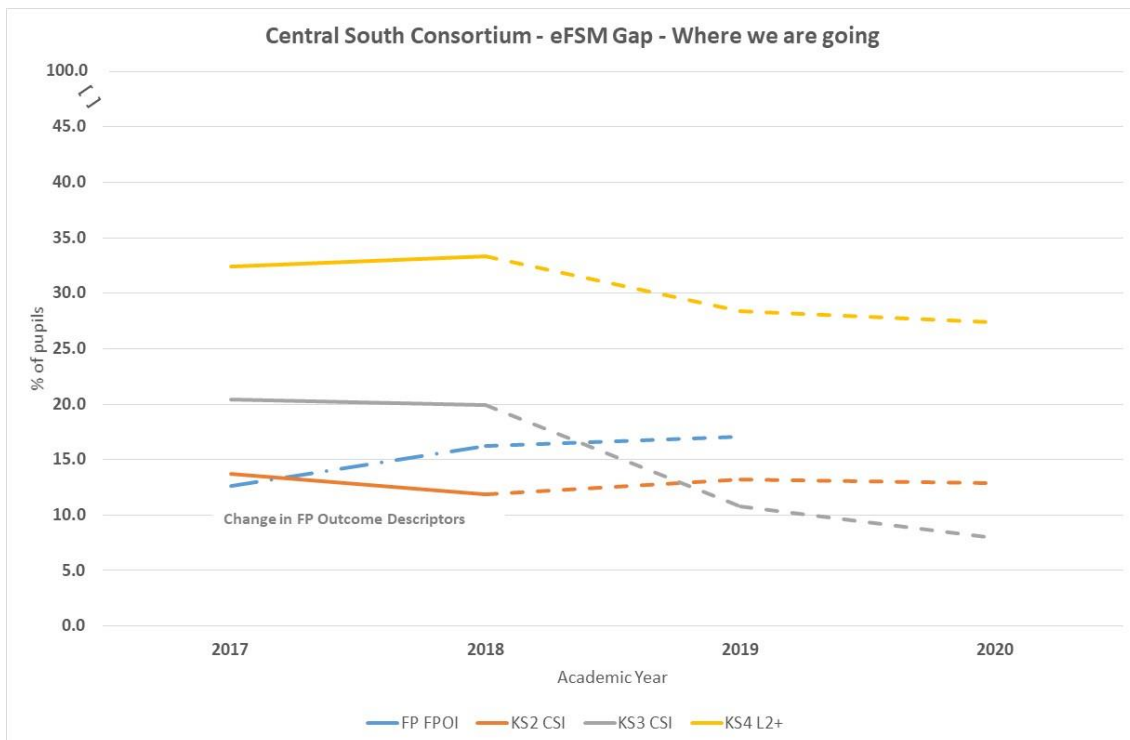
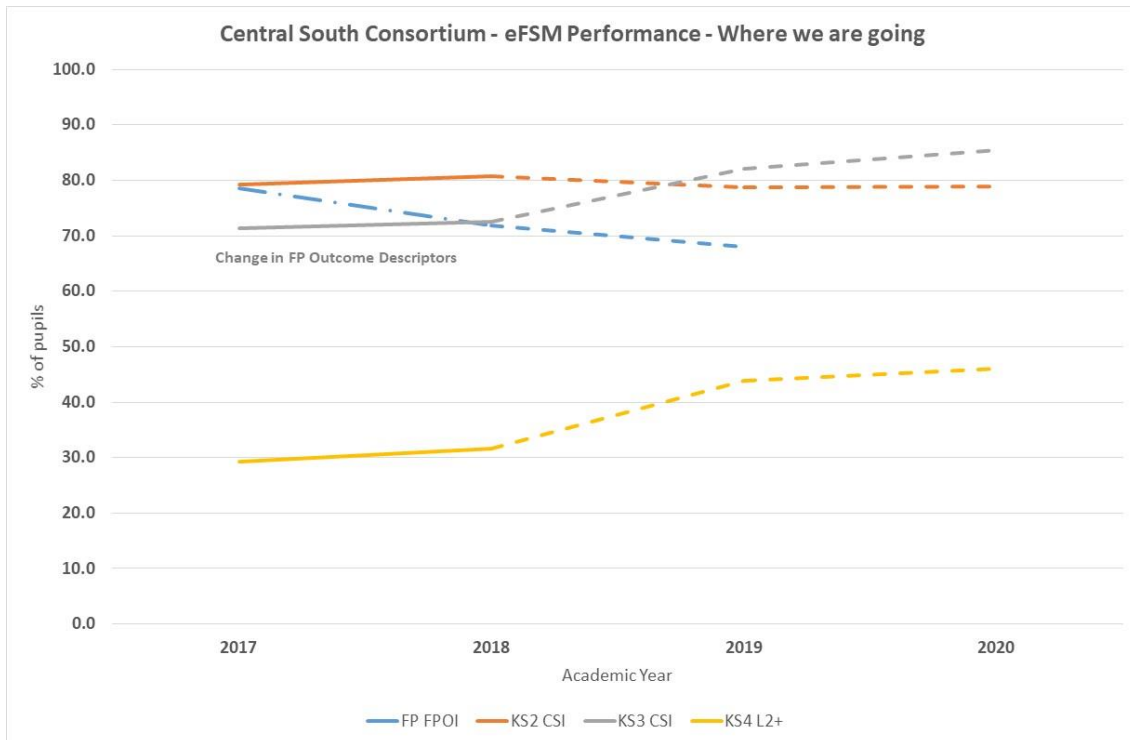


**Key:**

FPOI – Foundation Phase outcome indicator.

KS2, KS3 and KS4 – Key Stage 2, 3 and 4.

The performance of pupils entitled to free school meals has improved in the most recent year, where comparable data is available from the previous academic year. The gap in performance has narrowed for two key stages, but increased for KS4 L2+ in the most recent year. This performance gap remains too large for nearly all key stages.



### 3. Revenue Income and Expenditure 2018/19

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 2018/19 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 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019:

	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
<b>Expenditure</b>			
Employees	3,356	3,496	140
Premises	261	292	31
Transport	34	27	(7)
Supplies & Services	213	720	507
Support Services	120	123	3
	<b>3,984</b>	<b>4,658</b>	<b>674</b>
<b>Income</b>			
Local Authority Contributions	(3,906)	(4,557)	(651)
Grants & Other Income	(78)	(102)	(24)
	<b>(3,984)</b>	<b>(4,659)</b>	<b>(675)</b>
<b>Net Expenditure / (Income)</b>	<b>0</b>	<b>(1)</b>	<b>(1)</b>

The reasons for the variances between budgeted and actual expenditure and income were:

- Employees – in-year severance costs applicable to service remodelling have been partly offset by vacancy savings within the Business Support Team and eligible core staff costs transferred to the Regional Consortia School Improvement Grant to optimise the use of external funding;
- Premises – the position includes one-off costs associated with the reconfiguration / refurbishment works at the Valleys Information Centre which have been partly off-set by lower costs incurred during the occupation of Ty Dysgu in the first half of the financial year;
- Transport - expenditure relates to staff travel expenses and, as a result of changes in working practices, costs have been lower than budgeted;
- Supplies and Services – includes additional contributions being made against historic redundancy costs. Additional contributions made by member local authorities are reported against Local Authority Contributions; and
- Income – unbudgeted additional contributions made by member local authorities used to offset in year and historic redundancy costs outlined above.

In addition, the following categories of income and expenditure relating to specific grants were processed through the Central South Consortium's accounts during 2018/19:

	<b>Actual £'000</b>
<b>Expenditure</b>	
Employees	3,266
Premises	25
Transport	21
Supplies & Services	74,744
Third Party Payments	437
	<b>78,493</b>
<b>Income</b>	
Grants & Other Income	78,493
<b>Net Expenditure</b>	<b>0</b>

As at 31<sup>st</sup> March 2019, the Central South Consortium held General Reserves of £137k. Movements on reserves are detailed within the Movement in Reserves Statement.

#### **4. Capital Expenditure 2018/19**

There has been no capital expenditure this financial year.

#### **5. Summary of Future Revenue Plans**

Our ambition is, by 2020 that:

- learners sustain the best educational outcomes in Wales, rivalling other 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.

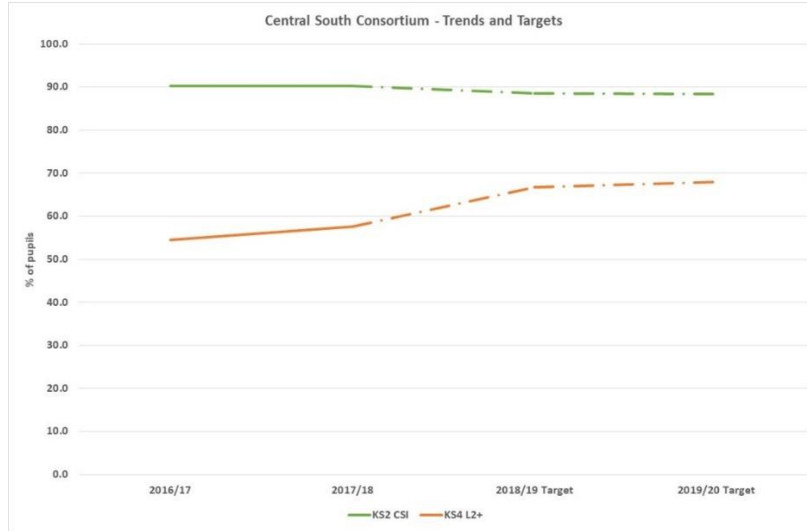
The Consortium's Business Plan 2019/2020 was approved by Joint Committee on 28<sup>th</sup> March 2019 and sets out the vision, purpose and priorities it aims to deliver within an environment of reducing resources. The 2019/20 Business Plan focuses on the following overarching priorities:

1. Develop a high quality education profession;
2. Develop inspirational leaders to facilitate working collaboratively to raise standards;
3. Develop strong and inclusive schools committed to wellbeing, equity and excellence;
4. Develop robust assessment, evaluation and accountability arrangements supporting self-improving systems;
5. Provide professional learning opportunities to support the curriculum for Wales; and
6. Improve the effectiveness and efficiency of Central South Consortium.

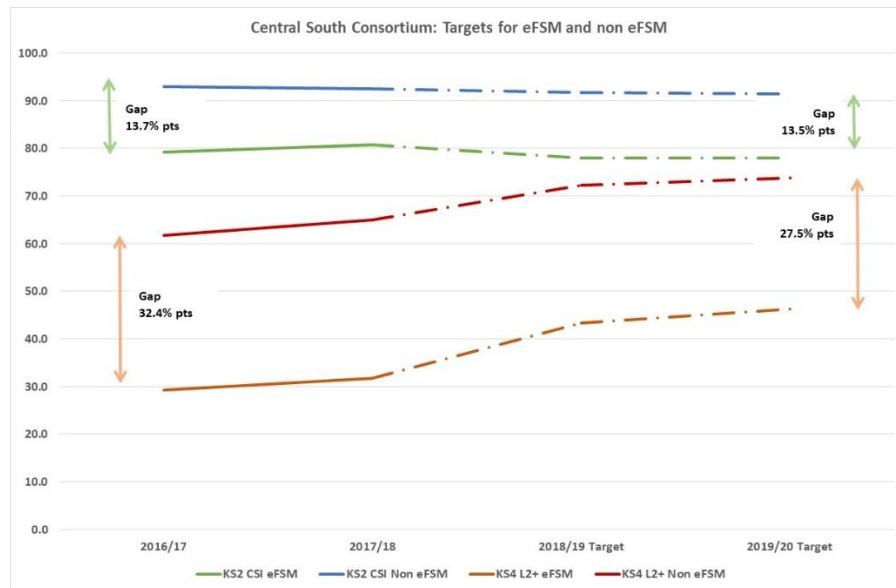
The success of our delivery plan is measured through our targets. These are based on schools' own targets incorporating benchmark measures and informed by additional challenge from the region's challenge adviser workforce.

### Performance Measures

The following chart shows the projected trend in outcomes for both Key Stage 2 Core Subject Indicator<sup>2</sup> and Key Stage 4 Level 2+ indicator<sup>3</sup> for performance up to 2020.



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 Key Stage 4 Level 2+ indicator for performance up to 2020.



<sup>2</sup> 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.

<sup>3</sup> 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 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 (i.e. 2019/20) revenue budget is as follows (as approved by the Joint Committee on 19<sup>th</sup> December 2018):

<b>Type of Expenditure</b>	<b>Budget 2019/20 £'000</b>
<b>Expenditure</b>	
Employees	3,117
Premises	235
Transport	35
Supplies & Services	228
Support Services	120
<b>Total Expenditure</b>	<b>3,735</b>
<b>Income</b>	
Local Authority Contributions	3,711
Grants & Other Income	24
<b>Total Income</b>	<b>3,735</b>
<b>Net Expenditure</b>	<b>0</b>

## 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 19.0 to the Core Financial Statements for further details.

The effect of IAS 19 upon the reserves of the Joint Committee is as follows:

	<b>£'000</b>
Net Assets/(Liabilities) excluding Pensions Reserve	416
Net Assets/(Liabilities) as per Balance Sheet	717

## **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 Director of Finance and Digital 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 Director of Finance and Digital Services**

This is the certificate of the true and fair presentation of the Accounts by the Director of Finance and Digital 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'.

### **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 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**

Service restructuring costs totalling £250k were incurred during 2018/19 (£162k incurred in 2017/18); these costs have been funded in-year partly through the revenue account and partly through additional in-year contributions made by the five member local authorities.

Following publication of the 'National Model for Regional Working' by the Welsh Government in February 2014 the service was restructured with resulting redundancy costs partly being funded from general reserves and through an annual contribution of £100k from the revenue budget. The arrangement was scheduled to run until 2025/26. At the Joint Committee meeting held on the 15<sup>th</sup> 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 approved resulting in the removal of the annual contribution of £100k from the 2019/20 revenue budget.

## **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 Director of Finance and Digital 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**

**Councillor Sarah Merry**  
Cardiff Council

## The Director of Finance and Digital Services' Responsibilities

The Director of Finance and Digital Services 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 31<sup>st</sup> March 2019.

### In preparing the Statement of Accounts, the Director of Finance and Digital Services has:

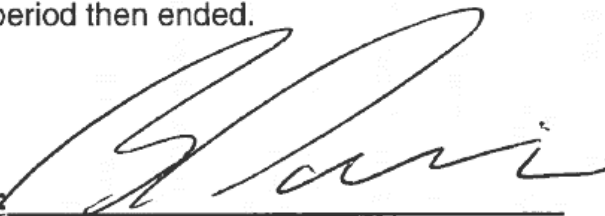
- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code.

### The Director of Finance and Digital Services 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 Director of Finance and Digital 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 31<sup>st</sup> March 2019 and its income and expenditure for the period then ended.

Signed: 

Date: 21/05/19

**Barrie Davies**

**Director of Finance and Digital Services**

Bronwydd House

Porth

CF39 9DL

### Movement in Reserves Statement for the Period ended 31<sup>st</sup> March 2018

	General Reserves	Earmarked Reserves	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Notes:</b>	17.1	17.2		18.0	
<b>Balance as at 1<sup>st</sup> April 2017</b>	<b>129</b>	<b>300</b>	<b>429</b>	<b>(515)</b>	<b>(86)</b>
<b>Movement in reserves during 2017/18</b>					
<b>Total comprehensive income and expenditure</b>	<b>(316)</b>	<b>0</b>	<b>(316)</b>	<b>651</b>	<b>335</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>					
<b>Adjustments involving the Pensions Reserve:</b>					
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
<b>Adjustments primarily involving the Accumulated Absences Account:</b>					
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
<b>Net increase or (decrease) before transfers to Earmarked Reserves</b>	<b>234</b>	<b>0</b>	<b>234</b>	<b>101</b>	<b>335</b>
Transfers to or (from) Earmarked Reserves	(227)	227	0	0	0
<b>Increase or (decrease) in the Year</b>	<b>7</b>	<b>227</b>	<b>234</b>	<b>101</b>	<b>335</b>
<b>Balance as at 31<sup>st</sup> March 2018</b>	<b>136</b>	<b>527</b>	<b>663</b>	<b>(414)</b>	<b>249</b>

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### Movement in Reserves Statement for the Period ended 31<sup>st</sup> March 2019

	General Reserves	Earmarked Reserves	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Notes:</b>	17.1	17.2		18.0	
<b>Balance as at 1<sup>st</sup> April 2018</b>	<b>136</b>	<b>527</b>	<b>663</b>	<b>(414)</b>	<b>249</b>
<b>Movement in reserves during 2018/19</b>					
<b>Total comprehensive income and expenditure</b>	<b>(741)</b>	<b>0</b>	<b>(741)</b>	<b>1,208</b>	<b>467</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>					
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	1,022	0	<b>1,022</b>	(1,022)	<b>0</b>
Employer's pensions contributions and direct payments to pensioners payable in the year	(461)	0	<b>(461)</b>	461	<b>0</b>
<b>Adjustments primarily involving the Accumulated Absences Account:</b>					
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	(46)	0	<b>(46)</b>	46	<b>0</b>
<b>Net increase or (decrease) before transfers to Earmarked Reserves</b>	<b>(226)</b>	<b>0</b>	<b>(226)</b>	<b>693</b>	<b>467</b>
Transfers to or (from) Earmarked Reserves	226	(226)	<b>0</b>	0	<b>0</b>
<b>Increase or (decrease) in the Year</b>	<b>1</b>	<b>(226)</b>	<b>(225)</b>	<b>693</b>	<b>467</b>
<b>Balance as at 31<sup>st</sup> March 2019</b>	<b>137</b>	<b>301</b>	<b>438</b>	<b>279</b>	<b>717</b>

## Comprehensive Income and Expenditure Statement for the Period ended 31<sup>st</sup> March 2019

Year ended 31/03/18 £'000		Year ended 31/03/19 £'000	Note
	<b>Expenditure</b>		
7,509	Employees	7,274	5.0
517	Premises	317	6.0
51	Transport	48	7.0
75,499	Supplies & Services	75,110	8.0
348	Third Party Payments	437	
118	Support Services	123	
<b>84,042</b>		<b>83,309</b>	
	<b>Income</b>		
(3,886)	Local Authority Contributions	(4,557)	
(79,834)	Grants & Other Income	(78,001)	
<b>(83,720)</b>		<b>(82,558)</b>	9.0
<b>322</b>	<b>Net Cost of Services</b>	<b>751</b>	
(2)	Interest Receivable and Similar Income	(13)	26.0
(4)	Net Interest on Net Defined Asset/Liability	3	19.2
<b>316</b>	<b>(Surplus)/Deficit on the Provision of Services</b>	<b>741</b>	
(651)	Remeasurement of the Net Defined Benefit Liability	(1,208)	19.2
<b>(335)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(467)</b>	



## Expenditure and Funding Analysis Statement for the year ending 31<sup>st</sup> March 2019

	2018/19		
	Net Expenditure Chargeable to the General Fund £'000	Adjustments Between Funding and Accounting Basis £'000	Net Expenditure for the Equivalent Amounts for CI&ES <sup>4</sup> £'000
Employees	6,762	512	7,274
Premises	317	0	317
Transport	48	0	48
Supplies & Services	75,110	0	75,110
Third Party Payments	437	0	437
Support Services	123	0	123
Income	(82,785)	227	(82,558)
<b>Cost of Services</b>	<b>12</b>	<b>739</b>	<b>751</b>
Other Income and Expenditure	(13)	3	(10)
<b>(Surplus) or Deficit</b>	<b>(1)</b>	<b>742</b>	<b>741</b>
Opening General Fund at 31 <sup>st</sup> March 2018	(136)		
Add Surplus on General Fund in Year	(1)		
<b>Closing General Fund at 31<sup>st</sup> March 2019</b>	<b>(137)</b>		

The comparative figures for 2017-18 are shown in the following table:

<sup>4</sup> CI&ES – Comprehensive Income and Expenditure Statement

## Expenditure and Funding Analysis Statement for the year ending 31<sup>st</sup> March 2018

	2017/18		
	Net Expenditure Chargeable to the General Fund £'000	Adjustments Between Funding and Accounting Basis £'000	Net Expenditure for the Equivalent Amounts for CI&ES £'000
Employees	6,955	554	7,509
Premises	517	0	517
Transport	51	0	51
Supplies & Services	75,499	0	75,499
Third Party Payments	348	0	348
Support Services	118	0	118
Income	(83,493)	(227)	(83,720)
<b>Cost of Services</b>	<b>(5)</b>	<b>327</b>	<b>322</b>
Other Income and Expenditure	(2)	(4)	(6)
<b>(Surplus) or Deficit</b>	<b>(7)</b>	<b>323</b>	<b>316</b>
Opening General Fund at 31 <sup>st</sup> March 2017	(129)		
Add Surplus on General Fund in Year	(7)		
<b>Closing General Fund at 31<sup>st</sup> March 2018</b>	<b>(136)</b>		

## Balance Sheet at 31<sup>st</sup> March 2019

31/03/18 £'000		31/03/19 £'000	Note
	<b>Long Term Assets</b>		
737	Debtors	129	14.0
0	Defined Benefit Pension Scheme Asset	301	19.5
<b>737</b>		<b>430</b>	
	<b>Current Assets</b>		
1	Inventories	0	12.0
23,328	Debtors	21,389	15.0
<b>23,329</b>	<b>Total Current Assets</b>	<b>21,389</b>	
	<b>Current Liabilities</b>		
(23,471)	Creditors	(21,102)	16.0
<b>(142)</b>	<b>Net Current Assets</b>	<b>287</b>	
<b>595</b>	<b>Total Assets Less Current Liabilities</b>	<b>717</b>	
	<b>Long-Term Liabilities</b>		
(346)	Defined Benefit Pension Scheme Liability	0	19.5
<b>249</b>	<b>Net Assets/(Liabilities)</b>	<b>717</b>	
	<b>Represented by:</b>		
	<b>Usable Reserves</b>		
136	General Reserves	137	17.1
527	Earmarked Reserves	301	17.2
	<b>Unusable Reserves</b>		
(346)	Pensions Reserve	301	19.5
(68)	Short-Term Accumulating Compensated Absence Account	(22)	
<b>249</b>	<b>Total Reserves</b>	<b>717</b>	

### Cash Flow Statement for the Period ended 31<sup>st</sup> March 2019

Year ended 31/03/18 £'000		Year ended 31/03/19 £'000	Note
	<b>Operating Activities</b>		
	Cash Outflows		
6,955	Cash Paid to and on Behalf of Employees	6,762	
70,571	Other Operating Cash Payments	78,357	
<b>77,526</b>	<b>Total Cash Outflows</b>	<b>85,119</b>	
	Cash Inflows		
(83,795)	Cash Received for Goods & Services	(94,055)	
(2)	Interest Received	(13)	
<b>(83,797)</b>	<b>Total Cash Inflows</b>	<b>(94,068)</b>	
<b>(6,271)</b>		<b>(8,949)</b>	
<b>(6,271)</b>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>	<b>(8,949)</b>	23.0
	<b>Analysis of Changes in Cash and Cash Equivalents</b>		
(6,004)	Balance as at 1 <sup>st</sup> April	(12,275)	
(6,271)	Net Cash (Inflows)/Outflows	(8,949)	
<b>(12,275)</b>	<b>Cash Balance Owed To/(From) Host Authority</b>	<b>(21,224)</b>	

*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 31<sup>st</sup> March.*

## Notes to the Core Financial Statements

### 1.0 Accounting Policies

#### 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 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 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.

#### **1.5 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.

#### **1.6 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.

#### **1.7 Income**

Income is credited to the year of account to which it relates, regardless of when that income was actually received.

#### **1.8 Cost of Support Services**

The costs of support services have been charged to the Consortium in line with agreed Service Level Agreements.

#### **1.9 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 rolling forward the results from the last full valuation and adjusted to allow for the later calculation date and making allowance for changes due to accrual of new benefits and discharge of liabilities, financial and demographic assumptions, impact of known experience and the impact of events which result in a change in liability.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (2.6% in 2017/18).
- 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
Unitised 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.
  - 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 Joint Committee General Reserves 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 balance that arises on the Pensions Reserve thereby measures the 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.

## **1.10 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.

## **1.11 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 revalued 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.

### **1.12 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) (Amendment) Regulations 2018. 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 15<sup>th</sup> June following financial year-end.

Regulations require the audited Statement of Accounts to be published by 15<sup>th</sup> 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 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. In the interim potentially relevant standards include:

- IAS40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-16 Cycle, and
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

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

### **3.0 Critical Judgements in Applying Accounting Policies**

In applying the Accounting Policies set out in note 1.0, the Joint Committee 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 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, 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.

### **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 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 31<sup>st</sup> March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

#### **4.1 Pensions Asset/Liability**

The following disclosures do not allow for the following:

- Guaranteed Minimum Pension (GMP) equalisation and indexation, beyond indexation for members reaching State Pension Age before 5<sup>th</sup> December 2018
- McCloud judgement
- Cost management process.

Please refer to Contingent Liabilities Note 21 for further details.

Estimation of the net asset/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 asset/liability of changes in individual assumptions can be measured, however, the assumptions interact in complex ways.

**5.0 Employees Costs**

<b>2017/18 £'000</b>	<b>Salaries &amp; Wages</b>	<b>2018/19 £'000</b>
4,956	Advisors	4,917
971	Administration	799
466	Management	512
253	Finance Team	234
50	Catering Staff	2
41	Site Staff	6
15	Cleaning Staff	4
2	Agency	0
162	Employee Redundancy	250
35	Employee Insurance	35
4	Employee Advertising	3
<b>6,955</b>	<b>Sub Total</b>	<b>6,762</b>
4	Short-Term Accumulating Compensated Absences Account adjustment	(46)
550	IAS 19 adjustments	558
<b>7,509</b>	<b>Total</b>	<b>7,274</b>

**6.0 Premises Costs**

<b>2017/18 £'000</b>		<b>2018/19 £'000</b>
312	Rent	209
17	Repair and Maintenance	69
45	Electricity and Gas	6
8	Cleaning Materials	4
135	Rates and Water Charges	29
<b>517</b>	<b>Total</b>	<b>317</b>

**7.0 Transport**

<b>2017/18 £'000</b>		<b>2018/19 £'000</b>
51	Car Allowances	48
<b>51</b>	<b>Total</b>	<b>48</b>

**8.0 Supplies and Services**

2017/18 £'000		2018/19 £'000
100	Office Expenses	84
231	Consultants Fees	193
17	Office Equipment	3
151	Computer Costs	90
34	Catering Costs	2
46	Photocopying	37
8	Subscriptions	3
4	Marketing	8
17	Audit Fees	18
2	Clothing	0
20	Telephones	17
2	Postage	0
1,025	Training	929
	<u>Grants paid to local authorities &amp; schools:</u>	
39,738	Education Improvement Grant (EIG)	0
1,681	Raising Schools Standards Grant (RSSG)	0
0	Regional Consortia School Improvement Grant (RCSIG)	42,035
1,926	Pioneer - Block Grant	0
29,966	Pupil Development Grant (PDG)	31,144
531	Other	547
<b>75,499</b>	<b>Total</b>	<b>75,110</b>

## 9.0 Income

2017/18 £'000		2018/19 £'000
	<b>Contributions</b>	
(1,400)	Cardiff Council	(1,272)
(1,060)	Rhondda Cynon Taf CBC	(1,097)
(606)	Bridgend CBC	(624)
(572)	Vale of Glamorgan Council	(591)
(248)	Merthyr Tydfil CBC	(222)
<b>(3,886)</b>	<b>Total Contributions</b>	<b>(3,806)</b>
	<b>Other Income</b>	
(67)	School Income	(64)
(289)	Other	(184)
(79,240)	Grants	(78,493)
(238)	Catering	(11)
<b>(79,834)</b>	<b>Total Other Income</b>	<b>(78,752)</b>
<b>(83,720)</b>	<b>Total Income</b>	<b>(82,558)</b>

## 9.1 Grant Income

<b>2017/18</b> <b>£'000</b>		<b>2018/19</b> <b>£'000</b>
	<b>Grant Programme</b>	
(42,616)	Education Improvement Grant (EIG)	0
(30,517)	Pupil Development Grant (PDG)	(31,601)
(2,967)	Raising Schools Standards Grant (RSSG)	0
0	Regional Consortia School Improvement Grant (RCSIG)	(46,310)
(79)	Schools Challenge Cymru (SCC)	0
(2,081)	Pioneers – Block Grant	0
(980)	Other	(582)
<b>(79,240)</b>	<b>Total Grant Income</b>	<b>(78,493)</b>
	<b>Allocation</b>	
73,842	Paid to local authorities and schools (Note 8.0)	73,726
5,398	Retained by Central South Consortium	4,767
<b>79,240</b>	<b>Total Allocation</b>	<b>78,493</b>

## 10.0 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:

<b>2017/18</b>		<b>Local Authority</b>	<b>2018/19</b>	
<b>Exp.</b> <b>£'000</b>	<b>Inc.</b> <b>£'000</b>		<b>Exp.</b> <b>£'000</b>	<b>Inc.</b> <b>£'000</b>
30,426	(1,539)	Cardiff Council	28,423	(1,559)
19,232	(1,149)	Rhondda Cynon Taf CBC	20,264	(1,318)
10,581	(625)	Bridgend CBC	11,335	(749)
9,403	(584)	Vale of Glamorgan Council	10,168	(711)
4,639	(259)	Merthyr Tydfil CBC	4,880	(266)

Welsh Government exerts significant influence through legislation and grant funding. The main grants received are shown in Note 9.1.

All cash transactions are administered by the host authority, Rhondda Cynon Taf CBC, as the Consortium does not operate its own bank account. At 31<sup>st</sup> March 2019, RCT CBC owed the Consortium £21,224k relating to these cash transactions (RCT CBC owed the Consortium £12,275k as at 31<sup>st</sup> March 2018). During 2018/19, Central South Consortium was charged £122k by

Rhondda Cynon Taf CBC in respect of Central Establishment Charges (included in the table above, £118k in 2017/18).

Pension contributions are made to both the Rhondda Cynon Taf Pension Fund and the Teachers' Pension Agency, in respect of Joint Committee employees. See notes 19.0 and 20.0 for further information.

Interests of elected Members of the Joint Committee are maintained in a register held by their own Local Authority. Records of interests of Senior Officers are maintained 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	2017/18		2018/19	
	Expend	Income	Expend	Income
	£'000	£'000	£'000	£'000
Welsh Joint Education Committee	0	11	0	0
Welsh Local Government Association	0	9	0	0
Coleg y Cymoedd	1	1	40	0
Cardiff Metropolitan University	0	0	2	0
Cardiff University	70	10	87	0
Merthyr Tydfil College	1	0	0	0
<b>Total</b>	<b>72</b>	<b>31</b>	<b>129</b>	<b>0</b>

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.

### 11.0 Audit Fees

2017/18 £'000		2018/19 £'000
17	Fees payable to the Auditor General for Wales in respect of external audit	18

### 12.0 Inventories

Inventories consist of food stock in respect of the restaurant.

2017/18 £'000		2018/19 £'000
1	<b>Balance as at 1<sup>st</sup> April</b>	<b>1</b>
33	Purchases	1
(32)	Recognised as an Expense in the Year	(2)
(1)	Written Off	0

<b>1</b>	<b>Balance as at 31<sup>st</sup> March</b>	<b>0</b>
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The Joint Committee holds no inventory as at 31<sup>st</sup> March 2019 due to cessation of restaurant facilities during financial year 2018/19.

### **13.0 Leases**

The Joint Committee uses general office equipment which is financed under the terms of an operating lease. Operating lease rentals paid to lessors in 2018/19 totalled £2k (£2k in 2017/18).

A long term lease arrangement totalling £128k in 2018/19 (annualised cost of £220k) exists between the Joint Committee and Rhondda Cynon Taf CBC in relation to office accommodation at the Valleys Innovation Centre.

The Joint Committee holds no assets on Finance Leases.

### **14.0 Long Term Debtors**

The Joint Committee has incurred redundancy costs that have been funded from the Local Authorities' annual contributions at £100k a year. This arrangement was scheduled to run until 2025/26. On the 15<sup>th</sup> March 2018 Joint Committee approved an alternative approach to the funding of outstanding redundancy costs. A debtor has been recognised for the amount outstanding at the year-end: £129k in Long Term Debtors at 31<sup>st</sup> March 2019 (£737k at 31<sup>st</sup> March 2018) and £129k in Short Term Debtors (£100k at 31<sup>st</sup> March 2018). £129k is included in the Host Authority balance for short term debtor in relation to redundancy costs.

### **15.0 Short Term Debtors**

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

<b>31/03/18 £'000</b>		<b>31/03/19 £'000</b>
12,275	Host Authority (inc. short term debtor applicable to redundancy costs)	21,353
8	Local Authorities and Schools	11
10,985	Central Government Bodies	12
61	Other Entities and Individuals	13
<b>23,329</b>		<b>21,389</b>
(1)	Provision for Bad Debt	0
<b>23,328</b>	<b>Balance as at 31<sup>st</sup> March</b>	<b>21,389</b>

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.

## 16.0 Creditors

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

<b>31/03/18 £'000</b>		<b>31/03/19 £'000</b>
(22,632)	Local Authorities and Schools	(20,238)
(76)	Central Government Bodies	(80)
(695)	Other	(762)
(68)	Employee Absences Accrual	(22)
<b>(23,471)</b>	<b>Balance as at 31<sup>st</sup> March</b>	<b>(21,102)</b>

## 17.0 Movement on Usable Reserves

	<b>General Reserves £'000</b>	<b>Earmarked Reserves £'000</b>	<b>Total £'000</b>
Balance as at 1 <sup>st</sup> April 2018	136	527	663
Increase/(Decrease)	1	(226)	(225)
<b>Balance as at 31<sup>st</sup> March 2019</b>	<b>137</b>	<b>301</b>	<b>438</b>

## 17.1 General Reserves

The General Reserves is a distributable revenue reserve, which consists of the accumulated surpluses of the Consortium's operations.

	<b>Total £'000</b>
Balance as at 1 <sup>st</sup> April 2018	136
Increase/(Decrease) 2018/19	1
<b>Balance as at 31<sup>st</sup> March 2019</b>	<b>137</b>

## 17.2 Earmarked Reserves

This note sets out the amounts set aside from the General Reserve balance in earmarked reserves to provide financing for future expenditure. All earmarked reserves are deemed to be revenue reserves.

	<b>Balance at 31/03/18 £'000</b>	<b>Transfers Out £'000</b>	<b>Transfers In £'000</b>	<b>Balance at 31/03/19 £'000</b>
Revenue Grant Reserves	397	(397)	212	212

Funding for Specific Projects	130	(65)	24	89
<b>Total</b>	<b>527</b>	<b>(462)</b>	<b>236</b>	<b>301</b>

### **18.0 Movements on Unusable Reserves**

Reserve	Pension Reserve	Short-Term Acc Comp Absence Account	Total
	£'000	£'000	£'000
Balance as at 1 <sup>st</sup> April 2018	(346)	(68)	(414)
Increase / (Decrease)	647	46	693
<b>Balance as at 31<sup>st</sup> March 2019</b>	<b>301</b>	<b>(22)</b>	<b>279</b>

#### **18.1 Pension Reserve**

The Pension Reserve is the balancing account to offset the inclusion of Pension Asset in the Balance Sheet as required by IAS 19 "Employee Benefits". See note 19.0 for further information.

#### **18.2 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 31<sup>st</sup> March 2019.

### **19.0 Retirement Benefits – Defined Benefit Schemes**

#### **19.1 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 20.0.
- 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".

## 19.2 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:

<b>Comprehensive Income and Expenditure Account</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>
Cost of Services:		
Current Service Cost	985	924
Past Service Cost	129	95
Settlements and curtailments	0	0
<i>Financing and Investment Income and Expenditure</i>		
Net Interest Expense	(4)	3
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>1,110</b>	<b>1,022</b>
<i>Remeasurement of the Net Defined Benefit Liability Comprising:</i>		
Return on Plan Assets (Excluding the Amount included in the Net Interest Expense)	(530)	(1,726)
Actuarial (Gains) and Losses Arising on Liabilities – Demographic Assumptions	0	(978)
Actuarial (Gains) and Losses Arising on Liabilities – Financial Assumptions	448	1,460
Actuarial (Gains) and Losses Arising on Liabilities – Experience	114	36
Net increase in liabilities from disposals / acquisitions	(683)	0
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>459</b>	<b>(186)</b>
<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	(1,110)	(1,022)
<i>Actual Amount Charged Against the General Fund Balance for Pensions in the Year:</i>		
Employers' Contributions Payable to Scheme	564	461

The total remeasurement of the Net Defined Benefit Liability recognised in Other Comprehensive Income and Expenditure to the 31<sup>st</sup> March 2019 is a gain of £1,208k (£651k gain in 2017/18).

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure statement to the year ending 31<sup>st</sup> March 2019 is a gain of £1,538k (£330k gain in 2017/18).

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.

### 19.3 Reconciliation of Present Value of the Scheme Liabilities

	2017/18 £'000	2018/19 £'000
Opening balance at 1 <sup>st</sup> April	22,399	23,840
Current Service Cost	985	924
Interest Cost on Defined Obligation	572	614
Contributions by Scheme Participants	289	268
<i>Remeasurement Gains and (Losses):</i>		
Actuarial Gains and (Losses) Arising on Liabilities – Demographic Assumptions	0	(978)
Actuarial Gains and (Losses) Arising on Liabilities – Financial Assumptions	448	1,460
Actuarial Gains and (Losses) Arising on Liabilities – Experience	114	36
Benefits Paid	(1,096)	(706)
Past Service Costs	129	95
<b>Carried Forward at 31<sup>st</sup> March</b>	<b>23,840</b>	<b>25,553</b>

### 19.4 Reconciliation of Fair Value of the Scheme Assets

	2017/18 £'000	2018/19 £'000
Opening balance at as at 1 <sup>st</sup> April	21,948	23,494
Interest Income	576	611
<i>Remeasurement Gains and (Losses)</i>		
The Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	530	1,726
Employer Contributions	564	461
Contributions by Scheme Participants	289	268
Benefits paid	(1,096)	(706)
Net increase in assets from disposals/acquisitions	683	0
<b>Carried Forward as at 31<sup>st</sup> March</b>	<b>23,494</b>	<b>25,854</b>

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 £2,337k (£1,106k gain in 2017/18).

### 19.5 Scheme History

	<b>2017/18</b> <b>£'000</b>	<b>2018/19</b> <b>£'000</b>
Present Value of Defined Obligation	(23,840)	(25,553)
Fair Value of Plan Assets	23,494	25,854
<b>Surplus / (Deficit)</b>	<b>(346)</b>	<b>301</b>

The assets/liabilities show the underlying commitments that the Joint Committee has in the long run to pay retirement benefits. The total asset of £301k has a substantial impact on the net worth of the Joint Committee as recorded in the Balance Sheet.

The surplus on the local government scheme may be recovered in the form of reduced future service contributions.

### 19.6 Local Government Pension Scheme Assets

Local Government Pension Scheme Assets investments as at 31<sup>st</sup> December 2018 (full scheme not Central South Consortium element) are comprised as follows:

	<b>Fair Value of Scheme Assets</b>	
	<b>2017/18</b> <b>£'000</b>	<b>2018/19</b> <b>£'000</b>
UK Equities	657,668	345,524
Overseas Equities	1,775,137	1,726,196
UK Fixed Interest Gilts	274,407	407,756
UK Corporate Bonds	276,825	336,260
Overseas Government Bonds	2,735	25,109
Overseas Corporate Bonds	29,407	36,166
Property	175,043	221,127
Cash and net current assets	61,066	113,635
<b>Total</b>	<b>3,252,288</b>	<b>3,211,773</b>

### 19.7 Basis for Estimating Assets & Liabilities

#### Roll-forward of Assets

The valuation results from the last full valuation of the Fund (or results at the previous accounting date as appropriate) are adjusted to the accounting year-end allowing for:

- Investment returns, and
- Cash-flows including investment returns on those cashflows.

The asset value at the start of the accounting period is accumulated with the Fund investment return over the accounting period. Net cashflows are assumed to be paid half way through the period and accrue half of the Fund investment return over the period.

### Roll-forward of Liabilities

The valuation results from the last full valuation of the Fund (or results at the previous accounting date as appropriate) are adjusted to allow for the later calculation date (by adding interest to the liabilities) and make allowance for changes in liabilities due to:

- The accrual of new benefits and the discharge of liabilities from the payment of benefits.
- The financial and demographic assumptions adopted at the year-end.
- The impact of any known experience affecting the liabilities, such as the impact of actual pension increases on pensions in payment and deferred benefits.
- If applicable, the impact of events which result in a change in the liability such as past service costs, settlements and curtailments.

The full valuation was based on funded benefits and the principal assumptions used by the actuary have been:

	31/03/18	31/03/19
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	22.9	22.2
Women	25.0	24.1
Longevity at 65 for future pensioners:		
Men	25.1	23.9
Women	27.3	25.9
RPI Inflation	3.2%	3.3%
CPI Inflation	2.1%	2.2%
Rate of Increase in Salaries	3.35%	3.45%
Rate of Increase in Pensions	2.1%	2.2%
Rate for discounting scheme liabilities	2.6%	2.4%
Take-up of Option to Convert Annual Pension into Retirement Lump Sum:		
Post-2010 Service	80%	80%

Pre-2010 Service	80%	80%
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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.

	Increase in Assumption £'000	Decrease in Assumption £'000
Longevity (Increase or Decrease in 1 Year)	826	(817)
Rate of Increase in Salaries (increase or decrease by 0.1%)	117	(116)
Rate of Increase in Pensions (increase or decrease by 0.1%)	390	(384)
Rate for Discounting Scheme Liabilities (increase or decrease by 0.1%)	(498)	508

### **19.8 Contributions for the Accounting Period ending 31<sup>st</sup> March 2020**

The Employer's regular contributions to the Fund for the accounting period ending 31<sup>st</sup> March 2020 are estimated to be £343k (£415k as at 31<sup>st</sup> March 2019).

### **20.0 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 2018/19, the Joint Committee paid £73k to the Teachers' Pension Fund in respect of teachers' retirement benefits, representing 16.48% of pensionable pay (£66k was paid in 2017/18 representing 16.48% of pensionable pay). There were no contributions remaining payable at the year-end.

## **21.0 Contingent Liabilities**

The Net Pensions Asset / Liability in the Balance Sheet does not include the potential impact of:

- McCloud judgement
- Cost management process
- GMP equalisation and indexation, beyond indexation for members reaching State Pension Age before 5<sup>th</sup> December 2018.

Legislation requires HM Treasury and the Scheme Advisory Board (SAB) to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. This is referred to as the “Cost Management Process”. HM Treasury and the SAB have paused their reviews following the “McCloud” judgement in the Court of Appeal which found that the transitional protection arrangements put in place when firefighters’ and judges’ pension schemes were reformed were age discriminatory. This potentially could have implications for other public sector schemes that were reformed around the same time (including the LGPS) and could potentially lead to members deemed to be discriminated against being compensated. The Government has appealed to the Supreme Court for permission to appeal this judgement.

Due to the uncertainty of the conclusion of the legal process and also the uncertainty of how members of the LGPS could be compensated, no provision has been made.

The Cost Management process will not recommence until the final outcome of the McCloud judgement is known. Therefore no allowance has been made in the disclosures for the outcome of this process.

On 26<sup>th</sup> October 2018, the High Court ruled in the case of Lloyds bank that equalisation for the effect of unequal Guaranteed Minimum Pensions (GMPs) is required. The ruling confirmed that trustees have a duty “to equalise benefits for men and women”. HM Treasury have stated that “public sector schemes already have a method to equalise GMP benefits, which is why we will not have to change our method as a result of this judgement”.

No amounts are recognised in the financial statements as it is not probable that an outflow of resources will be required for the above issues and neither can the potential obligation be measured with sufficient reliability.

## **22.0 Events after the Balance Sheet Date**

The draft, unaudited Statement of Accounts will be authorised for issue by the Director of Finance and Digital Services, as Chief Finance Officer, following approval by the Joint Committee. 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 31<sup>st</sup>



March 2019, 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 31<sup>st</sup> March 2019 requiring disclosure providing information that is relevant to an understanding of the Central South Consortium's financial position.

### **23.0 Reconciliation of Comprehensive Income and Expenditure Account to Cash flow**

<b>2017/18 £'000</b>		<b>2018/19 £'000</b>
316	(Surplus)/Deficit on the Provision of Services	741
(5,966)	(Increase)/Decrease in Creditors	2,369
(75)	Increase/(Decrease) in Debtors	(11,497)
0	Increase/(Decrease) in Inventories	(1)
(546)	IAS 19 Transactions	(561)
<b>(6,271)</b>	<b>Cash (Inflow)/Outflow from Revenue Items</b>	<b>(8,949)</b>

### **24.0 Officers' Remuneration**

During 2018/19, the Consortium paid 89 employees on average every month (103 in 2017/18). Over the year, salary payments totalled £4,250k (excluding employer's national insurance and pension contributions) (£4,310k in 2017/18).

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 24.1) 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:

<b>Remuneration Band</b>	<b>2017/18</b>			<b>2018/19</b>		
	<b>No. of Employees</b>			<b>No. of Employees</b>		
	<b>At 31/03/18</b>	<b>Left in Year</b>	<b>Total</b>	<b>At 31/03/19</b>	<b>Left in Year</b>	<b>Total</b>
£60,000 - £64,999	11	0	11	11	0	11
£65,000 - £69,999	4	0	4	5	1	6
£70,000 - £74,999	1	0	1	1	0	1
£75,000 - £79,999	0	0	0	0	0	0
£80,000 - £84,999	1	0	1	0	0	0
£85,000 - £89,999	0	0	0	1	0	1
£90,000 - £94,999	1	0	1	0	0	0

£95,000 - £99,999	0	0	0	0	0	0
£100,000 - £104,999	0	0	0	0	0	0
£105,000 - £109,999	0	0	0	0	0	0
£110,000 - £114,999	0	0	0	0	0	0
£115,000+	0	1	1	0	0	0
<b>Total</b>	<b>18</b>	<b>1</b>	<b>19</b>	<b>18</b>	<b>1</b>	<b>19</b>

## 24.1 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 and compensatory payment in relation to loss of employment are included.

Post Holder Information	2018/19				
	Salary	Taxable Benefits in Kind	Compensation for loss of employment	Employer's Pension Contributions	Total
	£'000	£'000	£'000	£'000	£'000
Managing Director (up to 31/12/2018)	114	0	43	9	<b>166</b>
Acting Managing Director (from 1/01/2019) / Senior Lead – Business & Operations (up to 31/12/2018)	90	0	0	10	<b>100</b>
Senior Lead – Standards & Improvement Planning	82	0	0	9	<b>92</b>
Senior Lead – Teaching & Learning Experiences	81	0	0	0	<b>81</b>
Senior Lead – Strategy, Leadership & Workforce Reform (up to 18/11/2018)	42	0	0	4	<b>46</b>
Temporary Assistant Managing Director (from 1/01/2019)	18	0	0	0	<b>18</b>

The salary for the Director of Finance and Digital Services, who signs the accounts on page 14, is not included in this note as the post-holder is a senior officer of the Host Authority rather than the Consortium itself.

The comparative figures for 2017/18 are shown in the following table:

Post Holder Information	2017/18				
	Salary	Taxable Benefits in Kind	Compensation for loss of employment	Employer's Pension Contribution	Total
	£'000	£'000	£'000	£'000	£'000
Managing Director	104	0	0	13	117
Senior Officer – Business & Operations	66	0	0	8	74
Senior Officer – Strategy, Leadership & Workforce Reform	64	0	0	7	71
Senior Officer – Teaching & Learning Experiences	114	0	0	0	114

## 25.0 Severance Costs

This note provides details of the cost of severance to the Consortium in respect of employees who have left the employment of the Consortium during the financial year (costs do not reflect the value of the severance received by the individual as it includes pension strain). All costs are in line with the relevant and applicable scheme of termination and as required under relevant Pension Fund Regulations where applicable.

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 Severance Cost	
	£000s							
	17/18	18/19	17/18	18/19	17/18	18/19	17/18	18/19
£0 - £20,000	0	3	0	1	0	4	0	45
£20,001 - £40,000	0	1	0	1	0	2	0	58
£40,001 - £60,000	0	2	0	1	0	3	0	147
£60,001 - £80,000	0	0	0	0	0	0	0	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	1	0	1	0	162	0
<b>Total</b>	<b>0</b>	<b>6</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>9</b>	<b>162</b>	<b>250</b>

## 26.0 Interest

Interest is accrued daily on the personal account balance due from Rhondda Cynon Taf CBC.

2017/18 £'000	2017/18 Interest rate %		2018/19 £'000	2018/19 Interest rate %
(2)	0.20	Interest on Personal Account Balance (Received) & Similar Income	(13)	0.46
<b>(2)</b>			<b>(13)</b>	

## CENTRAL SOUTH CONSORTIUM

### DRAFT ANNUAL GOVERNANCE STATEMENT 2018/19

#### 1. **SCOPE OF RESPONSIBILITY**

1.1 The Central South Consortium is a Joint Education Service commissioned by five Local Authorities namely:

- Bridgend CBC;
- Cardiff CBC;
- Merthyr Tydfil CBC;
- Rhondda Cynon Taf CBC; and
- Vale of Glamorgan CBC.

The responsibilities of the Central South Consortium combined, cover the needs of 391 schools and approximately 147,697 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);
- School to school brokered support;
- Hubs and Pioneer Schools Programme; and
- Leadership & Peer Enquiry.

During 2018-19 this also included the development of the work of clusters.

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 Consortium 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.

- 1.5 The Annual Governance Statement of the Central South Consortium aims to provide an accurate representation of the governance arrangements in place for financial year ending 31<sup>st</sup> March 2019.

## 2. **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

- 2.1 The governance framework comprises the systems, processes and cultural values by which the Consortium is directed and controlled, and the activities through which it accounts to and engages with stakeholders. It enables the Consortium 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 Consortium's priorities, to evaluate the likelihood and impact of those risks materialising, and to manage them efficiently, effectively and economically.
- 2.4 The Consortium 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 has been in place for the Central South Consortium for the year ended 31<sup>st</sup> March 2019 (and up to the date of approval of the 2018/19 Statement of Accounts).

## 3. **THE GOVERNANCE FRAMEWORK**

- 3.1 The Consortium 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 Consortium to be committed to improving governance on a continual basis through a process of evaluation and review.
- 3.3 The Consortium has applied these principles to structure its Annual Governance Statement for financial year ending 31<sup>st</sup> March 2019 and to assess the arrangements in place.
- 3.4 The Consortium 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 in the Consortium's legal agreements. Table 1 provides examples of the key systems, processes and documents in place within the Consortium during 2018/19

<b>Good Governance Principles</b>	<b>Examples of key systems, processes and documents in place within the Consortium</b>
Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	<ul style="list-style-type: none"> <li>• <a href="#">Rules of Procedure</a> – 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 Consortium's business with the aim of publicly demonstrating accountability and openness.</li> <li>• <a href="#">Whistle-blowing Policy</a> – promoting the highest possible standards of service and setting out how workers can bring information about a wrongdoing to the attention of the Consortium.</li> <li>• Anti-fraud, Bribery &amp; Corruption Strategy.</li> <li>• Gifts and hospitality Policy.</li> <li>• <a href="#">Comments, Compliments and Complaints</a> – setting out how the Council / Consortium handles and responds to the feedback (complaints, compliments and comments).</li> <li>• Officer Guide.</li> <li>• HR Charter.</li> </ul>
Ensuring Openness and comprehensive	<ul style="list-style-type: none"> <li>• Forward plans for committee meetings together with the matters to be considered, where appropriate.</li> </ul>

stakeholder engagement	
Defining outcomes in terms of sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> <li>• Performance Management Framework.</li> <li>• Business Plan and Operational Delivery Plans.</li> <li>• Quarterly Performance Reports to Joint Committee (including Risk Register up dates).</li> <li>• Risk Management Strategy.</li> <li>• Annual Revenue Budget Strategy.</li> <li>• Medium Term Financial Plan.</li> </ul>
Determining the interventions necessary to optimise the achievement of the intended outcomes	<ul style="list-style-type: none"> <li>• Scrutiny Committees.</li> <li>• Challenge and Review sessions with Welsh Government.</li> </ul>
Developing the entity's capacity, including the capability of its leadership and the individuals within it	<ul style="list-style-type: none"> <li>• Business Plan &amp; Outcomes Framework</li> <li>• HR Charter.</li> <li>• Schemes of Delegation.</li> <li>• Self-evaluation Report.</li> <li>• Outcomes Framework Progress Report.</li> </ul>
Managing risks and performance through robust internal control and strong public financial management	<ul style="list-style-type: none"> <li>• Risk Management Strategy.</li> <li>• Quarterly Performance Report (including Risk Register up dates).</li> <li>• An Internal Audit function.</li> <li>• Budget and Policy Framework Procedure Rules and Contract and Financial Procedure Rules.</li> <li>• Medium Term Financial Plan.</li> </ul>
Implementing good practices in transparency, reporting and audit to deliver effective accountability	<ul style="list-style-type: none"> <li>• Statement of Accounts.</li> <li>• Annual Governance Statement.</li> <li>• Production of reports on key areas of business.</li> <li>• Internal Audit.</li> </ul>

### 3.5 Legal Agreement

On the 20<sup>th</sup> 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 Central South Consortium into one Agreement. From this point forward within the Annual Governance Statement, reference will be made to the 'Legal Agreement'.

3.5.1 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;
- Central South Consortium Joint Education Committee; and
- Financial Management.

### 3.6 **The Host Authority**

The Legal Agreement formally assigns Rhondda Cynon Taf County Borough Council as the Host Authority for the Central South Consortium. 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;
- Health & Safety;
- Legal;
- ICT;
- Estates;
- ICT;
- Internal Audit; and
- Procurement.

The costs of which are charged to the Central South Consortium Joint Education Committee through Service Level Agreements.

- 3.7 The Constitution of Rhondda Cynon Taf County Borough Council, which has the financial stewardship of the Central South Consortium, 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 Central South Consortium should be done so in accordance with all relevant Policies and Procedure Rules of Rhondda Cynon Taf County Borough Council.

### 3.8 **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 Central South Consortium 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 CONSORTIUM'S GOVERNANCE ARRANGEMENTS**

4.1 In line with the Core and Supporting Principles of the Framework, the approach taken to assess the Consortium's arrangements has been to:

- Set out a brief description of the arrangements and procedures in place together with the key outcomes the Consortium is aiming to achieve;
- Examine and document the main activities that have taken place around these areas, taking account of supporting evidence from the Consortium's internal processes and Wales Audit Office reports published on the Consortium;
- 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 Consortium's governance arrangements is set out in Section 5.

#### 5. **ASSESSMENT OF GOVERNANCE ARRANGEMENTS**

##### 5.1 **PROGRESS MADE TO IMPLEMENT RECOMMENDATIONS REPORTED IN THE 2017/18 ANNUAL GOVERNANCE STATEMENT**

The 2017/18 Annual Governance Statement made 9 recommendations. An update on progress was reported to the Consortium's Joint Committee on 19 December 2018 and following consideration the Committee RESOLVED: *to note the progress that has been made to date in implementing the proposals for improvement.*

As at 31<sup>st</sup> March 2019:

- 6 recommendations had been fully completed; and

- 3 recommendations are in progress and will be completed during 2019-20.

5.1.1 It is considered that sufficient progress has been made in delivering the 2018/19 proposals for improvement with the requirement for further work to be completed in 2019/20. 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 Consortium follows the Host Authority Constitution which sets down 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](#)<sup>5</sup> and [Protocols](#)<sup>6</sup> that aim to ensure both elected Councillors and employees behave with integrity.

5.2.2 The Consortium 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'<sup>7</sup>; 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.

### Consortium employees

5.2.3 The CSC Legal Agreement outlines the role of Rhondda Cynon Taf County Borough Council (RCT) as the host authority. As part of this agreement, the Central South Consortium 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.

5.2.4 All officers who started employment with the Central South Consortium were provided with a local induction and an Individual Performance Review was in place to support the personal development of officers. The overall arrangements are supported by the Human Resources Service within RCT and it was noted that progress updates were reported to SLT to ensure reviews were being undertaken on a timely basis.

<sup>5</sup> Rules – for example, Financial and Contract Procedure Rules

<sup>6</sup> Protocols – for example, Gifts and Hospitality Policy

<sup>7</sup> Meeting minutes – a formal and agreed record of the events that took place at each meeting.

Arrangements in place to tackle potential misappropriation

- 5.2.5 [In the event that an officer decides to operate outside of the intended terms and conditions of employment, arrangements were in place for officers to “blow the whistle” through the Consortium’s Whistleblowing Policy & Procedure.](#)
- 5.2.6 In addition to the Whistleblowing arrangements, there were arrangements in place to tackle potential [fraud, bribery and corruption](#).
- 5.2.7 RCT CBC Audit Committee has overall responsibility for overseeing the governance arrangements in place in respect of whistleblowing and tackling potential fraud, bribery and corruption. Key reports received by Audit Committee during the year in respect of these arrangements were:
- [5th November 2018](#) - *Anti-Fraud, Bribery & Corruption Interim Update, including an overview of the National Fraud Initiative.*
  - [4th February 2019](#) - *Staff Survey 2018*
  - [25th March 2019](#) - two reports were presented to the RCT CBC Committee (in relation to governance arrangements):
    - [Whistleblowing Annual Report 2018/19](#); and
    - [Anti-Fraud, Bribery & Corruption Annual Report 2018/19](#).
- 5.2.8 Both reports (presented at the 25<sup>th</sup> March 2019 meeting) set out the governance arrangements in place in respect of tackling potential misappropriation and summarised the work delivered during the 2018/19 financial year. The reports also included a forward plan of targeted activity for 2019/20 that was consistent with the outcomes of the staff consultation exercise undertaken between November 2018 - December 2018 and the feedback received from Audit Committee at its meeting held on 4<sup>th</sup> February 2019.
- 5.2.9 Based on the activities undertaken to oversee the areas of whistleblowing and anti-fraud together with the work delivered to investigate, tackle and help prevent such occurrences materialising, it is concluded that the overall arrangements in place are sufficient.
- 5.2.10 Gifts and Hospitality Policy - the Consortium has a Gifts and Hospitality Policy and arrangements were in place, via registers, to record gifts and hospitality in line with the Policy.

## Policies and Registers

A review of the Policies and Registers in place during 2018/19 identified the following:

- Progress has been made in raising awareness and understanding of Council Policies and Strategies, and all policies are adopted by the Consortium. This level of awareness and understanding will be incorporated within the revised induction arrangements for new staff within the Consortium.

## Proposal for Improvement

- 5.2.11 Policies and Strategies – Review the HR Charter and other Central South Consortium specific documentation to ensure this includes the recommendations from the revised induction arrangements published by RCT.

## **Demonstrating strong commitment to ethical values**

- 5.2.12 Ethical Values: Consortium employees - the Consortium 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.

## The Council's supply chains

The Welsh Government has issued a voluntary 'Code of Practice: Ethical Employment in Supply Chains'. The Code of Practice aims to support the development of more ethical supply chains to deliver contracts for the Welsh public sector and third sector organisations in receipt of public funds. Work has taken place in RCTCBC during 2018/19 to formalise the necessary arrangements that will enable the Consortium to demonstrate conformance with the 12 Principles contained within the Code. As a result of the work delivered during 2018/19, an updated Ethical Procurement Strategy will be reported to RCT CBC scrutiny during the 2019/20 Municipal Year. Once the Strategy has been approved, there will be a requirement to produce a report for scrutiny each year, of which the Consortium will be included.

## **Respecting the rule of law**

- 5.2.13 The Managing Director position leads the Consortium's officers and chairs the Senior Leadership Team. During 2018/19, the Senior Leadership Team comprised, in addition to other key posts, the substantive senior management roles of Senior Lead Standards & Improvement Planning, Senior Lead Teaching & Learning Experiences, Senior Lead Leadership, Strategy & Workforce Reform and Senior Lead Business & Operations.

- 5.2.14 With effect from 1<sup>st</sup> January 2019, the Chief Executives agreed to the appointment of an Acting Managing Director following the previous Managing Director leaving the Consortium.

#### Proposal for Improvement

- 5.2.15 Staff survey - using the RCT CBC staff survey results (around whistle-blowing and anti-fraud, bribery and corruption), RCTCBC will deliver a targeted programme of awareness raising to those service areas identified as requiring support. A specific session will be arranged for Central South Consortium staff.

### **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.

#### General Data Protection Regulation

The General Data Protection Regulation (GDPR) came into force on the 25<sup>th</sup> May 2018. The Consortium took steps to demonstrate accountability and transparency when handling and processing personal and sensitive information that it holds in respect of individuals by:

- The Consortium adopted the updated Data Protection Policy within RCT CBC.
- Formally recording the lawful basis upon which data / information is processed within suites of documents called Data Protection Registers.
- Establishing 'Privacy Notices' that are available on the Consortium's website setting out how it intends to use information and how it will deliver its services and statutory responsibilities.
- Providing elected Members with an update report on progress around implementing the requirements of GDPR on 14 June 2018.

It is considered that the publication of this information supports the Consortium in complying with the GDPR and demonstrates openness and transparency when dealing with its customers.

### Freedom of Information

The Consortium operated a Freedom of Information (FOI) Act 2000 publication scheme in accordance with legislative requirements. During 2018/19 the Consortium received 4 FOI requests and these will be reported to Joint Committee on 21 May 2019.

### Planning ahead

- 5.3.2 The Consortium consulted with stakeholders on its vision and priorities for 2019/20 and set these out in a document called 'Business Plan 2019/20'; this Plan was agreed by Joint Education Committee on 28<sup>th</sup> March 2019.
- 5.3.3 Looking ahead, it is likely that real term reductions in public sector funding levels will continue over the medium term. In recent years, the Consortium's funding has had a 5% cut in 2017/18, a 2% cut in 2018/19 with a further 5% cut in 2019/20. Within this challenging context, further reductions to core funding will necessitate the Consortium to consider the sustainability of the current operating module.

### Openness – Forward work programmes

The Consortium has in place a forward work plan of Committee meetings together with the matters to be considered, where appropriate and the 14 June 2018 Joint Committee meeting agreed and published a calendar of meetings for 2018/19 municipal year.

### Decision making and scrutiny of decisions made

- 5.3.4 The Joint Education Committee agreed the Consortium Business Plan, including the core budget and the budget for the Regional Consortia School Improvement Grant, following scrutiny of the Consortium'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 Consortium and throughout 2018/19 received 30 reports, 26 of which were made publicly available prior to the meetings and four were 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 2018/19 were open and transparent, and compliant with the Consortium's Legal Agreement.

- 5.3.8 Finally, a review of a sample of Joint Education Committee Reports for 2018/19 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 Central South Consortium 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 the Legal Agreement.

**Directors' Steering Group** – The Directors' Steering Group comprises the Directors of Education from each of the five local authorities comprising the Central South Consortium. 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 the Legal Agreement.

Directors and Headteacher representatives from the Delegate Head Teacher Group identified during 2018/19 the need to include Headteachers within the overall Governance model of the Central South Consortium as part of a school-led self-improving system. Although some progress has been made in this area, the Consortium 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 Central South Consortium 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.

### **Central South Consortium Joint Education Service Joint Committee**

The Central South Consortium 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 Central South Consortium 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.

### **Proposal for improvement**

- 5.3.11 Review the overall governance structure for the Consortium 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 published and the recommendations from Joint Committee following the ISOS review

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

### **Defining outcomes**

- 5.4.1 The Consortium's 'Business Plan 2018-2019', as approved by Joint Education Committee on the 15<sup>th</sup> March 2018, identified four improvement priorities that match with the enabling objectives of the National Mission:-
- *To develop a high-quality education profession;*
  - *To develop inspirational leaders and to facilitate them working collaboratively to raise standards;*
  - *To develop strong and inclusive schools that are committed to excellence and wellbeing; and*
  - *To deliver robust assessment, evaluation and accountability processes that support a self-improving system.*
- 5.4.2 The Consortium's Revenue Budget was approved at the 17<sup>th</sup> December 2017 Joint Committee meeting, recognising the importance of aligning resources in line with business plan priorities.
- 5.4.3 Following approval of the Business Plan and Revenue Budget, Operational 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 Consortium to improve in its priority areas, and where performance is comparable with others, the ambition is for the Consortium to be either as good as or better than the Welsh average by 2020.
- 5.4.5 Throughout 2018/19 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.

The Outcomes Framework and progress with the Business Plan are also monitored by Welsh Government during the Challenge and Review Sessions on 21 June 2018 and 7 November 2018. During 2018/19, 97% of the Consortium's Business Plan was funded from Welsh Government Awards of Funding. The Medium Term financial plan was presented to Joint committee on 13 September 2018 and 8 November 2018.

### **Proposal for Improvement**

- 5.4.6 Build on the medium term planning work undertaken during 2018/19 to ensure resources continue to be 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 and in light of any recommendations agreed by Joint Committee following the ISOS review

Consideration will also be given to whether the business planning cycle can be more closely aligned to the budget setting process within Welsh Government.

## **5.5 DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES**

### **Determining and planning interventions**

- 5.5.1 The Consortium'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 31<sup>st</sup> 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 1<sup>st</sup> 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 2018/19 financial year:

- Performance Reports were presented to the 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 updates, exceptions were highlighted, explained and the corrective action to be taken included within reports.

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 Consortium's performance and hold it to account.

#### **Optimising achievement of intended outcomes**

5.5.4 The Consortium's Business Plan sets out how the 2% cut to the core budget was managed.

5.5.5 With this context in mind, the Consortium 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 Consortium's 2018/19 Revenue Budget Setting Report (5<sup>th</sup> December 2017) set out how the total saving requirement of 2% would be delivered.

#### Maximising impact

5.5.7 In 2018-2019<sup>[1]</sup>, Welsh Government ceased the publication of any information related to the performance of Foundation Phase, Key Stage 2, Key Stage 3 and Welsh National Tests below the National level. As a consequence of this change, information relating to the performance of Local Authorities and Regional Consortia is no longer in the public domain and as such is removed from inclusion in this section of the report.

Please note that the definition of the performance measure for Key Stage 4 Science changed in the most recent academic year and therefore direct comparisons to data for previous years are not valid.

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<sup>[1]</sup> All performance measures are as reported in the Summer Term 2018. (Academic Year 2017/18)

At KS4, with the exception of Science (please see above) all performance measures increased during the most recent academic year. The L2+ threshold for the Consortium increased by 3.1pp and now stands at 57.6%. All 5 LAs in the region saw an increase in the most recent year, with improvements ranging between 0.3pp and 5.9pp.

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 English, in the most recent year. Level 2 Threshold including English, Welsh and Mathematics has seen an increase in the gap in performance in the most recent year, however, this is seen against increasing performance for both groups of pupils, but non eFSM pupils have improved at a faster rate in the most recent year which has resulted in an increase of the gap. The National gap in performance seen for this performance measure is narrower than that for the region.

There is a decrease in the number of schools where less than 40% and less than 50% of pupils achieve the level 2+ threshold, compared to the previous year. 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 programme arrangements or as a result of in-year performance exceptions being scrutinised in more detail.

5.5.9 A co-ordinated scrutiny group consisting of all five local authority scrutiny chairs has provided review and challenge on performance and other areas of interest identified by Members.

## 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 Consortium 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.

The Self Evaluation report assessed the Consortium's current position and areas for improvement. This evaluation is incorporated into service level planning processes as well as ensuring alignment with national and local authority priorities.

Effectively managing the workforce – the Consortium 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);
- Is operating a system of agile working arrangements that aims to take advantage of digital technology to help the Consortium to work in new and different ways to meet school needs, reduce costs and increase productivity. During 2018/19 the Consortium invested in further digitisation to further support improvement in productivity, work life balance and utilisation of space within the organisation. During this time the Consortium also relocated from Ty Dysgu to the Valleys Innovation Centre in order to promote more agile working and reduced conference facilities; and
- Alignment with the RCT digital strategy.

## 5.7 **Developing the capability of the entity’s leadership and other individuals**

5.7.1 The Consortium’s Legal Agreement, sets out the responsibilities of the Managing Director, the Joint Education Committee and 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 2018/19 there was evidence to confirm that Councillors 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 Central South Consortium. A programme of events across the region was undertaken during May 2018 on the role and work of the Consortium to elected members in each of the local authorities.

### Developing the capabilities of employees

5.7.3 The Consortium 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, Schools as Learning Organisations and the National Professional Learning Framework. Staff development has been supported through induction sessions, RCT Manager Briefings and a range of operational training such as safeguarding, PREVENT, information management and Wellbeing.

### **Proposal for Improvement**

5.7.4 Build on the programme of training and support for elected Members to support an understanding of the changes to performance measures and the information that will be available to scrutiny groups in light of these changes

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

#### **Managing risk**

5.8.1 During 2018/19, the Consortium continued with the half termly updating of its risk change template in line with its business plan monitoring and risk policies. This information was presented to the Senior Leadership Team for approval in readiness for the new academic year.

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 Central South Consortium dashboard on a half termly basis. Following on from this it is issued to both Directors and Joint Committee meetings for final review. During the spring term the risk change template was presented to Directors on the 8<sup>th</sup> March 2019 and Joint Committee on the 28<sup>th</sup> March 2019. Once this process is completed the risk register is finalised.

New risks were incorporated into the register during the year. For example, the Consortium recognised GDPR could be a potential risk to its day to day operations therefore, immediately added it as an action and marked as a medium risk in the Risk Register.

### **Proposal for Improvement**

5.8.3 The Consortium's risk policy has been improved with respect to the ownership of risks for the Consortium aligning in a more focussed, strategic way with the business planning approach and drive team leads. This has resulted in a reduction in the number of risks assigned to the Managing Director role. Moving into the 2019/20 business planning window, the reporting of risk will become more focussed, building on the proposal from Directors to remove the need to report on risks considered of low likelihood and impact. This will ensure that the risk change template will focus on risks considered, medium, high or critical.

## Managing performance

- 5.8.4 The 'Determining and planning interventions' section (5.5.1) of this Annual Governance Statement provides an overview of the Consortium's Performance Management arrangements. Performance at strategic level is driven and measured through the Consortium's drive teams. Six drive teams have been established to ensure the effective delivery and impact of the priority plans aligned to the 2019/20 Central South Consortium business plan.

## Robust internal control

- 5.8.5 The membership and meeting frequency of the Consortium's Joint Education Committee during 2018/19 was in line with the Consortium's Legal Agreement.

### Internal Audit

The Council's Head of Internal Audit presented the Internal Audit Annual Report 2018/19 to Audit Committee on 25<sup>th</sup> March 2019 setting out the work delivered by 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 2018/19 with no areas identified for improvement.*'

## Managing data

- 5.8.6 An Information Management Plan is in place in RCT CBC that sets out the framework, including legal requirements, for information management within the Consortium. This work has been reviewed to ensure compliance with new GDPR regulations.
- 5.8.7 A review of arrangements in place during 2018/19 identified that they were in line with laid down requirements because:
- Key responsibilities were formally designated within the Consortium: The Consortium's designated Senior Information Management Risk Officer (SIRO) is the Managing Director, there was an Information Management & Data Protection Act Officer within the host authority who reports to the Head of Information Technology;
  - An Information Management Board was in operation in RCT CBC, Chaired by the SIRO, with the Board being supported by an Information Management Working Group;
  - Information was available on the RCT Council website in respect of Data Protection and Freedom of Information, and had in place a [Publication Scheme](#) (which has been adopted by the Consortium) in accordance

with the Council's responsibilities under the Freedom of Information Act 2000;

- A review of the Information Sharing Protocols (ISP) were completed in 2018/19 to ensure the safe and appropriate sharing of personal information between the Consortium and other organisations. This has been published on the Welsh Accord on the Sharing Personal Information (WASPI) website. The ISP will be reviewed during 2019/20; and
- The Host Authority continued to secure its annual accreditation to the Public Service Network (PSN) in September 2018 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 Consortium, the General Data Protection Regulation (Regulation (EU) 2016/679) came into effect on 25<sup>th</sup> 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. The GDPR replaces 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 14 May 2018 providing an overview of the preparatory work being undertaken in readiness for the 25<sup>th</sup> May 2018. Following on from this an internal group has met regularly made up of leads from varying teams within the Consortium. The group has developed relevant policy papers and refined processes and procedures to ensure GDPR compliance, working closely with RCT CBC Information Management team. A further report on progress will be reported to the Joint Committee in the summer term 2019.

#### Proposal for Improvement

5.8.9 The Consortium 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. This would include:

- SIRO schedule should be agreed with RCT CBC;



- Update all General Protection registers;
- Update the Information Sharing Protocols; and
- Update all related data retention policies.

### **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 Central South Consortium. 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 Central South Consortium has adopted Rhondda Cynon Taf'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 Central South Consortium 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 Central South Consortium's annual statement of accounts.

5.8.14 The Central South Consortium'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 2018/19 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 2018/19 Internal Audit reviewed one core financial system of the Central South Consortium Joint Education Service (in line with the agreed Internal Audit Annual Plan) and concluded there to be no material weaknesses.

5.8.17 **External Audit**

The 2017/18 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 13<sup>th</sup> September 2018.

5.8.18 The Consortium 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 Consortium 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 Consortium set a Gross Revenue Budget in December 2017 for the financial year 2018/19 of £4,128,988, thus representing a 2% 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 2018 to March 2019, show a £1k underspend further to earmarking £24k for 2019-20 to support on-going remodelling of the Service.
- The Consortium has kept its finances under on-going review throughout 2018/19 and was able to pay a contribution towards redundancy costs in year. The balance and prior year balances were funded by Local Authority contributions in line with the agreement made at the Joint Education Committee meeting on the 15<sup>th</sup> March 2018 to accelerate the payback period for redundancy costs.
- The Consortium is financially stable with General Reserve balances increasing slightly from £136k to £137k (subject to audit); 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 13th September 2018 concluded that the accounting statements and related notes:
- *Give a true and fair view of the financial position of the Central South Consortium Joint Education Service as at 31 March 2018; and*
  - *Have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.*

- 5.8.20 The 13<sup>th</sup> September 2018 Wales Audit Office report did not make any recommendations to be addressed by Central South Consortium and the Host Authority.

## 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 Consortium 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 Consortium's performance, plans and decisions.

- 5.9.2 A review of a sample of information reported to the Joint Education Committee has revealed that:

- Annual Reports and Plans are reported publicly, providing an overview of performance, for example, the Council's audited Statement of Accounts 2017/18 reported and approved by Joint Education Committee on 13<sup>th</sup> September 2018 in line with the statutory timeframe; and
- 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.

### **Assurance and effective accountability**

## Internal Audit

- 5.9.3 As referred to earlier, during 2018-19, Internal Audit undertook one review of the Central South Consortium (i.e. the core financial system – General Ledger) with this area being identified as low risk. The findings will be reported to the Joint Committee on 21 May 2019. The Joint Committee will be requested to determine whether there are any matters of governance or an internal control nature that require further action or attention.

## 6. **OVERALL ASSESSMENT OF THE CONSORTIUM'S ARRANGEMENTS**

- 6.1 Based on the assessment undertaken, it is considered that the Consortium'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 Consortium's performance;
- Clear arrangements for decision making that were supported by robust service management and financial management arrangements; and
- The reporting of understandable priorities and ambition, as set out in the Consortium'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 Consortium;
- Regular reporting of the Council's performance, with examples of 'exceptions' being reviewed and challenged by Scrutiny Committees; and
- A medium term approach to financial planning that helped inform strategic decision making and prioritisation of resources through on-going public sector austerity.

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

## 7. **PROPOSALS FOR IMPROVEMENT**

7.1 Further to completing the assessment of the Consortium's governance arrangements, Table 1 sets out proposals for improvement.

Table 1 – Proposals for Improvement

<b>Core Principle / Area</b>	<b>Paragraph No.</b>	<b>Issue Identified</b>	<b>Recommendation</b>	<b>Timescale for Implementation</b>	<b>Responsible Officer</b>
Behaving with integrity, demonstrating strong commitment to ethical values and representing the rule of Law	5.2.11	Support further improvement in the level of staff awareness and understanding of key policies / documentation.	Review and update the HR Charter and other Central South Consortium specific documentation and adopt the induction arrangements published by RCTCBC.	September 2019	Assistant Business Manager
	5.2.15	The RCT CBC staff survey identified the need for further work to be undertaken across the Council to raise awareness of whistle-blowing and anti-fraud arrangements and provide staff with reassurance that they can report issues without repercussions.	Using the staff survey results (around whistle-blowing and anti-fraud, bribery and corruption), RCTCBC will deliver a targeted programme of awareness raising to those service areas identified as requiring support. A specific session / update will be arranged for Central South Consortium staff.	November 2019	Assistant Business Manager
Ensuring openness and engagement	5.3.11	Build on the work of the independent review of the Consortium during 2018/19 to	The overall governance structure of the Consortium requires reviewing to ensure increased engagement in the decision	January 2020	Acting Managing Director

		further support decision making arrangements	making process from headteachers across the region in line with the requirements of the revised National Model for Regional Working when published.			
Tudalen 271	Defining Outcomes	5.4.6	Ensure the Consortium's Business Plan is effective and reflects the National Model and agreed outcomes from the independent review.	Further develop the Medium Term Financial Plan during 2019/20 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 and in light of any recommendations agreed by Joint Committee following the independent review.  Consideration will also be given to whether the business planning cycle can be more closely aligned to the budget setting process within Welsh Government.	November 2019	Acting Managing Director
	Developing the capability of entity's	5.7.4	Ensuring elected Members are kept up to date with changes to performance measures.	Build on the programme of training and support for elected Members to support understanding of the	July 2019	Temporary Assistant

			changes to performance measures and the information that will be available to scrutiny groups in light of these changes.		Managing Director	
Tudalen 272	Managing Risk	5.8.3	Ensure the Consortium's risk policy is further developed to prioritise attention on key risks.	Moving into the 2019/20 business planning window, the reporting of risk will become more focussed, building on the proposal from directors to remove the need to report on risks considered of low likelihood and impact. This will ensure that the risk change template will focus on risks considered, medium, high or critical.	November 2019	Operations Manager
		5.8.9	The Consortium 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.	<ul style="list-style-type: none"> <li>• SIRO schedule agreed with RCT CBC.</li> <li>• Update all General Protection registers.</li> <li>• Update the Information Sharing Protocols.</li> <li>• Update all related data retention policies.</li> </ul>	November 2019	Operations Manager


7.2 The Consortium's Senior Management Team has accepted the proposals for improvement and is committed to their implementation during 2019/20. The Senior Management Team has also confirmed that an update on progress will be



reported to the Consortium's Joint Education Committee during the year to enable Councillors to review and scrutinise the extent of progress being made.

Acting Managing Director: Stobson

Section 151 Officer: 

Chair, Joint Education Committee S. M. 

Tudalen 273

APPENDIX A

PROPOSALS FOR IMPROVEMENT – PROGRESS UPDATE

Core Principle	Paragraph No.	Issue Identified	Recommendation	Timescale for Implementation	Resp Officer	Status
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 Central South Consortium 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	Acting Managing Director	Implemented
	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	Acting Managing Director	In progress (and built into 2018/19 proposals for improvement)
		The need to include Freedom of information (FOI) updates on the agenda to Joint Committee.	Develop a systematic process whereby FOI requests are reported to Joint Committee.	September 2018	Acting Managing Director	Implemented
Ensuring openness and comprehensive stakeholder engagement						

Tudalen 274

Medium Term Financial Plan	5.4.7	The need to further develop the medium term financial plan.	Further develop the Medium Term Financial Plan (MTFP) 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	Acting Managing Director	Implemented
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	Acting Managing Director	Implemented
Risk Management	5.8.3	During 2017/18, the Central South Consortium updated its Risk Policy and presented this to the senior leadership team for approval in readiness for the	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	December 2018	Acting Managing Director	Implemented

		new academic year. However, the majority of risks are owned by the Managing Director.	strategic alignment with priority plans.			
Tudalen 276	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.	December 2018	Acting Managing Director	In progress  Will be presented to Joint Committee in July 2019.
			A calendar and programme of work should be agreed for future SIRO meetings.			In progress
	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	Acting Managing Director	Implemented

## **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 31<sup>st</sup> March 2019 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 2018/19 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 31<sup>st</sup> March 2019 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 2018/19.

#### **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 2019;
- 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 Central South Consortium Joint Education Service Joint Committee 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:

- proper 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](http://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 2019**

**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.

### Audit

An audit is an independent examination of activities.

### Budget

A budget (or estimate) is a plan of income and spending. 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.

### 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.

### 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.

**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.

**Financial Year**

This is the accounting period. For local authorities it starts on 1<sup>st</sup> April and finishes on 31<sup>st</sup> March of the following year.

**HMRC**

Her Majesty's Revenue and Customs.

**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).

**Net Realisable Value**

The selling price of an asset, reduced by the relevant (direct) cost of selling it.

**Operating Leases**

These are leases where risks of ownership of the asset remain with the owner.

**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.

**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.

**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.

**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.

# Smaller relevant local government bodies in Wales

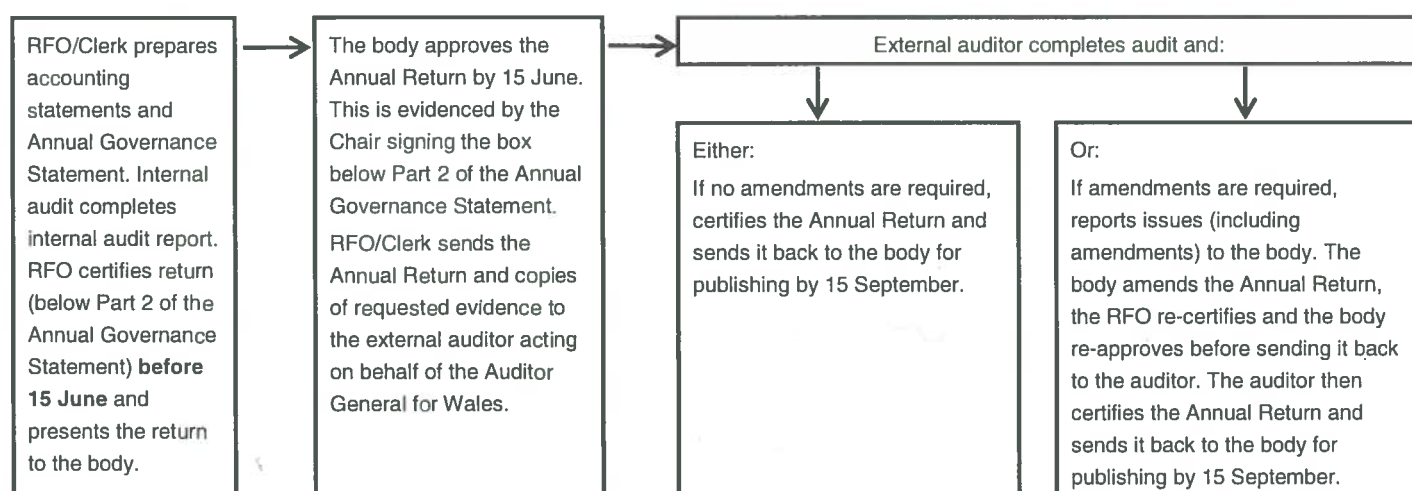
## Annual Return for the Year Ended 31 March 2019

### THE ACCOUNTS AND AUDIT PROCESS

Section 12 of the Public Audit (Wales) Act 2004 requires local government bodies in Wales to make up their accounts each year to 31 March and to have those accounts audited by the Auditor General for Wales. Regulation 14 of the Accounts and Audit (Wales) Regulations 2014 states that smaller local government bodies i.e. those with annual income and expenditure below £2.5 million must prepare their accounts in accordance with proper practices.

For minor joint committees with income and expenditure below £2.5 million, proper practices are set out in the One Voice Wales/Society of Local Council Clerks publication 'Governance and accountability for local councils in Wales – A Practitioners' Guide' (the Practitioners' Guide). The Practitioners' Guide requires that they prepare their accounts in the form of an annual return. This annual return meets the requirements of the Practitioners' Guide.

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 the Annual Governance Statement.**

### APPROVING THE ANNUAL RETURN

**There are 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.**

**The committee must approve the annual return BEFORE the accounts and supporting documents are made available for public inspection under section 30 of the Public Audit (Wales) Act 2004.**

**The Auditor General for Wales' Audit Certificate and report is to be completed by the auditor acting on behalf of the Auditor General. It MUST NOT be completed by the Clerk/RFO, the Chair or the internal auditor.**

Audited and certified returns are sent back to the body for publication and display of the accounting statements, Annual Governance Statement and the Auditor General for Wales' certificate and report.

# Accounting statements 2018-19 for:

Name of body: LLWYCOED CREMATORIUM JOINT COMMITTEE

	Year ending		Notes and guidance for compilers
	31 March 2018 (£)	31 March 2019 (£)	
<b>Statement of income and expenditure/receipts and payments</b>			
1. Balances brought forward	1,131,293	1,669,707	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	1,140,937	1,115,101	Total income or receipts recorded in the cashbook minus amounts included in line 2. Includes support, discretionary and revenue grants.
4. (-) Staff costs	-191,673	-220,308	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	-410,850	-358,232	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	1,669,707	2,206,268	Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6).
<b>Statement of balances</b>			
8. (+) Debtors and stock balances	89,161	91,192	<b>Income and expenditure accounts only:</b> Enter the value of debts owed to the body and stock balances held at the year-end.
9. (+) Total cash and investments	1,585,602	2,116,376	<b>All accounts:</b> 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	-5,056	-1,300	<b>Income and expenditure accounts only:</b> Enter the value of monies owed by the body (except borrowing) at the year-end.
11. (=) Balances carried forward	1,669,707	2,206,268	<b>Total balances should equal line 7 above:</b> Enter the total of (8+9-10).
12. Total fixed assets and long-term assets	2,093,286	1,986,924	The 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).

# Annual Governance Statement



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 2019, that:

	Agreed?		'YES' means that the Committee:	PG Ref
	Yes	No*		
<p>1. We have put in place arrangements for:</p> <ul style="list-style-type: none"> <li>effective financial management during the year; and</li> <li>the preparation and approval of the accounting statements.</li> </ul>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Properly sets its budget and manages its money and prepares and approves its accounting statements as prescribed by law.	6, 12
<p>2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness.</p>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.	6, 7
<p>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 Committee to conduct its business or on its finances.</p>	<input checked="" type="checkbox"/>	<input checked="" 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
<p>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.</p>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Has given all persons interested the opportunity to inspect the body's accounts as set out in the notice of audit.	6, 23
<p>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.</p>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Considered the financial and other risks it faces in the operation of the body and has dealt with them properly.	6, 9
<p>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.</p>	<input checked="" type="checkbox"/>	<input checked="" 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
<p>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.</p>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Disclosed everything it should have about its business during the year including events taking place after the year-end if relevant.	6
<p>8. We have taken appropriate action on all matters raised in previous reports from internal and external audit.</p>	<input checked="" type="checkbox"/>	<input checked="" 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

\* 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.

## 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><b>Certification by the RFO</b></p> <p>I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Committee and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2019.</p>	<p><b>Approval by the Llwydcoed Crematorium Joint Committee</b></p> <p>I confirm that these accounting statements and Annual Governance Statement were approved by the Llwydcoed Crematorium Joint Committee under minute reference:</p>
<p>RFO signature: </p>	<p>Chair of meeting signature: </p>
<p>Name: BARRIE DAVIES</p>	<p>Name: David C. Isaac</p>
<p>Date: 16/05/19</p>	<p>Date: 28/5/2019</p>
<p><b>Committee re-approval and re-certification (only required if the annual return has been amended at audit)</b></p> <p><b>Certification by the RFO</b></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 2019.</p>	<p><b>Approval by the Llwydcoed Crematorium Joint Committee</b></p> <p>I confirm that these accounting statements and Annual Governance Statement were approved by the Llwydcoed Crematorium Joint Committee under minute reference:</p>
<p>RFO signature:</p>	<p>Insert minute reference and date of meeting</p>
<p>Name:</p>	<p>Chair of meeting signature:</p>
<p>Date:</p>	<p>Name:</p>
<p></p>	<p>Date:</p>

## 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 2019 of:

LLWYDGOED 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 2019.

The internal audit has been carried out in accordance with the Llwydcoed Crematorium Joint Committee 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 checked="" type="checkbox"/>	<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 checked="" type="checkbox"/>	<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 checked="" type="checkbox"/>	<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"/>	<input checked="" 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 checked="" type="checkbox"/>	<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 checked="" 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"/>	<input checked="" 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"/>	<input checked="" 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 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

For any risk areas identified by the 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**	
11. Insert risk area	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Insert text
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

\* 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 Council/Board/Committee are included in my detailed report to the Council/Board/Committee dated 7th November 2018

### Internal audit confirmation

I/we confirm that as the Committee's internal auditor, I/we have not been involved in a management or administrative role within the body (including preparation of the accounts) or as a member of the body during the financial years 2017-18 and 2018-19. I also confirm that there are no conflicts of interest surrounding my appointment.

Name of person who carried out the internal audit: **MARK THOMAS**

Signature of person who carried out the internal audit: 

Date: **16/5/19.**

## Guidance notes on completing the Annual Return

1. You must apply proper practices when preparing this annual return. Proper practices are set out in the Practitioners' Guide.
2. 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. Ask your auditor for an electronic copy of the form if required.
3. 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.
4. Make sure that your accounting statements add up, that the balance carried forward from the previous year (line 7 of 2018) equals the balance brought forward in the current year (line 1 of 2019). Explain any differences between the 2018 figures on this annual return and the amounts recorded in last year's annual return.
5. 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.
6. 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 Committee 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 reconciliations is available in the Practitioners' Guide.
7. **Every committee must send to the external auditor, information to support the assertions made in the Annual Governance Statement even if you have not done so before.** 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.
8. Please do not send the auditor any information that you are not specifically asked for. Doing so is not helpful.
9. 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.
10. **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.
11. **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.**

Completion checklist – 'No' answers mean that you may not have met requirements		Done?	
Initial submission to the external auditor		Yes	No
Accounts	Do the papers to be sent to the external auditor include an explanation of significant variations from last year to this year?	✓	
	Does the bank reconciliation as at 31 March 2019 agree to Line 9? *	✓	
Approval	Has the RFO certified the accounting statements and Annual Governance Statement (Regulation 15 (1)) no later than 15 June 2019?	✓	
	Has the body approved the accounting statements before 15 June 2019 and has Section 3 been signed and dated by the person presiding at the meeting at which approval was given?	✓	
All sections	Have all pink boxes in the accounting statements and Annual Governance Statement been completed and explanations provided where needed?	✓	
	Has all the information requested by the external auditor been sent with this Annual Return? Please refer to your notice of audit and any additional schedules provided by your external auditor.	✓	
If accounts are amended after receipt of the Auditor General's report on matters arising		Yes	No
Accounts	Have the amended accounting statements been approved and Section 3 re-signed and re-dated as evidence of the Committee's approval of the amendments before re-submission 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?

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2019/20**

<p><b>AUDIT COMMITTEE</b></p> <p><b>10<sup>th</sup> June 2019</b></p>	<p><b>AGENDA ITEM NO. 7</b></p>
<p><b>REPORT OF THE DIRECTOR OF FINANCE &amp; DIGITAL SERVICES</b></p>	<p><b>FINALISED AUDIT ASSIGNMENTS</b></p>

Author: Paul Griffiths (Service Director – Finance and Improvement Services) /  
Mark Thomas (Head of Regional Internal Audit Service)

**1. PURPOSE OF THE REPORT**

1.1 This report provides Members with a summary of audit assignments completed between 13<sup>th</sup> April 2019 and 24<sup>th</sup> May 2019.

**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. REASON FOR RECOMMENDATION**

3.1 To help ensure that Audit Committee discharges its responsibilities in respect of reviewing 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 13<sup>th</sup> April 2019 and 24<sup>th</sup> May 2019. Members

will note that the summary provides for each assignment: the Introduction, Scope & Objectives, Auditor's stated opinion and 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:

- Are the conclusions made by Internal Audit 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 4 audit assignments have been finalised in the period and are set out in Table 1 below.

Table 1 – finalised audit assignments

<p><b>FINANCE &amp; DIGITAL SERVICES</b></p> <ul style="list-style-type: none"> <li>• TAXATION</li> </ul> <p><b>COMMUNITY &amp; CHILDREN'S SERVICES</b></p> <ul style="list-style-type: none"> <li>• CONTACT SERVICE</li> </ul> <p><b>CHIEF EXECUTIVE</b></p> <ul style="list-style-type: none"> <li>• CASE MANAGEMENT</li> <li>• SICKNESS ABSENCE COMPLIANCE – FOLLOW UP SCHOOLS</li> </ul>
--

**5. EQUALITY AND DIVERSITY IMPLICATIONS**

5.1 There are no equality and diversity implications as a result of the recommendations set out in the report.

**6. CONSULTATION**

6.1 There are no consultation implications as a result of the recommendations set out in the report.

**7. FINANCIAL IMPLICATION(S)**

- 7.1 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 of the 2018 Regulations 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 informs Members knowledge of the overall control environment of the Council.

### **Other Information:-**

***Relevant Scrutiny Committee***

**Not applicable.**

**Contact Officer** – Paul Griffiths / Mark Thomas



**LOCAL GOVERNMENT ACT 1972**

**AS AMENDED BY**

**THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**AUDIT COMMITTEE**

**10<sup>th</sup> June 2019**

**FINALISED AUDIT ASSIGNMENTS**

**REPORT OF REPORT OF THE DIRECTOR OF FINANCE & DIGITAL SERVICES**

Author: Paul Griffiths (Service Director – Finance and Improvement Services)

Mark Thomas (Head of Regional Internal Audit Service)

**Item: 7**

**Background Papers**

None.

Officer to contact: Paul Griffiths / Mark Thomas



## Appendix 1 - Summary of audit assignments completed between 13<sup>th</sup> April 2019 and 22<sup>nd</sup> May 2019

### FINANCE & DIGITAL SERVICES

#### AUDIT NAME: TAXATION

DATE FINAL REPORT WAS ISSUED: 22/05/2019

#### 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 the 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, which are generated from the Council's financial 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, and in the case of larger sums a misdeclaration penalty may also be imposed.

#### **RCT Cheque Book Schools**

All RCT schools (cheque book and non-cheque book) fall under the VAT registration number of the Council.

Cheque book schools are responsible for ensuring that VAT is correctly accounted for within the Financial Management System (FMS) of their Schools Information Management System (SIMS) and this information is manually added into the Council's monthly VAT return to HMRC. It is also periodically uploaded into the Council's financial ledger.

#### SCOPE & OBJECTIVES

In accordance with the agreed Internal Audit Plan for the Financial Year 2018/2019 a review of Taxation was undertaken specifically focussing on the administration of VAT within cheque book schools.

The specific control objective examined was to ensure that:-

- VAT is being correctly administered on expenditure incurred by cheque book schools.

**AUDIT OPINION**

Overall the control environment specifically relating to the administration of VAT at cheque book schools is considered to be effective with opportunity for improvement.

It was established that there is a designated VAT team based in the Accountancy Section who undertake both regular monitoring of schools and site visits to review transactions and offer VAT advice as required.

**New Suppliers Created within FMS at Schools**

A guidance note from the VAT team referring to the treatment of new suppliers within FMS was issued to schools in September 2014.

This review has identified that the checks required are not being undertaken at the schools sampled in accordance with the guidance issued.

**VAT Treatment of Invoices/Receipts**

If an invoice/receipt contains no VAT registration number it should be processed as Outside the Scope of VAT in the FMS system as without further investigation it must be assumed that the supplier is not VAT registered.

At 3 of the 5 schools sampled, purchases from suppliers not displaying a VAT registration number on their invoice/receipt were not processed as Outside the Scope; instead the VAT treatment applied were as if they were a VAT registered supplier and applicable to the type of goods/services supplied.

Examination of a sample of VAT reports for each of the 5 schools also identified payments to both VAT registered and non-VAT registered suppliers using the incorrect VAT codes where no VAT was being charged i.e. Zero Rate, Exempt or Outside the Scope.

**The FMS Computer System**

Each of the schools examined have created detail codes in FMS to facilitate budget monitoring. It was noted that the narrative linked to each detail code was not always consistent with the Council's Financial system and the default VAT code was not always the most likely to be used. Unlike the Council's Financial system, it is compulsory for a VAT code to be attached to each detail code in FMS.

With effect from 1st April 2019 Primary Schools will no longer operate under the cheque book scheme and, therefore, the recommendations will only relate to Middle and Secondary Schools going forward.

The recommendations in the report need to be addressed in order to provide the necessary improvements in management control and to comply with HMRC guidelines.

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
5.1.1 Medium	<p>All schools received a VAT guidance note from the VAT team in September 2014 which stated that a check must be undertaken to confirm the VAT registration number of a supplier is valid prior to the creation of the new supplier record and payment of the invoice.</p> <p>At a sample of 5 schools (2 Middle Schools, 1 Secondary School and 2 cheque book Primary Schools) it was established that this check was not being undertaken.</p>	All cheque book schools should be reminded that when creating a new Creditor record on FMS that the VAT registration number is checked for authenticity on the EU VAT Information Exchange System (VIES) website and evidence of the check taking place is retained.	30 June 2019
5.1.2 Medium	<p>Where an invoice / receipt is obtained with no VAT registration number recorded, VAT should not be reclaimed on the purchase, even if the goods would normally be taxable (not unless further investigation is undertaken to ascertain the VAT status of the supplier).</p> <p>The correct VAT treatment of the expenditure would be Outside the Scope.</p> <p>Testing identified that at 3 of the 5 schools sampled, invoices/receipts received without a VAT registration number are not being processed as Outside the Scope.</p> <p>Instead, the processing officers will typically check if the goods are taxable and if so reclaim VAT at the appropriate rate.</p>	<p>All schools should correctly account for VAT on purchases made.</p> <p>Schools should be informed / reminded on how to account for VAT on all purchases made, in particular, if the supplier is not VAT registered the VAT treatment should be Outside the Scope.</p>	30 June 2019
5.1.3 Low	<p>The VAT reports for September/October 2018 for 5 schools were examined to establish whether transactions correctly accounted for VAT.</p> <p>Discrepancies were noted at 4 of the schools, examples include:-</p> <p><b>Mountain Ash Comprehensive</b></p> <ul style="list-style-type: none"> <li>03/08/2018 – Shoe Zone Ltd £22.98 Zero Rate items purchased, processed as Outside the Scope.</li> </ul>	<p>Guidance should be re-issued to all schools on the treatment of VAT when processing invoices/receipts for payment on FMS.</p> <p>The guidance should include how to establish whether VAT can be reclaimed and how to determine the appropriate VAT code to be applied.</p>	30 June 2019

SUMMARY OF RECOMMENDATIONS:			
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE
	<p><b><u>Ysgol Nant-gwyn</u></b></p> <ul style="list-style-type: none"> <li>25/09/2018 – KR £274.97 Reimbursement of a member of staff so should be Outside the Scope.</li> <li>21/09/2018 – EB £58.28 Reimbursement of a member of staff so should be Outside the Scope.</li> </ul> <p><b><u>Bryncelynnog Comprehensive</u></b></p> <ul style="list-style-type: none"> <li>04/10/2018 – Purchasing Card (Fuel) £40.00 Standard Rate expenditure, processed as Zero Rate.</li> <li>10/10/2018 – Manav (UK) Ltd £435.00 Standard Rate/Exempt expenditure, processed as Outside the Scope.</li> </ul> <p><b><u>Ysgol Garth Olwg</u></b></p> <ul style="list-style-type: none"> <li>04/09/2018 – Rhondda Cynon Taff CBC £34.95 - Outside the Scope rated supply processed as Zero Rate.</li> <li>14/08/2018 – Dwr Cymru Welsh Water £8897.32 - Zero Rate supply processed as Outside the Scope.</li> </ul>		
5.1.4 Low	<p>FMS is the financial management system used by cheque book schools to manage income and expenditure. Each school sets up detail codes they need to use and to each of these they link a narrative and a default VAT code.</p> <p>Examination of the FMS system at 3 Middle Schools and 1 Secondary School identified that:-</p> <p>The narrative of the detail code does not always correspond to the</p>	<p>A report of all detail codes (numbers/narrative) set-up within Financials should be shared with all cheque book schools. The narrative of the detail codes used within FMS at each school should correspond to the report.</p>	30 June 2019

SUMMARY OF RECOMMENDATIONS:													
REPORT REF. & PRIORITY	FINDING	RECOMMENDATION	IMPLEMENTATION DATE										
	<p>narrative within the Council's Financials system, for example:-</p> <ul style="list-style-type: none"> <li>- Detail code 1401: narrative in FMS is Business Rates or Rates whilst the narrative in Financials is NNDR.</li> <li>- Detail Code 1701: narrative in FMS is Cleaning Contractor Payments whilst the narrative in Financials is Contractor Payments.</li> <li>- Detail code 1601: narrative in FMS is Variation Orders whilst the narrative in Financials is Fixtures and Fittings.</li> </ul> <p>The default VAT code attached to detail codes is not always the most appropriate VAT treatment option, for example:-</p> <ul style="list-style-type: none"> <li>- Detail code 2014 (Insurance): 3 different default VAT codes set-up in FMS at the 4 schools sampled, Code A x 1, Code C x 1 and Code G x 2.</li> <li>- Detail code 3052 (Books): 3 different default VAT codes set-up in FMS at the 4 schools sampled, Code A x 1, Code D x 1 and Code G x 2.</li> </ul> <p>Narrative of VAT codes in FMS:-</p> <table border="1"> <thead> <tr> <th>Vat Code</th> <th>Narrative</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>Standard Rate Input 17.5% DO NOT USE</td> </tr> <tr> <td>C</td> <td>Exempt Input</td> </tr> <tr> <td>D</td> <td>Zero Rate Input</td> </tr> <tr> <td>G</td> <td>Standard Rate Input 20%</td> </tr> </tbody> </table> <p>The detail code for Internet Services SLA was duplicated at one of the schools sampled using detail codes 3146 and 3416. Detail code 3416 does not exist in the Financials system.</p>	Vat Code	Narrative	A	Standard Rate Input 17.5% DO NOT USE	C	Exempt Input	D	Zero Rate Input	G	Standard Rate Input 20%	<p>All detail codes within FMS at each school should default to the most appropriate VAT code for that type of expenditure, for example, detail code 3052 Books should default to VAT code Zero Rate.</p>	<p>30 June 2019</p>
Vat Code	Narrative												
A	Standard Rate Input 17.5% DO NOT USE												
C	Exempt Input												
D	Zero Rate Input												
G	Standard Rate Input 20%												

**COMMUNITY & CHILDREN'S SERVICES****AUDIT NAME: CONTACT SERVICE****DATE FINAL REPORT WAS ISSUED: 17/04/2019****INTRODUCTION**

Children who are looked after by the Council have the right to contact with their families. When an interim / full Care Order is granted by the Courts it will determine the level of contact that is to be provided.

In order to satisfy this requirement the Council has a dedicated Contact service whose function is to arrange and supervise contact sessions between children looked after and their parents, siblings and close family members.

Parents / family members sign a contact agreement with the Council which stipulates the level and frequency of contact. A contact worker within each of the 3 districts is allocated to the case and organises the sessions with all parties. A recording form is completed at the end of each session and this is provided to the designated social worker and to the respective Court office for information.

The responsibility for administering the Contact Service lies within the Community and Children's Services Group.

The service consists of 18 staff (17.3 FTE) spread across three contact centres and had a budget of approximately £521k for 2018/19.

**SCOPE & OBJECTIVES**

In accordance with the Internal Audit Plan for financial year 2018/19, agreed by Audit Committee, a review of key controls within the system was undertaken. Testing was carried out on a sample of contact agreements across each of the three contact centres.

The primary purpose of the audit review is to provide management with an opinion on the adequacy and effectiveness of the internal control system. The objective of the review is:

- To examine the arrangements in place within the Contact Centres located within each of the three districts to determine if their processes are operating consistently and effectively.

**AUDIT OPINION**

The overall control environment in relation to the Contact Service is considered to be effective with opportunity for improvement.

Audit fieldwork focussed on visits made to the 3 Contact Centres to ensure that each is working effectively, consistently and in accordance with the Council's Contact Service Policy from initial referral to reduction\*.

*\* A reduction plan is put in place in the event there is a change to the Contact Agreement. For example in the event there is a change of placement, or change of Legal status, such as the child being placed for adoption or Special Guardianship status.*

*As a result, the allocated Social Worker for the Child / young person will advise the Contact Service of the changes to the set contact arrangements and liaise with the Contact Centre staff to make the necessary amendments to the frequency / pattern of contact (reduce) over a set period of time.*

A sample of 30 cases across each Contact Centre was selected for review and the referrals and case recordings examined for appropriateness, timeliness and consistency of approach.

This review can confirm that the 3 teams are working consistently; however some compliance issues with the Council's Contact Service Policy were identified:

#### **Referrals**

- Only 12 referral forms had been dated by the Social Workers.
- Of the 12 dated referrals, only 6 Contact Agreement meetings took place within the specified 5 working days.
- 8 Contact Agreements had not been signed by all parties.
- The level of background information provided by Social Workers varies, but generally the level of information provided is limited.
- Carer's full contact details had not been provided on 14 referral forms.

#### **Contact**

- Attendance by Social Workers to observe contact sessions is limited.
- There were delays between a contact session and the subsequent case recording being provided to the Social Worker / Legal Team in 2 of the 3 Centres.

Of concern is that case recordings are not being stored in accordance with the Council's Case Recording Policy for Children's Services. They are currently being stored on Officer's 'C' drives or 'Y' drives and are being emailed as attachments to Officers within the Council, as the service does not have access to the Welsh Community Care Information System (WCCIS).

The possibility of Contact Service staff attaching Case Recordings directly onto WCCIS (and staff reviewing the basic information and family history tabs) should be explored by Management to avoid the need for confidential information to be stored unsecurely and emailed separately.

By implementing the associated recommendations contained within this report, management will enhance further the standard of control.

<b>SUMMARY OF RECOMMENDATIONS:</b>			
<b>REPORT REF. &amp; PRIORITY</b>	<b>FINDING</b>	<b>RECOMMENDATION</b>	<b>IMPLEMENTATION DATE</b>
5.1.1 Low	<p>Point 14.4 of the Council's Contact Policy states that "Prior to any contact taking place, and within a maximum of five working days from referral, there must be a Contact Agreement Meeting. This is attended by the Senior Contact Worker, the child's Social Worker or appropriate representative and the parents".</p> <p>Point 14.5 of the policy also states that "An agreement will be drawn up and signed by all parties".</p> <p>Of the 30 referrals examined, 1 referral form was missing, and only 12 referral forms had been dated by the Social Workers. Of the 12 dated referrals, a Contact Agreement meeting took place within the specified five working days in only 6 cases.</p> <p>Furthermore, 8 occasions were noted whereby the Contact Agreement had not been signed by all parties, i.e. either not signed by the Social Worker or the Senior Contact Worker or both.</p>	<p>Staff should be reminded that in accordance with the Council's Contact Policy prior to any contact taking place, and within a maximum of five working days from referral, there must be a Contact Agreement Meeting attended by the Senior Contact Worker, the child's Social Worker or appropriate representative and the parents, and that the Contact Agreement is signed and dated by all relevant parties.</p>	31 May 2019
5.1.2 Medium	<p>From the 29 referral forms examined, a variance in the level of background information provided by the Social Workers was noted.</p> <p>Overall, there were 7 referral forms where detailed information had been provided, whereas only 1, 2 or 3 lines of information had been provided on others.</p> <p>In one case, no information had been provided by the Social Worker.</p>	<p>Management should remind all Social Workers to provide a comprehensive background of each family being referred to the service to ensure that the level of contact provided is suited to the family's needs.</p> <p>Management may wish to introduce a minimum information requirement allowing Contact Service staff to make informed</p>	31 May 2019



<b>SUMMARY OF RECOMMENDATIONS:</b>			
<b>REPORT REF. &amp; PRIORITY</b>	<b>FINDING</b>	<b>RECOMMENDATION</b>	<b>IMPLEMENTATION DATE</b>
		decisions in the best interest of the child on the basis of key information.	
5.1.3 Medium	Further to 5.1.2, from the sample examined, full details of the names, addresses and telephone numbers of the carers had not been completed by the Social Worker on 14 referral forms.	Management should remind all Social Workers that complete contact information must be provided on all referral forms. This will ensure that families can be contacted without delay at the commencement of the contact process but also in the event that a contact needs to be cancelled at short notice.	31 May 2019
5.1.4 Low	<p>Dates and pattern of contact are established during the Contact Agreement meeting and are determined on individual circumstances.</p> <p>Although contact sessions are observed by a Contact Officer, audit testing identified limited attendance by Social Workers at any of the sessions.</p> <p>From the 30 families tested, a Social Worker had attended a contact Session in 11 cases, yet 23 of the 30 families tested had attended over 19 sessions each.</p>	<p>Management may wish to introduce a minimum specification / level of frequency for Social Workers to attend contact sessions and this should be included within the Contact Service Policy.</p> <p>This will ensure that any concerns are highlighted prior to any children looked after review.</p>	31 May 2019
5.1.5 Medium	Point 19.1 of the Contact Service Policy states that "Contact supervisors are required to complete full, clear and accurate contact reports following each session". 19.2 of the policy states that "Contact reports will be sent to the child's social worker and legal services within seven working days".	In accordance with the Contact Policy, Management should remind the Senior Contact Workers to ensure that Contact Reports are sent to the Social Workers within 7 working days.	31 August 2019

<b>SUMMARY OF RECOMMENDATIONS:</b>			
<b>REPORT REF. &amp; PRIORITY</b>	<b>FINDING</b>	<b>RECOMMENDATION</b>	<b>IMPLEMENTATION DATE</b>
	<p>It was established that although the approach in each of the contact centres is generally the same, at the time of the audit, only 1 Contact Centre was adhering to the Contact Policy, in that there were no outstanding Contacts reports to be written, compared to a backlog of approximately 3 weeks at the other 2 Centres.</p> <p>Audit testing identified significant delays (over a month) in some instances between the date of contact and the transfer of the Contact report to the Social Worker for some families (i.e. at 2 specific centres).</p>		
5.1.6 High	<p>The Council has a duty to keep records which are full, accurate, confidential and secure.</p> <p>Assurance cannot be given that the records held within the Contact Service are being held securely.</p> <p>Following each contact session, Contact supervisors are required to complete full, clear and accurate contact reports. Audit testing identified that Case Recordings / Contact Reports are completed using a Word template, and for each recording made, a copy is stored on individual Officer's personal 'Y' drives or 'C' drives as well as being sent via email to the Senior Contact worker for verification. This information is subsequently emailed to Childcare Administrative Officers for saving on the individual Children's files within the WCCIS system.</p>	<p>Management should determine if access to WCISS is beneficial to the service and if so progress the matter appropriately as the current system in place for storing information is not deemed appropriate.</p>	31 May 2019

**CHIEF EXECUTIVE****AUDIT NAME: CASE MANAGEMENT****DATE FINAL REPORT WAS ISSUED: 20/05/2019****INTRODUCTION**

The responsibility for the Case Management system lies with the Legal and Democratic Division and is delivered operationally by the Service Director, Legal Services reporting to the Director of Legal Services. The objective of the service is to provide an effective and comprehensive legal service to the Council, its elected members and staff, ensuring that the Council carries out all aspects of its functions lawfully and to provide assistance in achieving the Council's policies/aims.

Personal injury claims with a value of less than £50,000 (with some exclusions such as brain injuries etc.) are now dealt with in-house by Legal staff, and not outsourced to an Insurance Claims handling firm. There is a dedicated officer who deals with these claims, which mainly fall under the 'slips, trips and falls' category. Claims are reviewed and settled or refuted. Where refuted, these still could be challenged in court by the claimant's solicitor and for those cases in litigation, these are currently dealt with externally.

Since January 2015, 382 claims have been processed in-house using the Legal Services' Case Management System.

**SCOPE & OBJECTIVES**

In accordance with the Internal Audit Plan for the financial year 2018/2019 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 public liability claims dealt with in-house to ensure that the claims have been administered appropriately.

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 objective of the review was to ensure that;

- Appropriate procedures and processes are in place for overseeing and administering Public Liability Claims in-house.

**AUDIT OPINION**

The overall control environment in relation to the administration of Public Liability Claims is considered to be effective with opportunity for improvement.

Since January 2015 personal injury claims with a value less than £50,000 have been processed in-house, by an experienced member of staff with a good local knowledge of the area, which can be extremely useful when evaluating a personal injury claim. Notwithstanding this, it was established that whilst there are system user guides in place for the Case Management system, there are no Operational Procedure Guides. As only one member of staff is currently responsible for this function, and in the absence of a documented guide, it would be difficult to achieve continuity of service in their absence. This report therefore recommends that an Operational Procedure Guide documenting the administration of Public Liability Claims are compiled and issued to staff.

The majority of claims are low-value injuries and there is a high turn-down rate with most claims being repudiated. Ten Claims were selected and the process for overseeing the claim reviewed. All claims tested were found to have been repudiated successfully.

The process in place for processing the 10 claims selected was found to be appropriate, followed consistently and actioned on a timely basis, in line with agreed protocols. Testing did however identify some minor issues, which included:

- blank lines not crossed through on key documents,
- no rationale being provided for a delay in carrying out one quality assurance review and
- two compensation forms not being sent off, but this has now been rectified. 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	There are no Operational Procedure Guides in place for overseeing Public Liability Claims (although there are system user guides).	Management should ensure that Operational Procedures documenting the administration of Public Liability Claims are compiled to facilitate continuity of process, in the event of staff absence.	01 July 2019
5.1.2 Low	<p>For each of the 10 files sampled, a Matter Plan, Key Dates Record and Personal Injury Matter Plan were attached to the front of the file. The following points were noted:</p> <ul style="list-style-type: none"> <li>• For all 10 files the Matter Plan was blank and not crossed through as not applicable.</li> <li>• For 3 of the 10 files the end of Protocol Period and date forwarded to Business Support had not been recorded on the Key Dates Records (DFT92013-00298, DFT92013 -00213 and DFT92013-00208). Unused lines had been left blank in all 10 cases.</li> <li>• Of the 10 Personal Injury Matter Plans evidenced, none had been completed in full as boxes were not crossed through where not applicable.</li> </ul>	Standard documentation should be completed in full. Where the box/line is not applicable/not required to be completed, it should be crossed through to demonstrate completeness.	31 May 2019

<p>5.1.3</p> <p>Low</p>	<p>The Compensation Recovery Unit (CRU) sits within the Department for Work and Pensions (DWP). On receipt of a claim for compensation, the Council must send form CRU1 to the CRU within 14 days to register the claim. Registering the claim does not mean that the Council has accepted liability for the accident, injury or disease. The CRU will then seek to recover:</p> <ul style="list-style-type: none"> <li>• amounts of social security benefits paid as a result of an accident, injury or disease, if a compensation payment has been made (the Compensation Recovery Scheme).</li> <li>• costs incurred by NHS hospitals and Ambulance Trusts for treatment from injuries from road traffic accidents and personal injury claims (Recovery of NHS Charges).</li> </ul> <p>For 8 of the 10 claims sampled a 'Notification of a Claim for Compensation' form (CRU1) had been completed and sent off to the Compensation Recovery Unit. For the remaining 2 (DFT92013 -00301 and DFT92013-00307) no form had been completed and submitted. Discussion with the Legal Claims Officer established that at the time the officer was unaware that the forms had to be completed and submitted for those claimants who had not attended hospital in relation to that claim. Both claims were refuted and no compensation was paid out. A CRU1 form is now completed for all claimants.</p>	<p>Care should be taken to ensure that a CRU1 is completed in all cases. This process should be included in the Operational Guidance Notes for completeness.</p>	<p>01 July 2019</p>
<p>5.1.4</p> <p>Low</p>	<p>A Key File Information Sheet is attached to the front of each file. Detailed on this is the 42 day reminder for quality assurance review and update to the claimant, from the date the file was opened. For all 10 files selected, this process had been followed and the letter sent out corresponded to the dates recorded. For DFT9203-00306, the 6<sup>th</sup> review was due to take place on 27<sup>th</sup> November 2018 but did not take place until 4<sup>th</sup> December 2018, and no explanation could be provided. (2 further files sampled also had a delay on one of the quality assurance reviews, but explanations had been provided on the Key File Information Sheet.)</p>	<p>To ensure consistency, for all delays in issuing a quality assurance letter over an agreed number of days, an explanation should be provided on the Key File Information Sheet.</p>	<p>31 May 2019</p>

**AUDIT NAME: SICKNESS ABSENCE COMPLIANCE – FOLLOW UP SCHOOLS****DATE FINAL REPORT WAS ISSUED: 03/05/2019****INTRODUCTION**

Sickness Absence Compliance (Schools) was last subject to an Internal Audit review in April 2017. At this time, the overall control environment in respect of staff sickness absence across the sample of schools selected 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.

**SCOPE & OBJECTIVES**

Having given sufficient time for Management to implement the previous recommendations, the objective of this review is to:

- Establish the status of all recommendations raised within the previous Internal Audit report (issued April 2017).

**AUDIT OPINION**

This follow up review concludes that the overall control environment in respect of the management of staff sickness absence has shown limited improvement and it is still considered to be insufficient and requires improvement.

The previous audit report contained 8 recommendations. This follow up review can confirm that while each of the recommendations made has been implemented by Management, testing across a sample of individual schools identified limited improvement in the recording and review of sickness absence on Vision.

**Compliance of Staff Absence Policies**Policy & Training

The Absence Management Policy and accompanying guides for Managers and Employees are in place.

Since the previous review, training sessions have been delivered to Head teachers / Governors and school staff can access sickness information on RCT Source.

**Sickness Absence Management – Compliance**Timeliness of Updating Vision

All sickness absence should be promptly and accurately recorded on the Vision system. Testing of a sample of 20 sickness absences recorded in Vision between September and December 2018 identified that:

- Vision is still not always promptly updated with Day 1 absence information.
- Vision is still not always promptly updated with the end of sickness information.
- SA3 forms are still not always submitted to the Payroll Service.
- Return to work interview dates are still not always recorded on Vision.

Managers Homepage

When users log onto Vision they are greeted with the Managers homepage that highlights all outstanding tasks. This review has confirmed that users are still not routinely reviewing and actioning outstanding tasks, for example:

<b>Type of Notification / Unresolved Trigger</b>	<b>Previous Review (Outstanding number of Notifications / Occasions)</b>	<b>Current Review (Outstanding number of Notifications / Occasions)</b>
Day 4	101 – 37 schools	276 – 36 schools
Day 7	125 – 45 schools	276 – 40 schools
Day 14	64 – 36 schools	216 – 42 schools
3 sickness occasions in 12 months	415 – 56 schools	511 – 82 schools
10 sickness days in 12 months	405 – 53 schools	567 – 94 schools
14 consecutive sickness days	152 – 63 schools	225 – 81 schools

#### Recording Sickness Absence in Vision

A report of all sickness absence in schools was produced for the period September to December 2018. Similar to the previous audit review, sickness can vary significantly between similar size schools; however from discussions held with 4 schools, sickness absence hadn't been updated at 1 of the schools (a comprehensive school reported 7 incidents on Vision September to December 2018 compared to 130 incidents at another school for the same period).

Whilst the emphasis of the recommendations within this report is mainly directed at the Human Resources Service, the responsibility for ensuring compliance with sickness policies ultimately lies with the Senior Leadership Team at each School.

Implementing the recommendations within this report will help improve the overall control environment in place.

REF & PRIORITY	ORIGINAL FINDING	ORIGINAL RECOMMENDATION	ORIGINAL MANAGEMENT RESPONSE	OUTCOME OF THE FOLLOW-UP AUDIT	NEW MANAGEMENT RESPONSE																																																				
<p><b>5.1.1</b></p> <p><b>Low</b></p>	<p>Examination of a sample of 20 sickness absences recorded in Vision identified:-</p> <ul style="list-style-type: none"> <li>4 occasions where the delay in inputting the 1st day of sickness was over 10 days:-</li> </ul> <table border="1" data-bbox="383 531 768 703"> <thead> <tr> <th>School</th> <th>Delay (days)</th> </tr> </thead> <tbody> <tr> <td>Abercynon Comm Primary</td> <td>23</td> </tr> <tr> <td>Cardinal Newman</td> <td>39</td> </tr> <tr> <td>Cwmdar Primary</td> <td>18</td> </tr> <tr> <td>YGG Aberdar</td> <td>21</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>8 occasions where the delay in inputting end sickness date was over 10 days:-</li> </ul> <table border="1" data-bbox="383 847 768 1134"> <thead> <tr> <th>School</th> <th>Delay (days)</th> </tr> </thead> <tbody> <tr> <td>Abercynon Comm Primary</td> <td>16</td> </tr> <tr> <td>Cardinal Newman</td> <td>37</td> </tr> <tr> <td>Cwmdar Primary</td> <td>17</td> </tr> <tr> <td>YGG Aberdar</td> <td>12</td> </tr> <tr> <td>Cwmbach Church in Wales</td> <td>31</td> </tr> <tr> <td>Cwmclydach Primary</td> <td>13</td> </tr> <tr> <td>Cwmlai Primary</td> <td>33</td> </tr> <tr> <td>Coedpenmaen Primary</td> <td>12</td> </tr> </tbody> </table> <p>Continued over the page.</p>	School	Delay (days)	Abercynon Comm Primary	23	Cardinal Newman	39	Cwmdar Primary	18	YGG Aberdar	21	School	Delay (days)	Abercynon Comm Primary	16	Cardinal Newman	37	Cwmdar Primary	17	YGG Aberdar	12	Cwmbach Church in Wales	31	Cwmclydach Primary	13	Cwmlai Primary	33	Coedpenmaen Primary	12	<p>Headteachers should be reminded that:</p> <ul style="list-style-type: none"> <li>Vision should be promptly updated to reflect all new staff sickness absence / staff returning from sickness.</li> </ul> <p>The sickness end date on Vision should be entered on the system when staff physically return to work.</p>	<p>Agreed.</p> <p>School have received information schedules via the Vision teams and also the HR Teams work closely with schools to manage absence so message has been consistent to date.</p> <p>However a further reminder will be sent to all schools in terms of a joint circular from HR &amp; Payroll.</p>	<p>Examination of a sample of 20 sickness absences recorded in Vision between September and December 2018 identified:-</p> <ul style="list-style-type: none"> <li>6 occasions where the delay in inputting the 1<sup>st</sup> day of sickness was over 10 days:</li> </ul> <table border="1" data-bbox="1319 509 1830 751"> <thead> <tr> <th>School</th> <th>Delay (Days)</th> </tr> </thead> <tbody> <tr> <td>Capcoch Primary</td> <td>25</td> </tr> <tr> <td>Cardinal Newman</td> <td>31</td> </tr> <tr> <td>Cefn Primary</td> <td>15</td> </tr> <tr> <td>Coedpenmaen Primary</td> <td>11</td> </tr> <tr> <td>Ynyshir Primary</td> <td>15</td> </tr> <tr> <td>YGG Aberdar</td> <td>14</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>4 occasions where the delay in inputting the end sickness date was over 10 days:</li> </ul> <table border="1" data-bbox="1319 869 1830 1042"> <thead> <tr> <th>School</th> <th>Delay (Days)</th> </tr> </thead> <tbody> <tr> <td>Capcoch Primary</td> <td>24</td> </tr> <tr> <td>Cardinal Newman</td> <td>25</td> </tr> <tr> <td>Cefn Primary</td> <td>19</td> </tr> <tr> <td>Coedpenmaen Primary</td> <td>20</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>3 occasions where the end date on Vision was entered the same day as the sickness ended:</li> </ul> <p>Cwmbach Church in Wales Primary Ffynon Taf Primary Ynyshir Primary</p>	School	Delay (Days)	Capcoch Primary	25	Cardinal Newman	31	Cefn Primary	15	Coedpenmaen Primary	11	Ynyshir Primary	15	YGG Aberdar	14	School	Delay (Days)	Capcoch Primary	24	Cardinal Newman	25	Cefn Primary	19	Coedpenmaen Primary	20	<p>A follow up circular will be sent to all Governing Bodies and Headteachers to remind them of the requirements in managing absence. Once the updated circular has been received by Governing Bodies a period of monitoring will be undertaken. Where it is clear that schools are not conforming the Director of Education &amp; Inclusion &amp; Director of Human Resources Services will formally write to the Chair of Governors expressing their concern.</p>
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<p><b>5.1.1</b></p> <p><b>Continued.</b></p>	<p>Continued from previous page.</p> <p>3 occasions where the end date on Vision was entered the same day as the sickness ended:-</p> <p>Aberdare Park Primary Bodringallt Primary Capcoch Primary</p>	<p>31<sup>st</sup> May 2017 – Head of HR &amp; Head of Payroll, Pension &amp; Payments</p>	<p>See above.</p>	<p>Management should consider the best approach to ensure that Vision is being promptly and accurately completed by the appropriate officers in each school, with consideration to be given to additional training and to introduce Central monitoring.</p>	<p>Director of Human Resources &amp; Service Director – Pensions, procurement &amp; Transactional Services.</p> <p>September 2019 (to coincide with new academic year and Governing Body meetings in October 2019)</p>

REF & PRIORITY	ORIGINAL FINDING	ORIGINAL RECOMMENDATION	ORIGINAL MANAGEMENT RESPONSE	OUTCOME OF THE FOLLOW-UP AUDIT	NEW MANAGEMENT RESPONSE
<p><b>5.1.2</b></p> <p><b>Low</b></p>	<p>It was established that SA3 forms for 4 of the 20 absences sampled had not been received by the Payroll Service.</p> <p>The schools where the forms hadn't been received were contacted, one school stated they had sent it to the Payroll Service; the others weren't aware the forms needed to be provided and were being retained by the schools.</p> <p>In addition, it was established that the Payroll Service do not always request missing SA3 forms from managers to support sickness absence recorded on the Vision system.</p>	<p>The Payroll Service should ensure that all SA3 forms are received to support staff sickness absence.</p> <p>All Headteachers should be informed / reminded that all SA3 forms have to be submitted to the Payroll Service to support all staff sickness absence.</p>	<p>Agreed.</p> <p>In line with 5.1.1 above, Schools will be reminded to forward all SA3 forms to Payroll to support the recorded absence.</p>	<p>It was established that SA3 forms for 3 of the 20 absences had not been received by the Payroll Service.</p> <p>3 schools where the forms had not been received were contacted:-</p> <p>Caegarw Primary – The school clerk wasn't aware that they are required by the Payroll section.</p> <p>Cwmbach Church in Wales – No SA3 form had been completed for this absence.</p> <p>YGG Aberdar – SA3 completed and present in the school but not sent to the Payroll section.</p>	<p>To be picked up as part of Circular referred to in 5.1.1 above.</p>
		<p><b>ORIGINAL RESPONSIBILITY &amp; TARGET DATE</b></p>			<p><b>UPDATED RESPONSIBILITY &amp; TARGET DATE</b></p>
		<p>31<sup>st</sup> May 2017 – Head of HR &amp; Head of Payroll, Pension &amp; Payments</p>			<p>The Payroll Service should ensure that an SA3 form is received to support all staff sickness absence.</p> <p>All Headteachers should be reminded that all SA3 forms have to be completed and submitted to the Payroll Service to support all staff sickness absence.</p> <p>Director of Human Resources &amp; Service Director – Pensions, Procurement &amp; Transactional Services.</p> <p>September 2019</p>

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5.1.3  Low	<p>For 15 of the 20 absences sampled it was established that the return to work interview date had not been recorded in Vision.</p> <p>3 of the 15 schools where the return to work interview date had not been recorded on Vision were contacted, two school clerks stated they were not aware that the dates needed to be recorded and the other had forgotten to update the information.</p>	<p>All officers returning to work following sickness should receive a return to work interview.</p> <p>During or immediately after the Return to Work interview Vision should be updated.</p>	<p>Agreed.</p> <p>In line with 5.1.1 above, the proposed joint circular will also reflect this reminder of process.</p>	<p>For 11 of the 20 absences sampled it was noted that Vision had not been updated with the return to work interview date.</p> <table border="1"> <thead> <tr> <th>School</th> </tr> </thead> <tbody> <tr><td>Capcoch Primary</td></tr> <tr><td>Cardinal Newman</td></tr> <tr><td>Cefn Primary</td></tr> <tr><td>YGG Aberdar</td></tr> <tr><td>Caegarw Primary</td></tr> <tr><td>Cwmbach Church in Wales</td></tr> <tr><td>Cwmclydach Primary</td></tr> <tr><td>Cwmdar Primary</td></tr> <tr><td>Darran Park Primary</td></tr> <tr><td>Ffynnon Taf Primary</td></tr> <tr><td>Ton Infants</td></tr> </tbody> </table> <p>3 of the 11 schools where no return to work interview date was recorded on Vision were contacted:-</p> <ul style="list-style-type: none"> <li>• Caegarw Primary – Return to Work interview undertaken, Vision not updated.</li> <li>• Cwmbach Church in Wales Primary – no evidence Return to Work interview taking place.</li> <li>• Darran Park Primary – Return to Work interview undertaken, Vision not updated.</li> </ul>	School	Capcoch Primary	Cardinal Newman	Cefn Primary	YGG Aberdar	Caegarw Primary	Cwmbach Church in Wales	Cwmclydach Primary	Cwmdar Primary	Darran Park Primary	Ffynnon Taf Primary	Ton Infants	To be picked up as part of Circular referred to in 5.1.1 above
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<p><b>ORIGINAL RESPONSIBILITY &amp; TARGET DATE</b></p>	<p><b>UPDATED RECOMMENDATION</b></p>	<p><b>UPDATED RESPONSIBILITY &amp; TARGET DATE</b></p>															
<p>31<sup>st</sup> May 2017 – Head of HR &amp; Head of Payroll, Pension &amp; Payments</p>	<p>All officers returning to work following sickness should promptly receive a return to work interview and Vision should be updated immediately to reflect this taking place.</p> <p>Headteachers should be reminded of this process and</p>	<p>Director of Human Resources &amp; Service Director – Pensions, Procurement &amp; Transactional Services.</p>															

REF & PRIORITY	ORIGINAL FINDING	ORIGINAL RECOMMENDATION	ORIGINAL MANAGEMENT RESPONSE	OUTCOME OF THE FOLLOW-UP AUDIT	NEW MANAGEMENT RESPONSE
				management should monitor Vision to ensure it is being updated.	September 2019
5.1.4 Low	<p>For each sickness absence, Vision needs to be updated with information which includes the:-</p> <p>i. start date, ii. end date, iii. self-certification (SA3) information, and iv. the return to work interview date.</p> <p>If any of the stages i to iii are not completed, Vision flags this, however stage iv is not flagged as needed to be completed.</p>	<p>Management should investigate the potential for an outstanding return to work to be 'flagged' on a Manager's Homepage.</p>	<p>Agreed.</p> <p>There is no scope to include a new flag on the existing system to support 'return to work' compliance. However an upgrade to the system which includes improved functionality and manager alerts is being considered for implementation.</p>	The new Vision system is currently under development.	N/A
		<p><b>ORIGINAL RESPONSIBILITY &amp; TARGET DATE</b></p>		<p><b>UPDATED RECOMMENDATION</b></p>	<p><b>UPDATED RESPONSIBILITY &amp; TARGET DATE</b></p>
		<p>Implementation review to commence May 2017 – Head of HR &amp; Head of Payroll, Pension &amp; Payments</p>		No recommendation required.	N/A

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5.1.5 Low	<p>The Managers home page on vision highlights all outstanding tasks to be undertaken by the responsible officers at each school.</p> <p>A report of the Managers (all school based) homepages, produced from Vision on the 11/1/2017 identified the following unresolved triggers:-</p> <p><u>Trigger – 3 sickness occasions in 12 months</u> 56 schools had this trigger unresolved, total number of occasions amounted to 415.</p> <p><u>Trigger – 10 sickness days in 12 months</u> 53 schools had this trigger unresolved, total number of occasions amounted to 405.</p> <p><u>Trigger – 14 days of consecutive absence</u> 63 schools had this trigger unresolved, total number of occasions amounted to 152.</p>	<p>Headteachers should be reminded that all outstanding triggers on their Vision Homepage need to be resolved immediately and in conjunction with the Absence Management Policy.</p> <p>Thereafter, Headteachers should ensure that all triggers on the Vision homepage are resolved promptly.</p> <p>If Headteachers are unsure of how to resolve triggers, they should contact Human Resources for assistance.</p>	<p>Agreed.</p> <p>In line with 5.1.1 above, the proposed joint circular will also reflect this reminder of process.</p>	<p>A circular was issued to schools and training has taken place by HR officers to Headteachers and Governors, however the number of unresolved triggers on Vision has increased significantly.</p> <p>A report of the Managers (all school based) homepages, produced from Vision on 13<sup>th</sup> February 2019 identified the following unresolved triggers:-</p> <p><u>Trigger – 3 sickness occasions in 12 months</u> 82 schools had this trigger unresolved, total number of occasions amounted to 511.</p> <p><u>Trigger – 10 sickness days in 12 months</u> 94 schools had this trigger unresolved, total number of occasions amounted to 567.</p> <p><u>Trigger – 14 days of consecutive absence</u> 81 schools had this trigger unresolved, total number of occasions amounted to 225.</p>	<p>To be picked up as part of Circular referred to in 5.1.1 above.</p>
		<b>ORIGINAL RESPONSIBILITY &amp; TARGET DATE</b>		<b>UPDATED RECOMMENDATION</b>	<b>UPDATED RESPONSIBILITY &amp; TARGET DATE</b>
		31 <sup>st</sup> May 2017 – Head of HR & Head of Payroll, Pension & Payments		<p>Outstanding triggers on the Vision Homepage should be resolved immediately and in conjunction with the Absence Management Policy.</p> <p>Management should consider the best approach to ensure that Vision is being appropriately completed.</p>	<p>Director of Human Resources &amp; Service Director – Pensions, Procurement &amp; Transactional Services.</p> <p>September 2019</p>

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5.1.6 Low	<p>The Managers home page also highlights the notifications outstanding for sickness absence reaching day 4, 7 and 14. A report from September 2016 to the 11<sup>th</sup> January 2017 identified that there were:-</p> <ul style="list-style-type: none"> <li>• 101 outstanding day 4 notifications at 37 schools.</li> <li>• 125 outstanding day 7 notifications at 45 schools.</li> <li>• 64 outstanding day 14 notifications at 36 schools.</li> </ul>	<p>All Headteachers should be reminded of the requirement to ensure compliance with the policy and update Vision when notification is made.</p>	<p>Agreed.</p> <p>In line with 5.1.1 above, the proposed joint circular will also reflect this reminder of process.</p>	<p>A circular was issued to schools and training has taken place by HR officers to Headteachers and Governors, however the number of outstanding notifications has increased significantly.</p> <p>A report of the Managers (all school based) homepages, produced from Vision on 13<sup>th</sup> February 2019 identified the following unresolved triggers:-</p> <p>The Managers Homepage report as at 13<sup>th</sup> February 2019 highlighted the following outstanding notifications:</p> <ul style="list-style-type: none"> <li>• 276 outstanding day 4 notifications at 36 schools.</li> <li>• 276 outstanding day 7 notifications at 40 schools.</li> <li>• 216 outstanding day 14 notifications at 42 schools.</li> </ul>	<p>To be picked up as part of Circular referred to in 5.1.1 above.</p>
		<p><b>ORIGINAL RESPONSIBILITY &amp; TARGET DATE</b></p>	<p><b>UPDATED RECOMMENDATION</b></p>	<p><b>UPDATED RESPONSIBILITY &amp; TARGET DATE</b></p>	
		<p>31<sup>st</sup> May 2017 – Head of HR &amp; Head of Payroll, Pension &amp; Payments</p>	<p>Outstanding notifications on the Vision Homepage should be resolved immediately and in conjunction with the Absence Management Policy.</p> <p>Management should consider the best approach to ensure that Vision is being appropriately completed.</p>	<p>Director of Human Resources &amp; Service Director – Pensions, Procurement &amp; Transactional Services.</p> <p>September 2019</p>	

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5.2.1  Low	<p>The Human Resources section has developed a Sickness absence policy and comprehensive Absence Management Policies / Guides.</p> <p>Headteachers / Schools have not received any training on the policies / documents and they are only available on view on Inform and the Source, systems that School's do not routinely have access to.</p>	<p>All Headteachers / schools should receive full sickness absence training.</p> <p>Consideration should be given to how staff in Schools can access the Absence Management Policies / Guides, to help ensure that all employees are treated in a consistent, fair, sympathetic and equitable manner.</p>	<p>Agreed.</p> <p>A review of Absence Management will take place shortly in respect of schools. This review will incorporate how the policy training of Headteachers / nominated representatives can be addressed</p> <p>Work is being finalised to give schools access to the HR system 'The Source' – which contains the necessary information for schools to act upon. The HR element has been completed and final stage is with the Education &amp; Life Long Learning department to finalise their content.</p>	<p>On the 4<sup>th</sup> and 8<sup>th</sup> July 2017 Headteachers received training and in November / December 2018 Chairs of Governing bodies received training.</p> <p>The sickness absence policies for all school staff is on The Source – no login required.</p>	N/A
		<b>ORIGINAL RESPONSIBILITY &amp; TARGET DATE</b>	<b>UPDATED RECOMMENDATION</b>	<b>UPDATED RESPONSIBILITY &amp; TARGET DATE</b>	
		<p>31<sup>st</sup> August 2017 Head of HR</p> <p>31<sup>st</sup> May 2017 Head of HR &amp; Director of Education</p>	N/A	N/A	

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5.2.2 Low	<p>Interrogation of the Vision for the month of October identified varying levels of sickness at schools, for example:</p> <ul style="list-style-type: none"> <li>• 10 primaries recorded no incidents.</li> <li>• 14 primaries each recorded 1 incident.</li> <li>• 1 comprehensive recorded 2 incidents.</li> <li>• 1 primary recorded 16 incidents.</li> <li>• 2 comprehensives each recorded 23 incidents.</li> <li>• 1 special school recorded 35 incidents.</li> </ul> <p>A sample of schools with low / no sickness were contacted to establish whether sickness is being updated onto Vision.</p> <p>Some Schools confirmed that Vision is not always promptly updated and at 2 Comprehensive Schools it was identified that Vision did not contain accurate sickness information.</p> <p>Two Primary schools have not updated Vision with sickness absence since 22/9/15 and 16/5/2016 respectively.</p>	<p>Management should remind all Headteachers / Officers responsible for updating Vision that sickness absence should be updated as soon as it is reported to ensure that the system contains accurate / up to date information.</p> <p>Management should monitor the sickness reported in the Vision system by each school, and investigate low levels of reported sickness to ensure that guidelines are being complied with and that management reports contain accurate information.</p>	<p>Agreed.</p> <p>In line with 5.1.1 above, the proposed joint circular will also reflect this reminder of process.</p>	<p>Interrogation of the Vision system for the 4 month period September to December 2018 identified varying levels of sickness at schools, for example:</p> <ul style="list-style-type: none"> <li>• 3 Primary Schools (Abernant, Miskin and St.Michaels) each recorded only 1 incident compared to 5 other primary schools each recording 20 or more incidents in the same period.</li> <li>• 1 Comprehensive School (Treorchy) recorded 130 incidents compared to only 7 incidents at another (YG Rhydywaun).</li> </ul> <p>This analysis highlights an improvement in sickness absence being recorded on Vision; however large variations were noted between similar size schools and discussions held with schools established that sickness is not always promptly / accurately recorded.</p>	<p>To be picked up as part of Circular referred to in 5.1.1 above.</p>
		<b>ORIGINAL RESPONSIBILITY &amp; TARGET DATE</b>		<b>UPDATED RECOMMENDATION</b>	<b>UPDATED RESPONSIBILITY &amp; TARGET DATE</b>
		31 <sup>st</sup> May 2017 – Head of HR & Head of Payroll, Pension & Payments		<p>All sickness absence should be promptly and accurately recorded on Vision.</p> <p>Management should consider the best approach to ensure that Vision is being appropriately completed.</p>	<p>Director of Human Resources &amp; Service Director – Pensions, Procurement &amp; Transactional Services.</p> <p>September 2019</p>